

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

JUNE 30, 2013

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Glenwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Theresa Romens	President	2015
Dave Blum	Vice President	2013
Ann Staiert	Board Member	2013
Henry Clark	Board Member	2013
Craig Patzer	Board Member	2015

School Officials

Devin Embray	Superintendent	2013
Shirley Lundgren	District Secretary/Treasurer and Business Manager	2013
Lynch Dallas, P.C.	Attorney	2013

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
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Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of the  
Glenwood Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

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

## Other Matters

### *Required Supplementary Information.*

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan and Schedule of Funding Progress for the Supplemental Pension Plan on pages 9 through 20 and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Glenwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2012(which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 December 12, 2013 on our consideration of the Glenwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Glenwood Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 12, 2013  
Newton, Iowa

**Glenwood Community School District**

**GLENWOOD COMMUNITY SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**

The discussion and analysis of Glenwood Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- General Fund revenues decreased from \$20,114,193 in fiscal 2012 to \$20,094,550 in fiscal 2013 and expenditures increased from \$18,998,644 in fiscal 2012 to \$19,306,240 in fiscal 2013.
- The district's unspent balance increased from \$5,682,849 to \$6,231,002.

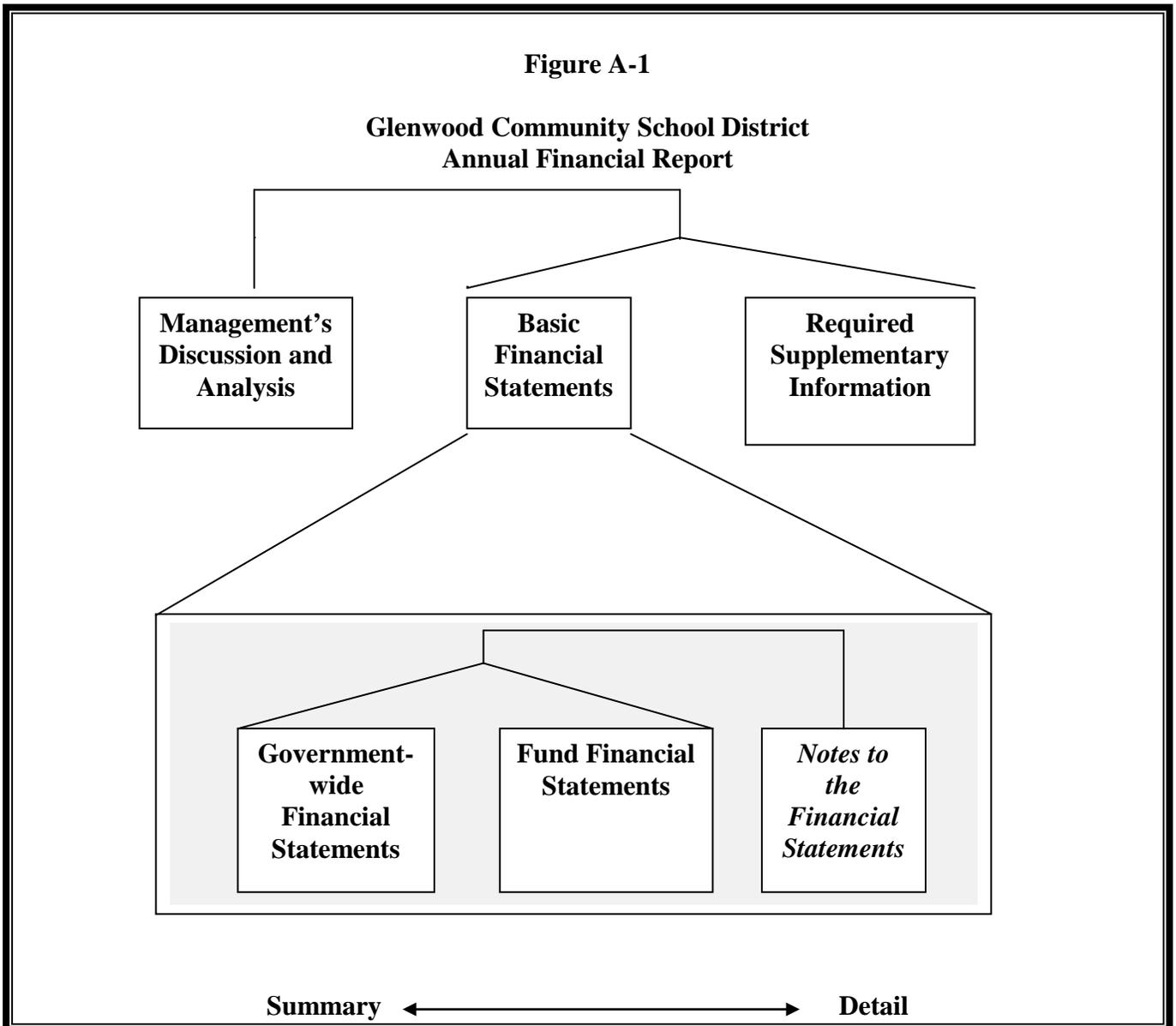
**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different view of the district:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long term financial information about the activities the District operates like businesses, such as food service and day care.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related 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. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

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

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Propriety Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs 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 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 and payable	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

## Government-wide Financial Statements

The Government-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The Government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities - is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating.

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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 taxes and state aid finance most of these areas.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service programs and day care would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

- *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, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's enterprise funds are the School Nutrition Fund, Day Care Fund, Culinary Class Fund and Marketing Class Fund.

The Required financial statements for 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.

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

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 as a whole.

### **The School District as a Whole**

*Net position.* The District's combined net position at June 30, 2013 compared to June 30, 2012 is as follows:

**Figure A-3**  
**Condensed Statement of Net Position**

	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 29,025,851	27,972,390	418,770	532,768	29,444,621	28,505,158	3.30%
Capital assets	33,157,848	33,435,796	289,249	279,354	33,447,097	33,715,150	-0.80%
Total assets	62,183,699	61,408,186	708,019	812,122	62,891,718	62,220,308	1.08%
Long-term obligations	26,506,941	27,523,805	16,942	15,242	26,523,883	27,539,047	-3.69%
Other liabilities	9,728,698	9,942,573	47,438	48,027	9,776,136	9,990,600	-2.15%
Total liabilities	36,235,639	37,466,378	64,380	63,269	36,300,019	37,529,647	-3.28%
Net position:							
Net investment in capital assets	16,016,008	15,462,424	289,249	279,354	16,305,257	15,741,778	3.58%
Restricted	4,275,084	3,825,846	0	0	4,275,084	3,825,846	11.74%
Unrestricted	5,656,968	4,653,538	354,390	469,499	6,011,358	5,123,037	17.34%
Total net position	\$ 25,948,060	23,941,808	643,639	748,853	26,591,699	24,690,661	7.70%

The District's total net position increased by \$1,901,038, or 7.70% over the prior year. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangible, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$449,238 or 11.74% over the prior year. This increase was primarily the result of an increase in fund balance of the statewide sales, services and use tax fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$888,321, or 17.34%.

**Figure A-4**  
**Changes in Net Position**

	Governmental		Business type		Total		Total
	Activities		Activities		School District		
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 1,529,703	1,594,450	1,037,587	1,072,342	2,567,290	2,666,792	-3.73%
Operating grants and contributions and restricted interest	1,881,924	1,797,772	723,914	705,503	2,605,838	2,503,275	4.10%
Capital grants and contributions and restricted interest	893,204	704,932	0	0	893,204	704,932	26.71%
General revenues:							
Property tax	8,075,239	7,665,777	0	0	8,075,239	7,665,777	5.34%
Income surtax	715,265	668,218	0	0	715,265	668,218	100.00%
Statewide sales, services and use tax	912,357	881,200	0	0	912,357	881,200	3.54%
Unrestricted state grants	10,409,310	11,005,474	0	0	10,409,310	11,005,474	-5.42%
Nonspecific program federal revenues	0	241,304	0	0	0	241,304	-100.00%
Unrestricted investment earnings	39,572	17,693	229	319	39,801	18,012	120.97%
Other	137,148	301,776	0	4,408	137,148	306,184	-55.21%
Transfers	2,000	0	0	0	2,000	0	100.00%
Total revenues	24,595,722	24,878,596	1,761,730	1,782,572	26,357,452	26,661,168	-1.14%
Program expenses:							
Governmental activities:							
Instructional	13,652,175	13,151,757	0	0	13,652,175	13,151,757	3.80%
Support services	6,398,986	6,687,045	55,141	46,440	6,454,127	6,733,485	-4.15%
Non-instructional programs	0	0	1,811,803	1,740,010	1,811,803	1,740,010	4.13%
Other expenses	2,538,309	2,385,000	0	0	2,538,309	2,385,000	6.43%
Total expenses	22,589,470	22,223,802	1,866,944	1,786,450	24,456,414	24,010,252	1.86%
Changes in net position	2,006,252	2,654,794	(105,214)	(3,878)	1,901,038	2,650,916	-28.29%
Net position beginning of year	23,941,808	21,287,014	748,853	752,731	24,690,661	22,039,745	12.03%
Net position end of year	\$ 25,948,060	23,941,808	643,639	748,853	26,591,699	24,690,661	7.70%

In fiscal 2013, property tax and unrestricted state grants account for 75.15% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$26.4 million of which \$24.6 million was for governmental activities and approximately \$1.8 million was for business type activities.

