

KNOXVILLE 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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Knoxville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Leslie Miller	President	2015
Mike Helle	Vice President	2015
Tim McDonald	Board Member	2015
Stephanie Vickroy	Board Member	2013
Mark Mahoney	Board Member	2013
<b>School Officials</b>		
Dr. Randy Flack	Superintendent	2013
Craig Mobley	Business Manager, District Secretary/Treasurer	2013
Drew Bracken	Attorney	2013

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Knoxville Community School District:**

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Knoxville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 21, 2014  
Newton, Iowa

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

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

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$18,029,975 in fiscal 2012 to \$17,528,102 in fiscal 2013, while General Fund expenditures increased from \$16,822,041 in fiscal 2012 to \$17,152,145 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$1,713,930 in fiscal 2012 to a balance of \$2,089,887 in fiscal 2013, a 21.94% increase from the prior year.
- The decrease in General Fund revenues was primarily attributable to decreases in local and federal sources in fiscal 2013. The increase in expenditures was due primarily to an increase in expenses in the instruction and support service functions.
- The District's solvency ratio increased as compared to fiscal 2012. At June 30, 2013 the District's solvency ratio was 8.58% as compared to 6.63% at June 30, 2012.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Knoxville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Knoxville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Knoxville Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

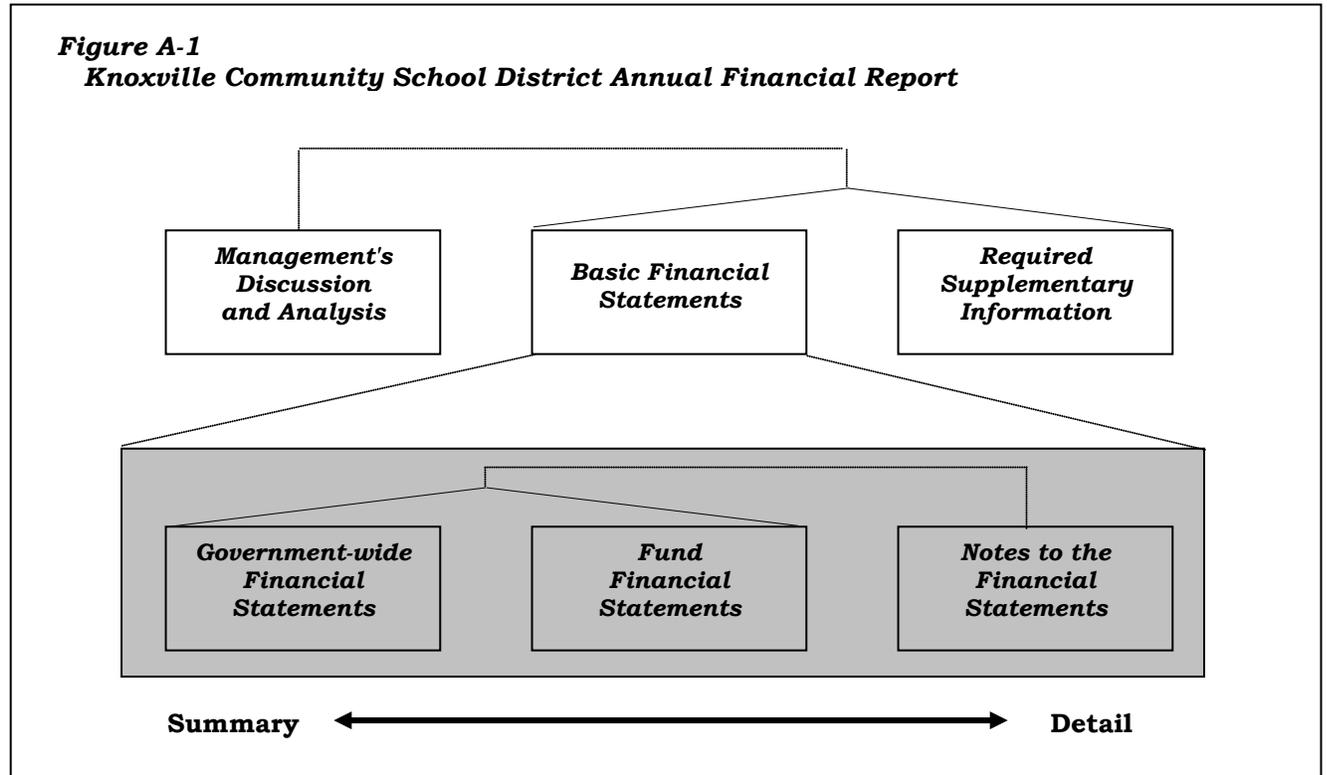


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for Marion County Empowerment and Flex Spending accounts and related expenditures.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 14,689,451	15,759,249	520,237	566,679	15,209,688	16,325,928	-6.84%
Capital assets	21,875,076	16,342,350	177,365	168,715	22,052,441	16,511,065	33.56%
Total assets	<u>36,564,527</u>	<u>32,101,599</u>	<u>697,602</u>	<u>735,394</u>	<u>37,262,129</u>	<u>32,836,993</u>	<u>13.48%</u>
Long-term obligations	11,522,818	12,900,866	19,342	15,530	11,542,160	12,916,396	-10.64%
Other liabilities	8,727,628	5,344,178	63,696	72,587	8,791,324	5,416,765	62.30%
Total liabilities	<u>20,250,446</u>	<u>18,245,044</u>	<u>83,038</u>	<u>88,117</u>	<u>20,333,484</u>	<u>18,333,161</u>	<u>10.91%</u>
Net position:							