As shown in **Figure A-4**, the District as a whole experienced a 1.14% decrease in revenues and a 1.86% increase in expenses. The increase in expenses was a result of the increase in negotiated salaries and benefits.

Figure A-5

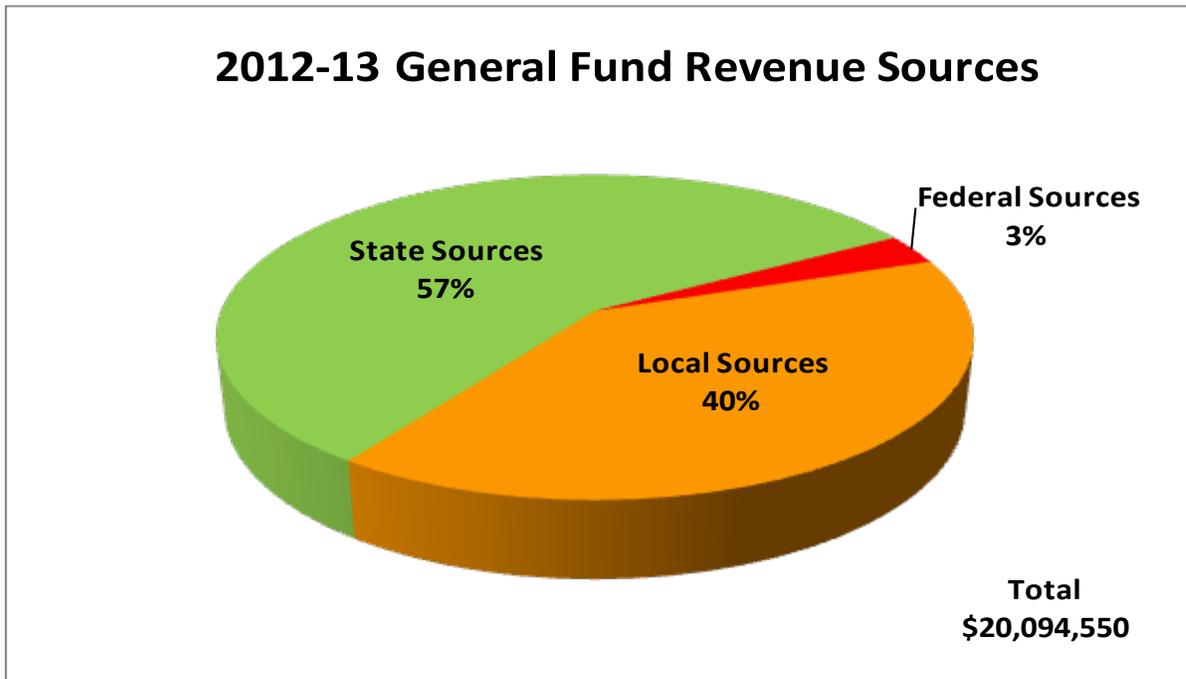
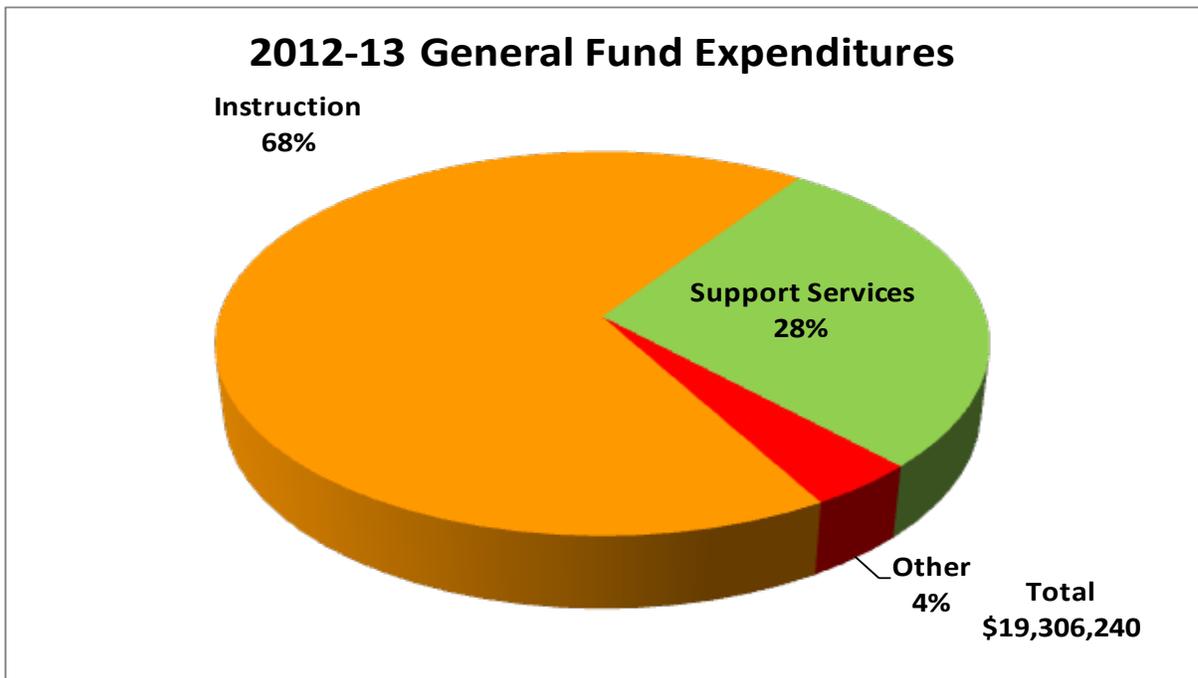


Figure A-6



## Governmental Activities

Revenues for governmental activities were \$24,595,722 while expenses amounted to \$22,589,470 for the year ended June 30, 2013.

**Figure A-7** presents the total cost and net cost of the District's major governmental activities: instruction, support services and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Figure A-7**  
**Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 13,652,175	13,151,757	3.80%	11,095,400	10,735,816	3.35%
Support services	6,398,986	6,687,045	-4.31%	5,432,281	5,791,670	-6.21%
Other expenses	2,538,309	2,385,000	6.43%	1,756,958	1,599,162	9.87%
Totals	\$ 22,589,470	22,223,802	1.65%	18,284,639	18,126,648	0.87%

The cost financed by users of the District programs was \$1,529,703.

Federal and state governments subsidized certain programs with grants and contributions totaling \$2,775,128.

The net cost of governmental activities was financed with \$8,075,239 in property tax, \$715,265 in income surtax, \$912,357 in statewide sales, services and use tax, \$10,409,310 in unrestricted state grants, \$39,572 in interest income, \$137,148 in other income, and \$2,000 in transfers.

## Business Type Activities

Revenues of the District's business-type activities decreased from \$1,782,572 to \$1,761,730 while expenses increased from \$1,786,450, to \$1,866,944. The District's business type activities include the School Nutrition Fund, Day Care, Marketing Class and Culinary Class. Revenues of these activities were comprised of charges for services, federal and state reimbursements, grants and investment income.

## Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$18,369,360 an increase of \$929,007 above last year's ending fund balances of \$17,440,353.

The primary reason for the increase in combined fund balances in fiscal 2013 was due the increases in carryover categorical funding balance in the General Fund and restricted fund balance of the Statewide Sales, Services and Use Tax Fund.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$5,165,053 to \$5,953,363 due to an increase in revenues from local sources.
- The Capital Projects Fund balance increased from \$2,754,445 to \$2,941,838 due to increases in state and federal revenue sources.
- The Debt Service Fund balance decreased from \$8,732,404 to \$8,623,556 due to increased principal payments on the District's bond indebtedness.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from \$683,577 in fiscal 2012 to \$606,012 in fiscal 2013, representing a decrease of approximately 11.35 percent. The District belongs to the Iowa Consortium for purchasing food supplies which helps lower the cost of supplies.

Kids Place Day Care program continues to be a challenge to operate as a self-sufficient program, during the year 2013 the net position decreased from \$42,856 in 2012 to \$17,235 in 2013, representing a decrease of approximately 59.74 percent.

### **Budgetary Highlights**

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 its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

### **General Fund Budgetary Highlights**

- The District's General Fund actual revenues and related instruction expenditures vary from the adopted budget because the District uses the procedure of adopting the maximum authorized budget and pertains to the General Fund of the district. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash." It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unassigned General Fund balance) of the District.
- The School District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

- General Fund revenues and other financing uses were more than expenditures and other financing sources by \$788,310. The solvency ratio position of the School District is 26.57% which is over the targeted solvency position recommended by the Iowa Association of School Boards of 5% to 10%.

### Capital Assets and Debt Administration

#### Capital Assets

By the end of fiscal 2013, the District had invested \$33,447,097, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, equipment and transportation equipment. This amount represents a decrease from last year of 0.80 percent. Depreciation expense for the year was \$1,152,084.

The original cost of the District's capital assets was \$44.94 million. Governmental funds account for \$44.29 million with the remainder of \$0.65 million in the Proprietary, School Nutrition Fund and Day Care.

**Figure A-8**  
**Capital Assets, Net of Depreciation**

	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 635,849	635,849	0	0	635,849	635,849	0.00%
Construction in progress	576,940	490,789	0	0	576,940	490,789	17.55%
Buildings	30,752,779	31,298,099	0	0	30,752,779	31,298,099	-1.74%
Land improvements	451,194	306,910	0	0	451,194	306,910	47.01%
Machinery and equipment	741,086	704,149	289,249	279,354	1,030,335	983,503	4.76%
Total	\$ 33,157,848	33,435,796	289,249	279,354	33,447,097	33,715,150	-0.80%

#### Long-Term Debt

At year-end, the District had \$26,523,883 in general obligation debt and other long-term debt outstanding. This represents a decrease of approximately 3.69% percent from last year. (See Figure A-9). More detailed information about the District's long-term liabilities is available in note 5 in the financial statements.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2013 of \$26,050,000 payable from the Debt Service Fund.

The District had total outstanding Compensated Absences payable from the General Fund of \$53,121 at June 30, 2013.

The District had outstanding Net OPEB liability at June 30, 2013 of \$420,762. The Governmental Activities accounted for \$409,654 of this total while Business Type Activities accounted for \$11,108.

**Figure A-9  
Outstanding Long-Term Obligations**

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 26,050,000	26,970,000	0	0	26,050,000	26,970,000	-3.41%
Termination benefits	0	225,384	0	0	0	225,384	-100.00%
Compensated absences	47,287	45,700	5,834	5,533	53,121	51,233	3.69%
Net OPEB liability	409,654	282,721	11,108	9,709	420,762	292,430	43.88%
<b>Totals</b>	<b>\$ 26,506,941</b>	<b>27,523,805</b>	<b>16,942</b>	<b>15,242</b>	<b>26,523,883</b>	<b>27,539,047</b>	<b>-3.69%</b>

**Factors Bearing on the District's Future**

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

- The District is in good financial health. A solid foundation of cash balance and unspent balance, allow the District to provide resources needed for excellent student achievement while still keeping the tax burden reasonable. The District remains vigilant to use completely and efficiently all the resources it has at its disposal.
- Union negotiated agreements for salaries and benefits costs exceed the District's new money. Continual increases in health insurance, fuel and utility costs need to be monitored as they have an impact on the District's finances.
- The requirements contained in the Affordable Health Care Act may potentially impact the District's future employee benefit costs. Health Care Reform mandates are going to have to be monitored very closely. The District currently has some part-time employee groups that do not have health coverage offered to them. Offering health care coverage to these employees will be an added expenditure to the District.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Shirley Lundgren, District Secretary/Treasurer and Business Manager, Glenwood Community School District, 103 Central, Suite 300, Glenwood, Iowa 51534.