Invested in capital assets, net of related debt	12,270,076	11,683,832	177,365	168,715	12,447,441	11,852,547	5.02%
Restricted	3,961,717	2,892,880	0	0	3,961,717	2,892,880	36.95%
Unrestricted	82,288	(720,157)	437,199	478,562	519,487	(241,595)	315.02%
Total net position	<u>\$ 16,314,081</u>	<u>13,856,555</u>	<u>614,564</u>	<u>647,277</u>	<u>16,928,645</u>	<u>14,503,832</u>	<u>16.72%</u>

The District's combined net position increased by 16.72%, or \$2,424,813, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$1,068,837, or 36.95%, over the prior year. This decrease was primarily due to a decrease in the Debt Service 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 \$761,082, or 315.02%. This increase in unrestricted net position was a result of an increase in the General Fund balance.

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

Figure A-4  
Changes in Net Position

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	2013	2012	2013	2012	2013	2012	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,142,866	1,060,954	308,315	323,190	1,451,181	1,384,144	4.84%
Operating grants and contributions and restricted interest	1,540,142	1,492,707	495,574	488,345	2,035,716	1,981,052	2.76%
Capital grants and contributions and restricted interest	330,206	149,930	0	0	330,206	149,930	120.24%
General revenues:							
Property tax	6,062,462	6,230,942	0	0	6,062,462	6,230,942	-2.70%
Income surtax	470,466	465,335	0	0	470,466	465,335	1.10%
Statewide sales, services and use tax	1,303,507	1,309,803	0	0	1,303,507	1,309,803	-0.48%
Unrestricted state grants	10,536,954	10,492,963	0	0	10,536,954	10,492,963	0.42%
Nonspecific program federal grants	0	336,953	0	0	0	336,953	-100.00%
Unrestricted investment earnings	6,662	15,672	9	28	6,671	15,700	-57.51%
Other	177,693	176,668	20,009	13,281	197,702	189,949	4.08%
Total revenues and transfers	21,570,958	21,731,927	823,907	824,844	22,394,865	22,556,771	-0.72%
Program expenses:							
Governmental activities:							
Instructional	12,529,059	12,898,638	0	0	12,529,059	12,898,638	-2.87%
Support services	5,056,042	5,245,659	12,425	10,451	5,068,467	5,256,110	-3.57%
Non-instructional programs	0	0	844,195	752,770	844,195	752,770	12.15%
Other expenses	1,528,331	1,419,986	0	0	1,528,331	1,419,986	7.63%
Total expenses	19,113,432	19,564,283	856,620	763,221	19,970,052	20,327,504	-1.76%
Changes in net position	2,457,526	2,167,644	(32,713)	61,623	2,424,813	2,229,267	8.77%
Net position beginning of year	13,856,555	11,688,911	647,277	585,654	14,503,832	12,274,565	18.16%
Net position end of year	\$ 16,314,081	13,856,555	614,564	647,277	16,928,645	14,503,832	16.72%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 85.18% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.57% of the revenue from business type activities.