# **Basic Financial Statements**

GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 18,696,948	349,954	19,046,902
Receivables:			
Property tax:			
Delinquent	59,325	0	59,325
Succeeding year	7,645,193	0	7,645,193
Income surtax	682,571	0	682,571
Accrued interest	9	0	9
Accounts	23,459	7,587	31,046
Due from other governments	1,882,771	27,459	1,910,230
Inventories	0	33,770	33,770
Net pension asset	35,575	0	35,575
Capital assets, net of accumulated depreciation	33,157,848	289,249	33,447,097
<b>TOTAL ASSETS</b>	<b>62,183,699</b>	<b>708,019</b>	<b>62,891,718</b>
<b>LIABILITIES</b>			
Accounts payable	208,983	2,876	211,859
Salaries and benefits payable	1,753,899	26,066	1,779,965
Accrued interest payable	117,980	0	117,980
Deferred revenue:			
Succeeding year property tax	7,645,193	0	7,645,193
Other	2,643	0	2,643
Unearned revenue	0	18,496	18,496
Long-term liabilities:			
Portion due within one year:			
General obligation bondspayable	960,000	0	960,000
Compensated absences payable	47,287	5,834	53,121
Portion due after one year:			
General obligation bonds payable	25,090,000	0	25,090,000
Net OPEB liability	409,654	11,108	420,762
<b>TOTAL LIABILITIES</b>	<b>36,235,639</b>	<b>64,380</b>	<b>36,300,019</b>
<b>NET POSITION</b>			
Net investment in capital assets, net of related debt	16,016,008	289,249	16,305,257
Restricted for:			
Categorical funding	773,404	0	773,404
Management levy	688,853	0	688,853
Physical plant and equipment	326,826	0	326,826
School infrastructure	2,276,852	0	2,276,852
Student activities	161,750	0	161,750
Other special purposes	47,399	0	47,399
Unrestricted	5,656,968	354,390	6,011,358
<b>TOTAL NET POSITION</b>	<b>\$ 25,948,060</b>	<b>643,639</b>	<b>26,591,699</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities		Business Type Activities
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 8,121,494	537,335	117,900	0	(7,466,259)	0	(7,466,259)
Special	3,139,870	655,557	337,435	0	(2,146,878)	0	(2,146,878)
Other	2,390,811	280,289	628,259	0	(1,482,263)	0	(1,482,263)
	<u>13,652,175</u>	<u>1,473,181</u>	<u>1,083,594</u>	<u>0</u>	<u>(11,095,400)</u>	<u>0</u>	<u>(11,095,400)</u>
Support services:							
Student	645,902	0	0	0	(645,902)	0	(645,902)
Instructional staff	641,745	0	0	0	(641,745)	0	(641,745)
Administration	2,338,344	0	11,632	0	(2,326,712)	0	(2,326,712)
Operation and maintenance of plant	1,716,400	0	0	893,204	(823,196)	0	(823,196)
Transportation	1,056,595	56,522	5,347	0	(994,726)	0	(994,726)
	<u>6,398,986</u>	<u>56,522</u>	<u>16,979</u>	<u>893,204</u>	<u>(5,432,281)</u>	<u>0</u>	<u>(5,432,281)</u>
Long-term debt interest	880,527	0	0	0	(880,527)	0	(880,527)
Other expenditures:							
AEA flowthrough	781,351	0	781,351	0	0	0	0
Depreciation(unallocated)*	876,431	0	0	0	(876,431)	0	(876,431)
	<u>1,657,782</u>	<u>0</u>	<u>781,351</u>	<u>0</u>	<u>(876,431)</u>	<u>0</u>	<u>(876,431)</u>
Total governmental activities	22,589,470	1,529,703	1,881,924	893,204	(18,284,639)	0	(18,284,639)
Business Type activities:							
Support services:							
Nutrition services	28,060	0	0	0	0	(28,060)	(28,060)
Daycare services	27,081	0	0	0	0	(27,081)	(27,081)
Non-instructional programs:							
Nutrition services	1,213,272	598,613	564,964	0	0	(49,695)	(49,695)
Daycare services	585,318	427,807	158,950	0	0	1,439	1,439
Marketing class	11,158	9,052	0	0	0	(2,106)	(2,106)
Culinary class	2,055	2,115	0	0	0	60	60
Total business type activities	<u>1,866,944</u>	<u>1,037,587</u>	<u>723,914</u>	<u>0</u>	<u>0</u>	<u>(105,443)</u>	<u>(105,443)</u>
Total	\$ 24,456,414	2,567,290	2,605,838	893,204	(18,284,639)	(105,443)	(18,390,082)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$	6,525,914	0	6,525,914
Debt service					1,378,266	0	1,378,266
Capital outlay					171,059	0	171,059
Income surtax					715,265	0	715,265
Statewide sales, services and use tax					912,357	0	912,357
Unrestricted state grants					10,409,310	0	10,409,310
Unrestricted investment earnings					39,572	229	39,801
Other					137,148	0	137,148
Transfers					2,000	0	2,000
Total general revenues					<u>20,290,891</u>	<u>229</u>	<u>20,291,120</u>
Change in net position					2,006,252	(105,214)	1,901,038
Net position beginning of year					23,941,808	748,853	24,690,661
Net position end of year				\$	<u>25,948,060</u>	<u>643,639</u>	<u>26,591,699</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with escrow agent	\$ 0	0	8,333,470	0	8,333,470
Other	6,886,539	2,018,382	279,850	851,080	10,035,851
Receivables:					
Property tax:					
Delinquent	42,707	1,203	10,236	5,179	59,325
Succeeding year	5,086,262	171,260	1,387,671	1,000,000	7,645,193
Income surtax	682,571	0	0	0	682,571
Accrued interest	0	0	0	9	9
Accounts	22,827	0	0	632	23,459
Due from other governments	956,531	926,240	0	0	1,882,771
<b>Total assets</b>	<b>\$ 13,677,437</b>	<b>3,117,085</b>	<b>10,011,227</b>	<b>1,856,900</b>	<b>28,662,649</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 198,699	3,987	0	6,297	208,983
Salaries and benefits payable	1,753,899	0	0	0	1,753,899
Deferred revenue:					
Succeeding year property tax	5,086,262	171,260	1,387,671	1,000,000	7,645,193
Income surtax	682,571	0	0	0	682,571
Other	2,643	0	0	0	2,643
<b>Total liabilities</b>	<b>7,724,074</b>	<b>175,247</b>	<b>1,387,671</b>	<b>1,006,297</b>	<b>10,293,289</b>
Fund balances:					
Restricted for:					
Categorical funding	773,704	0	0	0	773,704
Crossover refunding bonds	0	0	8,570,000	0	8,570,000
Debt service	0	0	53,556	0	53,556
Construction	0	338,160	0	0	338,160
School infrastructure	0	2,276,852	0	0	2,276,852
Physical plant and equipment	0	326,826	0	0	326,826
Management levy purposes	0	0	0	688,853	688,853
Student activities	0	0	0	161,750	161,750
Other special purposes	47,399	0	0	0	47,399
Unassigned	5,132,260	0	0	0	5,132,260
<b>Total fund balances</b>	<b>5,953,363</b>	<b>2,941,838</b>	<b>8,623,556</b>	<b>850,603</b>	<b>18,369,360</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,677,437</b>	<b>3,117,085</b>	<b>10,011,227</b>	<b>1,856,900</b>	<b>28,662,649</b>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD 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 24)</b>	\$	18,369,360
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		33,157,848
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		327,627
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		35,575
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(117,980)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		682,571
Long-term liabilities, including bonds payable, compensated absenses, and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(26,506,941)</u>
<b>Net position of governmental activities(page 22)</b>	<b>\$</b>	<b><u>25,948,060</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 6,521,141	1,083,416	1,378,266	705,685	9,688,508
Tuition	1,164,015	0	0	0	1,164,015
Other	274,801	2,142	31,442	391,871	700,256
State sources	11,570,464	793,386	1,597	809	12,366,256
Federal sources	560,334	100,000	0	0	660,334
Total revenues	<u>20,090,755</u>	<u>1,978,944</u>	<u>1,411,305</u>	<u>1,098,365</u>	<u>24,579,369</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	7,960,366	216,191	0	417,531	8,594,088
Special	3,085,550	0	0	0	3,085,550
Other	1,998,802	0	0	353,467	2,352,269
	<u>13,044,718</u>	<u>216,191</u>	<u>0</u>	<u>770,998</u>	<u>14,031,907</u>
Support services:					
Student	638,268	0	0	0	638,268
Instructional staff	471,426	132,816	0	0	604,242
Administration	2,020,526	249,012	1,717	64,641	2,335,896
Operation and maintenance of plant	1,408,417	135,247	0	127,136	1,670,800
Transportation	941,534	146,959	0	71,643	1,160,136
	<u>5,480,171</u>	<u>664,034</u>	<u>1,717</u>	<u>263,420</u>	<u>6,409,342</u>
Capital outlay	<u>0</u>	<u>625,326</u>	<u>0</u>	<u>0</u>	<u>625,326</u>
Long-term debt:					
Principal	0	0	920,000	0	920,000
Interest and fiscal charges	0	0	884,436	0	884,436
	<u>0</u>	<u>0</u>	<u>1,804,436</u>	<u>0</u>	<u>1,804,436</u>
Other expenditures:					
AEA flowthrough	781,351	0	0	0	781,351
Total expenditures	<u>19,306,240</u>	<u>1,505,551</u>	<u>1,806,153</u>	<u>1,034,418</u>	<u>23,652,362</u>
Excess(deficiency) of revenues over(under) expenditures	784,515	473,393	(394,848)	63,947	927,007
Other financing sources(uses):					
Transfers in	3,795	0	286,000	0	289,795
Transfers out	0	(286,000)	0	(1,795)	(287,795)
Total other financing sources(uses)	<u>3,795</u>	<u>(286,000)</u>	<u>286,000</u>	<u>(1,795)</u>	<u>2,000</u>
Net change in fund balances	788,310	187,393	(108,848)	62,152	929,007
Fund balances beginning of year	<u>5,165,053</u>	<u>2,754,445</u>	<u>8,732,404</u>	<u>788,451</u>	<u>17,440,353</u>
Fund balances end of year	<u>\$ 5,953,363</u>	<u>2,941,838</u>	<u>8,623,556</u>	<u>850,603</u>	<u>18,369,360</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD 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

<b>Net change in fund balances - total governmental funds(page 26)</b>	\$	929,007
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal exceeded capital outlay expenditures in the current year as follows:</p>		
Capital outlays	\$ 838,774	
Depreciation expense	(1,112,781)	
Loss on disposal of assets	<u>(3,941)</u>	(277,948)
Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds		14,353
Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis.		284,492
Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		920,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		3,909
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	225,384	
Compensated absences	(1,587)	
Other postemployment benefits	(126,933)	
Net pension asset	<u>35,575</u>	<u>132,439</u>
<b>Changes in net position of governmental activities(page 23)</b>	<b>\$</b>	<b><u>2,006,252</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities - Enterprise Funds				Total	Governmental
	School Nutrition	Day Care	Marketing Class	Culinary Class		Activities - Internal Service Fund
<b>Assets</b>						
Current assets:						
Cash and pooled investments	\$ 300,038	29,542	17,502	2,872	349,954	327,627
Receivables:						
Accounts	0	7,587	0	0	7,587	0
Due from other governments	14,157	13,302	0	0	27,459	0
Inventories	33,770	0	0	0	33,770	0
<b>Total current assets</b>	<b>347,965</b>	<b>50,431</b>	<b>17,502</b>	<b>2,872</b>	<b>418,770</b>	<b>327,627</b>
Non-current assets:						
Capital assets:						
Capital assets, net of accumulated depreciation	287,198	2,051	0	0	289,249	0
<b>Total assets</b>	<b>635,163</b>	<b>52,482</b>	<b>17,502</b>	<b>2,872</b>	<b>708,019</b>	<b>327,627</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	208	2,668	0	0	2,876	0
Salaries and benefits payable	6,622	19,444	0	0	26,066	0
Unearned revenue	14,349	4,147	0	0	18,496	0
Long-term liabilities:						
Compensated absences	1,492	4,342	0	0	5,834	0
Net OPEB liability	6,480	4,628	0	0	11,108	0
<b>Total liabilities</b>	<b>29,151</b>	<b>35,229</b>	<b>0</b>	<b>0</b>	<b>64,380</b>	<b>0</b>
<b>Net Position</b>						
Invested in capital assets	287,198	2,051	0	0	289,249	0
Unrestricted	318,814	15,202	17,502	2,872	354,390	327,627
<b>Total net position</b>	<b>\$ 606,012</b>	<b>17,253</b>	<b>17,502</b>	<b>2,872</b>	<b>643,639</b>	<b>327,627</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	School Nutrition	Day Care	Marketing Class	Culinary Class		
<b>OPERATING REVENUE:</b>						
Local sources:						
Charges for services	\$ 598,613	15,168	9,052	2,115	624,948	0
Miscellaneous	0	412,639	0	0	412,639	1,759,111
<b>TOTAL OPERATING REVENUES</b>	<b>598,613</b>	<b>427,807</b>	<b>9,052</b>	<b>2,115</b>	<b>1,037,587</b>	<b>1,759,111</b>
<b>OPERATING EXPENSES:</b>						
Support services:						
Benefits	0	0	0	0	0	19,744
Services	24,204	4,031	0	0	28,235	1,454,875
Supplies	3,856	23,050	0	0	26,906	0
	28,060	27,081	0	0	55,141	1,474,619
Non-instructional programs:						
Salaries	420,818	441,587	0	0	862,405	0
Benefits	101,624	88,273	0	0	189,897	0
Services	223	0	0	0	223	0
Supplies	651,533	54,989	11,158	2,055	719,735	0
Depreciation	38,834	469	0	0	39,303	0
Other	240	0	0	0	240	0
	1,213,272	585,318	11,158	2,055	1,811,803	0
<b>TOTAL OPERATING EXPENSES</b>	<b>1,241,332</b>	<b>612,399</b>	<b>11,158</b>	<b>2,055</b>	<b>1,866,944</b>	<b>1,474,619</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(642,719)</b>	<b>(184,592)</b>	<b>(2,106)</b>	<b>60</b>	<b>(829,357)</b>	<b>284,492</b>
<b>NON-OPERATING REVENUES:</b>						
State sources	9,114	0	0	0	9,114	0
Federal sources	555,850	158,950	0	0	714,800	0
Interest on investments	190	39	0	0	229	0
<b>TOTAL NON-OPERATING REVENUES</b>	<b>565,154</b>	<b>158,989</b>	<b>0</b>	<b>0</b>	<b>724,143</b>	<b>0</b>
Excess(deficiency) of revenues (under) expenditures	(77,565)	(25,603)	(2,106)	60	(105,214)	284,492
Net position beginning of year	683,577	42,856	19,608	2,812	748,853	43,135
Net position end of year	\$ 606,012	17,253	17,502	2,872	643,639	327,627