The District's total revenues were approximately \$22.39 million of which approximately \$21.57 million was for governmental activities and approximately \$0.82 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.72% decrease in revenues and a 1.76% decrease in expenses. Revenues decreased as a result of a decrease in funding from local and federal sources. Expenses were decreased due to a decrease in the instruction and support services functional areas in the non-major governmental funds.

### Governmental Activities

Revenues for governmental activities were \$21,570,958 and expenses were \$19,113,432.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 12,529,059	12,898,638	-2.87%	10,579,203	11,069,919	-4.43%
Support services	5,056,042	5,245,659	-3.61%	4,679,280	5,058,169	-7.49%
Other expenses	1,528,331	1,419,986	7.63%	841,735	732,604	14.90%
Totals	<u>\$ 19,113,432</u>	<u>19,564,283</u>	<u>-2.30%</u>	<u>16,100,218</u>	<u>16,860,692</u>	<u>-4.51%</u>

- The cost financed by users of the District's programs was \$1,142,866.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,870,348.
- The net cost of governmental activities was financed with \$6,062,462 in property tax, \$470,466 in income surtax, \$1,303,507 in statewide sales, services and use tax, \$10,536,954 in unrestricted state grants, \$6,662 in interest income and \$177,693 in other general revenues.

### Business type Activities

Revenues of the District's business type activities were \$823,907 and expenses were \$856,620. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$5,214,732, significantly below last year's ending fund balance of \$9,594,663. The primary reason for the decrease in combined fund balance in fiscal 2013 is due to the construction costs for the new auditorium at the high school.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues decreased due to a decrease in local tax and federal source revenues. The increase in expenses was due to an increase in instruction and support services functional expenses.

- The Capital Projects Fund balance decreased from a balance of \$6,611,804 at the beginning of the fiscal year 2013 to \$1,490,002. The decrease was due to the expenses relating to the construction of the new auditorium.

### Proprietary Fund Highlights

The Proprietary Fund net position decreased from \$647,277 at June 30, 2012 to \$614,564 at June 30, 2013, representing a decrease of 5.05%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$253,372 more than budgeted revenues, a variance of 1.14%. The most significant positive variance resulted from the District receiving more in state sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$22,052,441, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 33.56% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$927,924.

The original cost of the District's capital assets was \$32,989,985. Governmental funds account for \$32,320,783 with the remainder of \$669,202 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$6,384,564 at June 30, 2013, compared to \$1,035,021 reported at June 30, 2012. This increase resulted from work beginning on the middle school roof, high school track and a new auditorium at the High School.

Figure A-6  
Capital Assets, Net of Depreciation

	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
Land	\$ 63,966	63,966	0	0	63,966	63,966	0.00%
Construction in progress	6,384,564	1,035,021	0	0	6,384,564	1,035,021	516.85%
Buildings	14,688,178	14,584,900	0	0	14,688,178	14,584,900	0.71%
Machinery and equipment	738,368	658,463	177,365	168,715	915,733	827,178	10.71%
Total	\$ 21,875,076	16,342,350	177,365	168,715	22,052,441	16,511,065	33.56%

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## Long-Term Debt

At June 30, 2013, the District had \$11,542,160 in general obligation and other long-term debt outstanding. This represents a decrease of 10.64% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds of \$9,605,000 at June 30, 2013 payable from the Capital Projects: Statewide Sales, Services and use Tax Fund.