SEE NOTES TO FINANCIAL STATEMENTS.

**GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2013**

	Business type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	School Nutrition	Day Care	Marketing Class	Culinary Class		Total
	<b>Cash flows from operating activities:</b>					
Cash received from sale of lunches and breakfasts	\$ 597,798	15,168	0	0	612,966	0
Cash received from miscellaneous operating activities	0	412,336	9,052	2,115	423,503	1,759,111
Cash payments to employees for services	(522,131)	(529,838)	0	0	(1,051,969)	(1,474,619)
Cash payments to suppliers for goods or services	(619,275)	(80,254)	(11,158)	(2,055)	(712,742)	0
Net cash provided by(used in) operating activities	(543,608)	(182,588)	(2,106)	60	(728,242)	284,492
<b>Cash flows from non-capital financing activities:</b>						
State grants received	9,114	0	0	0	9,114	0
Federal grants received	487,028	155,217	0	0	642,245	0
Net cash provided by non-capital financing activities	496,142	155,217	0	0	651,359	0
<b>Cash flows from capital and related financing activities:</b>						
Purchase of capital assets	(49,198)	0	0	0	(49,198)	0
<b>Cash flows from investing activities:</b>						
Interest on investments	190	39	0	0	229	0
Net increase(decrease) in cash and cash equivalents	(96,474)	(27,332)	(2,106)	60	(125,852)	284,492
Cash and cash equivalents at beginning of year	396,512	56,874	19,608	2,812	475,806	43,135
Cash and cash equivalents at end of year	\$ 300,038	29,542	17,502	2,872	349,954	327,627
<b>Reconciliation of operating income(loss) to net cash used in operating activities:</b>						
Operating income(loss)	\$ (642,719)	(184,592)	(2,106)	60	(829,357)	284,492
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>						
Commodities consumed	68,575	0	0	0	68,575	0
Depreciation	38,834	469	0	0	39,303	0
Increase in inventories	(6,908)	0	0	0	(6,908)	0
(Increase)decrease in accounts receivable	983	(1,949)	0	0	(966)	0
Increase(decrease) in accounts payable	(886)	1,816	0	0	930	0
Decrease in salary and benefits payable	(1,176)	(191)	0	0	(1,367)	0
Increase(decrease) in compensated absences	(811)	1,112	0	0	301	0
Increase(decrease) in other postemployment benefits	2,298	(899)	0	0	1,399	0
Increase(decrease) in unearned revenue	(1,798)	1,646	0	0	(152)	0
Net cash used in operating activities	\$ (543,608)	(182,588)	(2,106)	60	(728,242)	284,492

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$68,575.

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Contributions	\$ 0
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	909
Change in net assets before other financing uses	(909)
Other financing uses:	
Transfer out	(2,000)
Change in net position	(2,909)
Net position beginning of year	2,909
Net position end of year	\$ 0

SEE NOTES TO FINANCIAL STATEMENTS

GLENWOOD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

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

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

**A. Reporting Entity**

For financial reporting purposes, Glenwood 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 Glenwood 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 Pottawattamie and Mills County Assessors' Conference Board.

**B. Basis of Presentation**

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

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

*Net Investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets. Unspent bond proceeds for construction have been added back to invested in capital assets. The value of the U.S. Treasury Securities on deposit with escrow agent as part of the crossover refunding bond issue has been added to Net Investment in capital assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

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

The District's propriety funds are the Enterprise, School Nutrition Fund, the Enterprise, Day Care Fund, Marketing Class Fund, Culinary Class Fund and the Internal Service Fund.

The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the child care operations of the District. The Marketing and Culinary class funds are used to account for the items sold from these classes. The Internal Service Fund is used to account for the District's flex benefit programs.

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	150,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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	5-12 years
Machinery and equipment	5-12 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

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

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

Unassigned - All amounts not included in preceding classifications.

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

#### E. Budgeting and Budgetary Control

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

#### **Note 2. Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers

acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Securities are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates. At June 30, 2013, the District had investments in U.S. Treasury Securities of \$8,333,470.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue: Student Activity	\$ 1,295
General	Management Levy	500
General	Fiduciary: Scholarship Trust	2,000
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>286,000</u>
		<u>\$ 289,795</u>

The transfer from the Special Revenue: Student Activity Fund to the General Fund was to close instructional accounts to the General Fund.

The transfer from the Management Levy Fund to the General Fund was for an insurance deductible.

The transfer from the Fiduciary: Scholarship Trust Fund to the General Fund was to transfer fund recorded in error in the Trust fund. These funds are not scholarship funds and are more appropriate to the General Fund.

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

**Note 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
Business type activities:				
Machinery and equipment	\$ 604,999	49,198	0	654,197
Less accumulated depreciation	325,645	39,303	0	364,948
Business type activities capital assets, net	<u>\$ 279,354</u>	<u>9,895</u>	<u>0</u>	<u>289,249</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 635,849	0	0	635,849
Construction in progress	490,789	283,656	197,505	576,940
Total capital assets not being depreciated	1,126,638	283,656	197,505	1,212,789
Capital assets being depreciated:				
Buildings	38,154,759	210,750	0	38,365,509
Land improvements	575,230	171,036	0	746,266
Machinery and equipment	3,653,267	370,837	60,172	3,963,932
Total capital assets being depreciated	42,383,256	752,623	60,172	43,075,707
Less accumulated depreciation for:				
Buildings	6,856,660	756,070	0	7,612,730
Land improvements	268,320	26,752	0	295,072
Machinery and equipment	2,949,118	329,959	56,231	3,222,846
Total accumulated depreciation	10,074,098	1,112,781	56,231	11,130,648
Total capital assets being depreciated, net	32,309,158	(360,158)	3,941	31,945,059
Governmental activities capital assets, net	\$ 33,435,796	(76,502)	201,446	33,157,848

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 76,608
Support services:	
Instructional staff	47,478
Administration	1,428
Operation and maintenance of plant	24,635
Transportation	86,201
	236,350
Unallocated depreciation	876,431
Total governmental activities depreciation expense	\$ 1,112,781
Business type activities:	
Food services	\$ 38,834
Day care	469
Total business type activities depreciation expense	\$ 39,303

## Note 5. Long-Term Debt

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
Governmental activities:					
General Obligation Bonds	\$ 26,970,000	0	920,000	26,050,000	960,000
Early Retirement	225,384	0	225,384	0	0
Compensated Absences	45,700	47,287	45,700	47,287	47,287
Net OPEB liability	282,721	126,933	0	409,654	0
<b>Total</b>	<b>\$ 27,523,805</b>	<b>174,220</b>	<b>1,191,084</b>	<b>26,506,941</b>	<b>1,007,287</b>
Business type activities:					
Compensated Absences	\$ 5,533	5,834	5,533	5,834	5,834
Net OPEB liability	9,709	1,399	0	11,108	0
<b>Total</b>	<b>\$ 15,242</b>	<b>7,233</b>	<b>5,533</b>	<b>16,942</b>	<b>5,834</b>

### General Obligation

On March 15, 2012 the District issued \$8,570,000 of general obligation refunding bonds, with interest rates ranging from 0.60% to 2.30%, for a crossover refunding of a portion of the general obligation bonds issued June 15, 2006. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities were placed into an escrow account for the express purpose of paying the \$8,120,000 principal of the refunded general obligation bonds when they become callable on May 1, 2015 and interest from March 16, 2012 to and including May 1, 2015 on the refunding bonds. After the principal and interest on all the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

Details of the Districts June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 15, 2006			Bond Issue of June 1, 2007		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	4.00 %	\$ 555,000	375,558	4.00 %	\$ 345,000	282,000
2015	4.00	575,000	353,358	4.00	355,000	268,200
2016	4.00	600,000	330,357	4.00	370,000	254,000
2017	4.00	625,000	306,357	4.00	380,000	239,200
2018	4.00	650,000	281,358	4.00	400,000	224,000
2019-2023	4.05-4.10	3,660,000	991,368	4.00	2,220,000	866,600
2024-2027	4.10	2,585,000	215,045	4.00	2,980,000	358,400
<b>Total</b>		<b>\$ 9,250,000</b>	<b>2,853,401</b>		<b>\$ 7,050,000</b>	<b>2,492,400</b>

Bond Issue of March 16, 2009			Bond Issue of March 1, 2012			Total	
Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
4.40 %	\$ 60,000	52,113	0.60 %	\$ 0	137,207	\$ 960,000	846,878
4.40	70,000	51,473	0.60	0	137,207	1,000,000	810,238
4.40	70,000	48,393	0.60-0.70	720,000	136,158	1,760,000	768,908
4.40	75,000	45,312	0.80-0.90	735,000	131,078	1,815,000	721,947
4.40	75,000	42,013	1.00-1.10	740,000	124,412	1,865,000	671,783
4.40-4.70	455,000	157,363	1.20-2.05	3,900,000	465,248	10,235,000	2,480,579
4.75-4.90	375,000	36,312	2.10-2.30	2,475,000	97,432	8,415,000	707,189
	<u>\$ 1,180,000</u>	<u>432,979</u>		<u>\$ 8,570,000</u>	<u>1,228,742</u>	<u>\$ 26,050,000</u>	<u>7,007,522</u>

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 147 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 153,187
Interest on net OPEB obligation	7,311
Adjustment to annual required contribution	(18,000)
Annual OPEB cost	<u>142,498</u>
Contributions made	<u>(14,166)</u>
Increase in net OPEB obligation	128,332
Net OPEB obligation beginning of year	<u>292,430</u>
Net OPEB obligation end of year	<u>\$ 420,762</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$14,166 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 104,598	22.0 %	\$ 226,000
2012	105,430	37.0	292,430
2013	142,498	9.9	420,762

**Funded Status and Funding Progress** - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,116,213 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,116,213. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,463,356 and the ratio of the UAAL to covered payroll was 14.96%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the 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 6.0%.

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

Current claim costs of the medical plan are as follows: Single plans for \$500, \$1,000 and \$2,000 deductibles at \$733, \$668 and \$613 respectively. Family plans for \$500, \$1,000 and \$2,000 deductible per month are \$1,832, 1669, and 1533 per month respectively. Post age 65 expected claims cost are assumed to equal retiree contributions. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 7. Supplemental Pension Plan**

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and 27, during the year ended June 30, 2013.

Plan Description - The District offers a supplemental pension (early retirement incentive) for certified teaching staff and non-certified staff who attain age 55 with 20 or more years of service to the District, submit an application to the superintendent, receive Board approval and retire by June 30 of the same year.

There are 353 active members in the plan as of June 30, 2013. The pension benefit is defined as 80% of the retiree's final salary.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation – The District’s annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 189,809
Pension payments made	<u>(225,384)</u>
Increase in net pension obligation	(35,575)
Net pension obligation beginning of year	<u>0</u>
Net pension obligation end of year	<u><u>\$ (35,575)</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2012. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$225,384 to the pension plan. The District’s annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2013	\$ 189,809	118.7 %	\$ (35,575)

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 approximately \$1,521,247 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1,521,247. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,130,447 and the ratio of the UAAL to covered payroll was 71.41%. 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 reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and employee retirement age. 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 Finding Progress for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to 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 benefits costs between employer and plan members to a point. The actuarial methods and assumptions used include techniques that are 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 calculations.

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB liability. The remaining amortization period at June 30, 2012 is 29 years.

#### **Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,054,832, \$983,431 and \$828,719, respectively, equal to the required contributions for each year.

#### **Note 9. Risk Management**

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

The District's contributions, which included deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$1,260,978.

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

Glenwood 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.

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$781,351 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Construction Commitments**

The District has entered into various contracts for various projects within the District As of June 30, 2013, costs of \$576,940 had been incurred against the contracts. The balance remaining at June 30, 2013 will be paid as work on the projects progresses.

**Note 12. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Dropout and dropout prevention	\$ 295,940
Talented and gifted	120,055
Teacher salary supplement	99,862
Four-year-old preschool state aid	117,494
Professional development, model core curriculum	73,140
Professional development	54,173
Market factor incentive	13,040
Total	<u>\$ 773,704</u>

## **Required Supplementary Information**

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

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 11,552,779	1,037,816	12,590,595	12,205,617	12,205,617	384,978
State sources	12,366,256	9,114	12,375,370	11,639,919	11,639,919	735,451
Federal sources	660,334	714,800	1,375,134	920,000	920,000	455,134
Total revenues	24,579,369	1,761,730	26,341,099	24,765,536	24,765,536	1,575,563
Expenditures/Expenses:						
Instruction	14,031,907	0	14,031,907	16,208,531	16,208,531	2,176,624
Support services	6,409,342	55,141	6,464,483	9,946,526	9,946,526	3,482,043
Non-instructional programs	0	1,811,803	1,811,803	2,132,407	2,132,407	320,604
Other expenditures	3,211,113	0	3,211,113	4,537,777	4,537,777	1,326,664
Total expenditures/expenses	23,652,362	1,866,944	25,519,306	32,825,241	32,825,241	7,305,935
Excess(deficiency) of revenues over(under) expenditures/expenses	927,007	(105,214)	821,793	(8,059,705)	(8,059,705)	8,881,498
Other financing sources	2,000	0	2,000	0	0	2,000
Excess(deficiency) of revenues over(under) expenditures/expenses	929,007	(105,214)	823,793	(8,059,705)	(8,059,705)	8,883,498
Balance beginning of year	17,440,353	748,853	18,189,206	8,059,705	8,059,705	10,129,501
Balance end of year	\$ 18,369,360	643,639	19,012,999	0	0	19,012,999

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

GLENWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	0	1,297,000	1,297,000	0.00	7,440,833	17.43
2010	July 1, 2008	0	1,297,000	1,297,000	0.00	9,429,183	13.76
2011	July 1, 2010	0	724,000	724,000	0.00	10,207,265	7.09
2012	July 1, 2010	0	724,000	724,000	0.00	9,245,446	7.83
2013	July 1, 2012	0	1,116,213	1,116,213	0.00	7,463,356	14.96

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE SUPPLEMENTAL PENSION PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	July 1, 2012	0	1,521,247	1,521,247	0.00	2,130,447	71.41

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Glenwood Community School District**

## **Supplementary Information**

GLENWOOD COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 683,853	167,227	851,080
Receivables:			
Property tax:			
Delinquent	5,179	0	5,179
Succeeding year	1,000,000	0	1,000,000
Accrued interest	0	9	9
Accounts	0	632	632
<b>Total assets</b>	<b>\$ 1,689,032</b>	<b>167,868</b>	<b>1,856,900</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ 179	6,118	6,297
Deferred revenue:			
Succeeding year property tax	1,000,000	0	1,000,000
<b>Total liabilities</b>	<b>1,000,179</b>	<b>6,118</b>	<b>1,006,297</b>
Fund balances:			
Restricted for:			
Management levy purposes	688,853	0	688,853
Student activities	0	161,750	161,750
<b>Total fund balances</b>	<b>688,853</b>	<b>161,750</b>	<b>850,603</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,689,032</b>	<b>167,868</b>	<b>1,856,900</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 705,685	0	705,685
Other	13,013	378,858	391,871
State sources	809	0	809
<b>Total revenues</b>	<b>719,507</b>	<b>378,858</b>	<b>1,098,365</b>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	417,531	0	417,531
Other	0	353,467	353,467
Support services:			
Administration	64,641	0	64,641
Operation and maintenance of plant	126,196	940	127,136
Transportation	71,643	0	71,643
<b>Total expenditures</b>	<b>680,011</b>	<b>354,407</b>	<b>1,034,418</b>
Excess of revenues over expenditures	39,496	24,451	63,947
<b>OTHER FINANCING USES:</b>			
Transfer out	(500)	(1,295)	(1,795)
Net change in fund balances	38,996	23,156	62,152
Fund balances beginning of year	649,857	138,594	788,451
<b>Fund balances end of year</b>	<b>\$ 688,853</b>	<b>161,750</b>	<b>850,603</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## GLENWOOD COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECT ACCOUNTS

JUNE 30, 2013

	Capital Projects Fund			
	Middle School Remodel	Statewide Sales & Services Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 338,160	1,354,599	325,623	2,018,382
Receivables:				
Succeeding year	0	0	171,260	171,260
Delinquent	0	0	1,203	1,203
Due from other governments	0	926,240	0	926,240
<b>Total assets</b>	<b>\$ 338,160</b>	<b>2,280,839</b>	<b>498,086</b>	<b>3,117,085</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 0	3,987	0	3,987
Deferred revenue				
Succeeding year property tax	0	0	171,260	171,260
<b>Total liabilities</b>	<b>0</b>	<b>3,987</b>	<b>171,260</b>	<b>175,247</b>
Fund balances:				
Restricted for:				
Construction	338,160	0	0	338,160
School infrastructure	0	2,276,852	0	2,276,852
Physical plant and equipment	0	0	326,826	326,826
<b>Total fund balances</b>	<b>338,160</b>	<b>2,276,852</b>	<b>326,826</b>	<b>2,941,838</b>
<b>Total liabilities and fund balances</b>	<b>\$ 338,160</b>	<b>2,280,839</b>	<b>498,086</b>	<b>3,117,085</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## GLENWOOD COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2013

	Capital Project Fund				Total
	Middle School Remodel	Building Projects	Statewide Sales & Services Tax	Physical Plant and Equipment Levy	
REVENUES:					
Local sources:					
Local tax	\$ 0	0	912,358	171,058	1,083,416
Other	367	0	1,384	391	2,142
State sources	0	0	793,204	182	793,386
Federal sources	0	100,000	0	0	100,000
Total revenues	367	100,000	1,706,946	171,631	1,978,944
EXPENDITURES:					
Current:					
Instruction:					
Regular	0	0	216,191	0	216,191
Support services:					
Instructional staff	0	0	132,816	0	132,816
Administration	0	0	249,012	0	249,012
Operation and maintenance of plant	0	0	0	135,247	135,247
Transportation	0	0	0	146,959	146,959
Capital Outlay	88,835	100,000	436,491	0	625,326
Total expenditures	88,835	100,000	1,034,510	282,206	1,505,551
Excess(deficiency) of revenues over(under) expenditures	(88,468)	0	672,436	(110,575)	473,393
OTHER FINANCING USES:					
Transfers out	0	0	(286,000)	0	(286,000)
Net change in fund balances	(88,468)	0	386,436	(110,575)	187,393
Fund balances beginning of year	426,628	0	1,890,416	437,401	2,754,445
Fund balances end of year	\$ 338,160	0	2,276,852	326,826	2,941,838

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## GLENWOOD COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2013

Account	Balance End of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Talent Show MS	\$ 2,112	732	575	0	2,269
Drama Club MS	2,995	364	667	0	2,692
Speech HS	1,670	2,266	2,744	0	1,192
Music MS	2,044	0	0	0	2,044
Theatre HS	1,656	2,944	2,829	(100)	1,671
Vocal Music HS	13,375	26,345	22,757	25	16,988
Show Choir	3,430	2,100	2,476	0	3,054
Band Trip	8,594	5,310	4,248	0	9,656
SW Iowa Honor Band	0	17,443	17,255	0	188
Band HS	10,691	26,027	26,447	0	10,271
Athletics	13,981	103,184	105,604	(119)	11,442
MS Athletics	257	43,374	37,736	0	5,895
Cross County - Boys	2,653	5,867	6,350	0	2,170
Bowling	0	112	0	0	112
Basketball - Boys	532	186	187	0	531
Football	148	7,171	2,733	0	4,586
Soccer - Boys	1,346	315	140	0	1,521
Baseball	277	0	35	0	242
Track - Boys	4,339	4,304	5,717	0	2,926
Tennis - Boys	558	0	0	0	558
Wrestling	977	4,501	544	0	4,934
Basketball - Girls	604	320	474	(25)	425
Volleyball	2,348	0	518	0	1,830
Soccer - Girls	568	368	654	0	282
Softball	2,081	1,404	1,898	0	1,587
Softball Complex	1,045	0	0	0	1,045
Track - Girls	2,332	3,081	3,429	0	1,984
Debate Team	0	0	0	100	100
Annual HS	12,445	9,246	10,124	0	11,567
Annual MS	4,209	6,997	5,956	0	5,250
Art Club HS	654	0	118	0	536
HS Newspaper	6,022	1,870	4,535	0	3,357
Black and Gold	6,402	6,630	5,763	0	7,269
Cheerleaders HS	4,269	14,134	12,552	119	5,970
Chess Club HS	349	0	0	0	349
Class of 2012	18	0	0	0	18
Class of 2013	441	790	1,210	(21)	0
Class of 2014	72	11,783	9,060	21	2,816
Class of 2016	0	50	0	0	50
Dance Team	3,396	7,357	9,943	0	810
FFA	3,809	16,642	11,841	0	8,610
FCA	96	0	0	0	96
Flag Crops	270	0	0	0	270
Spanish Club	1,211	1,825	2,749	0	287
FCCLA	4,604	13,654	13,690	0	4,568
SADD	741	1,023	1,112	0	652
Builders Club	406	1,797	1,517	0	686
Student Council MS	3,761	4,406	5,013	0	3,154
Media Book Club	89	0	0	0	89
Key Club	1,000	1,290	1,319	0	971
Student Council HS	2,467	7,725	4,372	0	5,820
NHS	74	0	0	0	74
Trap Club	0	9,377	5,466	0	3,911
Special 21	471	188	150	0	509
HS Peer Helpers	57	934	600	0	391
MS Peer Helpers	588	1,118	1,057	0	649
HS Leadership Club	34	2,304	1,538	0	800
Weight Room	26	0	0	0	26
Total	\$ 138,594	378,858	355,702	0	161,750

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
ASSETS:			
Cash and pooled investments	\$ 319,225	8,402	327,627
LIABILITIES:			
	0	0	0
NET POSITION	\$ 319,225	8,402	327,627

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT

INTERNAL SERVICE FUND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2013

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 1,735,655	23,456	1,759,111
TOTAL OPERATING REVENUE	1,735,655	23,456	1,759,111
OPERATING EXPENSES:			
Support services:			
Benefits	0	19,744	19,744
Services	1,454,875	0	1,454,875
TOTAL OPERATING EXPENSES	1,454,875	19,744	1,474,619
Operating income	280,780	3,712	284,492
Net position beginning of year	38,445	4,690	43,135
Net position end of year	\$ 319,225	8,402	327,627

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT

INTERNAL SERVICE FUND  
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 1,735,655	23,456	1,759,111
Cash payments to employees for services	(1,454,875)	(19,744)	(1,474,619)
Net cash provided by operating activities	<u>280,780</u>	<u>3,712</u>	<u>284,492</u>
Net increase in cash and cash equivalents	280,780	3,712	284,492
Cash and cash equivalents at beginning of year	<u>38,445</u>	<u>4,690</u>	<u>43,135</u>
Cash and cash equivalents at end of year	<u>\$ 319,225</u>	<u>8,402</u>	<u>327,627</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 280,780	3,712	284,492
Net cash provided by operating activities	<u>\$ 280,780</u>	<u>3,712</u>	<u>284,492</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST – SCHOLARSHIP FUNDS

YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund			
	Edmundson Scholarship	Science Initiative Scholarship	Superintendent Scholarship	Total
ADDITIONS:				
Local sources:				
Contributions	\$ 0	0	0	0
DEDUCTIONS:				
Instruction:				
Regular:				
Scholarships awarded	386	0	523	909
Excess(deficiency) of revenues over (under) expenditures	(386)	0	(523)	(909)
OTHER FINANCING USES:				
Transfers out	0	(2,000)	0	(2,000)
Changes in net position	(386)	(2,000)	(523)	(2,909)
Net position beginning of year	386	2,000	523	2,909
Net position end of year	\$ 0	0	0	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD 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	\$ 9,688,508	8,546,977	8,611,157	7,944,706	7,649,838	7,513,581	7,006,981	6,362,743	6,689,807	5,942,689
Tuition	1,164,015	1,249,364	1,257,704	1,220,846	1,449,357	1,562,124	1,390,963	1,241,834	1,220,022	1,279,884
Other	700,256	840,434	885,810	1,300,061	1,113,740	1,511,760	1,219,101	738,487	599,906	495,963
Intermediate sources	0	0	0	0	800	3,730	907	0	3,340	0
State sources	12,366,256	12,850,707	12,057,887	10,661,819	11,763,418	11,060,116	10,662,945	9,365,348	8,794,897	8,398,795
Federal sources	660,334	722,896	848,964	1,611,897	643,223	395,323	402,579	508,779	886,886	834,825
<b>Total</b>	<b>\$ 24,579,369</b>	<b>24,210,378</b>	<b>23,661,522</b>	<b>22,739,329</b>	<b>22,620,376</b>	<b>22,046,634</b>	<b>20,683,476</b>	<b>18,217,191</b>	<b>18,194,858</b>	<b>16,952,156</b>
Expenditures:										
Instruction:										
Regular	\$ 8,594,088	7,906,550	7,860,307	8,977,240	8,423,213	7,249,940	6,547,023	6,331,639	6,149,662	5,808,253
Special	3,085,550	3,054,927	3,161,016	2,415,897	2,336,725	3,362,616	3,018,858	2,753,613	2,677,056	2,974,237
Other	2,352,269	2,097,379	2,033,966	2,128,820	2,046,901	1,725,849	1,662,938	1,763,825	1,767,899	987,870
Support services:										
Student	638,268	643,567	598,761	547,965	519,312	471,484	456,478	427,469	253,499	590,896
Instructional staff	604,242	818,477	1,203,002	715,612	395,714	408,062	442,057	377,647	470,012	423,069
Administration	2,335,896	2,266,390	2,090,402	2,088,276	2,082,389	2,161,814	2,124,577	1,814,010	1,502,756	1,399,672
Operation and maintenance										
of plant	1,670,800	1,552,396	1,550,565	1,533,033	1,385,545	1,472,334	1,542,272	1,347,271	1,296,220	1,593,281
Transportation	1,160,136	1,134,770	1,012,038	872,975	875,816	868,971	995,306	932,399	821,126	836,311
Central support	0	0	0	0	0	0	0	0	0	18,293
Non-instructional programs	0	0	0	0	15,783	0	0	0	193	2,100
Capital outlays	625,326	759,783	1,506,734	3,769,408	9,183,106	8,798,874	2,102,068	825,452	758,985	476,431
Long-term debt:										
Principal	920,000	890,000	860,000	830,000	745,000	1,091,140	848,978	806,900	730,000	695,000
Interest and fiscal charges	884,436	806,132	818,129	857,701	817,501	860,050	532,392	327,949	221,687	248,611
Other expenditures:										
AEA flow-through	781,351	785,838	849,426	833,393	739,912	684,987	621,697	580,112	551,814	547,349
<b>Total</b>	<b>\$ 23,652,362</b>	<b>22,716,209</b>	<b>23,544,346</b>	<b>25,570,320</b>	<b>29,566,917</b>	<b>29,156,121</b>	<b>20,894,644</b>	<b>18,288,286</b>	<b>17,200,909</b>	<b>16,601,373</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	\$ 89,135
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	421,122 *
SUMMER FOOD PROGRAM FOR CHILDREN	10.559	FY 13	45,593
			<u>555,850</u>
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 13	<u>26,217</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2511-G	232,673
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2511-GC	37,505
			<u>270,178</u>
TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	84.013	FY13	<u>6,512</u>
SAFE AND DRUG - FREE SCHOOLS AND COMMUNITIES- NATIONAL PROGRAMS (COMMUNITY SERVICE FOR EXPELLED/SUSPENDED STUDENTS)	84.184	FY 12	<u>462</u>
FUND FOR THE IMPROVEMENT OF EDUCATION(IOWA DEMONSTRATION GRANT)	84.318	FY 13	<u>100,000</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY13	<u>49,997</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY13	<u>13,071</u>
IOWA WESTERN COMMUNITY COLLEGE:			
CAREER AND TECHNICAL - BASIC GRANTS TO STATES	84.048	FY 13	<u>10,555</u>
LOESS HILLS AEA 13:			
SPECIAL EDUCATION CLUSTER PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATE(PART B)	84.027	FY 13	105,126
SPECIAL EDUCATION - GRANTS TO STATE(PART B) - HIGH COST CLAIM	84.027	FY 13	75,818
			<u>180,944</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES GRANT	93.558	FY 13	<u>29,658</u>
CHILD CARE AND DEVELOPMENT BLOCK GRANT - WRAP AROUND GRANT	93.575	FY 13	<u>17,028</u>
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND	93.596	FY 13	<u>86,047</u>
TOTAL			<u>\$ 1,346,519</u>

\* - Includes \$68,575 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

To the Board of Education of the  
Glenwood Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Glenwood Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Glenwood 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 Glenwood Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Glenwood 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weakness.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glenwood Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other

matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

#### Glenwood Community School District's Responses to Findings

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

#### Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Glenwood 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.

December 12, 2013  
Newton, Iowa

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

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

To the Board of Education of  
Glenwood Community School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination on Glenwood Community School District's compliance.

Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

Glenwood Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Glenwood Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 12, 2013  
Newton, Iowa

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

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Program:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Program for Children
  - Individual Program:
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Glenwood Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, and bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Wire transfers - processing and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - collecting, depositing and recording money received.

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

Response - We will continue to investigate alternatives to achieve adequate segregation of duties.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.559 - Summer Food Program for Children  
Federal Award Year: 2013  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Local Educational Agencies  
Federal Award Year: 2013  
U.S. Department of Education  
Passed through the Iowa Department of Education

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, and bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Wire transfers - processing and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - collecting, depositing and recording money received.

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

Response - We will continue to investigate alternative to achieve adequate segregation of duties.

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

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

IV-B-13 Questionable Disbursements - We noted during our audit that a disbursement from the Middle School Talent Show account within the Special Revenue, Student Activity fund was used to give prizes to students for good performance on an Iowa Assessment exam. This does not appear to meet the requirements of public purpose as define in an Attorney General’s opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to students as incentives for performance or good behavior.

Response - Staff have been notified and prizes for performance or good behavior will not be given to students in the future.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Aaron Aistrope, Bus Driver Son of owner of Aistrope Agency Inc.	Property Insurance	\$444,000
Brett Elam, Head Baseball Coach Owner Yankee Construction	Construction	\$1,747

In accordance with the Attorney General's opinion dated November 9, 1976, the above Transactions with the parent of the employee do not appear to represent a conflict of interest.

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

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

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

IV-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of residents students which were reported was understated by one student. This was due to the District missing a resident student in their Fall 2012 count.

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

Response - The District's auditors will contact the Iowa Department of Education and the Department of Management on behalf of the District to resolve the variance in certified enrollment.

Conclusion - Response accepted.

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

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

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

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

IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services 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		\$ 1,890,416
Revenues/Transfers in:		
Sales tax revenues	\$ 912,358	
Other local revenues	1,384	
School infrastructure supplemental amount	793,204	1,706,946
		<u>3,597,362</u>
Expenditures/transfers out:		
School infrastructure construction	436,491	
Equipment	358,456	
Other	239,563	
Transfers to other funds		
Debt service fund	286,000	1,320,510
		<u>1,320,510</u>
Ending balance		<u>\$ 2,276,852</u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	<u>\$ 0.58000</u>	<u>\$ 286,000</u>

IV-M-12 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. More specific examples of these instances of questioned items and recommendations are as follows:

**Questionable Expenses** - We noted during our audit that coffee for the teacher's lounge, and faculty meeting refreshments were purchased from the Student Activity Fund.

Recommendation - Expenses for teacher's lounge coffee, and faculty meeting refreshments are not extracurricular or co-curricular in nature and therefore are inappropriate expenditures from the Student Activity Fund. These expenditures would be more appropriately handled in the General Fund.

Response - Staff has been notified and expenditures will be handled through the General Fund in the future.

Conclusion - Response accepted.