The District had outstanding computer lease of \$579,723 at June 30, 2013 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding termination benefits payable from the Special Revenue, Management Fund of \$651,538 at June 30, 2013.

The District has a Net OPEB liability of \$705,899 as of June 30, 2013.

Figure A-7  
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	\$ 0	780,000	0	0	0	780,000	-100.00%
Revenue bonds	9,605,000	9,605,000	0	0	9,605,000	9,605,000	0.00%
Computer lease	579,723	951,653	0	0	579,723	951,653	-39.08%
Termination benefits	651,538	961,034	0	0	651,538	961,034	-32.20%
Net OPEB obligation	686,557	603,179	19,342	15,530	705,899	618,709	14.09%
Total	\$ 11,522,818	12,900,866	19,342	15,530	11,542,160	12,916,396	-10.64%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced fluctuating enrollment for a few years, the District expects to have a slow minimal enrollment decline over the next few years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Craig Mobley, District Secretary/Treasurer and Business Manager, Knoxville Community School District, 309 W Main, Knoxville, Iowa, 50138.

**KNOXVILLE COMMUNITY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 7,545,972	465,357	8,011,329
Receivables:			
Property tax:			
Delinquent	77,100	0	77,100
Succeeding year	5,680,858	0	5,680,858
Income surtax	462,917	0	462,917
Accounts	187,656	24,839	212,495
Due from other governments	734,948	0	734,948
Inventories	0	30,041	30,041
Capital assets, net of accumulated depreciation	21,875,076	177,365	22,052,441
<b>TOTAL ASSETS</b>	<b>36,564,527</b>	<b>697,602</b>	<b>37,262,129</b>
<b>LIABILITIES</b>			
Accounts payable	1,144,337	624	1,144,961
Salaries and benefits payable	1,773,158	51,923	1,825,081
Interest payable	129,275	0	129,275
Deferred revenue:			
Succeeding year property tax	5,680,858	0	5,680,858
Unearned revenue	0	11,149	11,149
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	340,000	0	340,000
Computer lease payable	382,131	0	382,131
Termination benefit payable	262,251	0	262,251
Portion due after one year:			
Revenue bonds payable	9,265,000	0	9,265,000
Computer lease payable	197,592	0	197,592
Termination benefit payable	389,287	0	389,287
Net OPEB liability	686,557	19,342	705,899
<b>TOTAL LIABILITIES</b>	<b>20,250,446</b>	<b>83,038</b>	<b>20,333,484</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	12,270,076	177,365	12,447,441
Restricted for:			
Categorical funding	644,697	0	644,697
School infrastrucutre	1,152,049	0	1,152,049
Physical plant and equipment levy	337,953	0	337,953
Debt service	1,213,177	0	1,213,177
Student activities	613,841	0	613,841
Unrestricted	82,288	437,199	519,487
<b>TOTAL NET POSITION</b>	<b>\$ 16,314,081</b>	<b>614,564</b>	<b>16,928,645</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type. Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 7,387,541	419,614	92,338	0	(6,875,589)	0	(6,875,589)
Special	2,571,908	119,092	99,159	0	(2,353,657)	0	(2,353,657)
Other	2,569,610	601,821	617,832	0	(1,349,957)	0	(1,349,957)
	<u>12,529,059</u>	<u>1,140,527</u>	<u>809,329</u>	<u>0</u>	<u>(10,579,203)</u>	<u>0</u>	<u>(10,579,203)</u>
Support services:							
Student	298,695	0	36,152	0	(262,543)	0	(262,543)
Instructional staff	358,919	0	0	0	(358,919)	0	(358,919)
Administration	1,907,522	0	0	0	(1,907,522)	0	(1,907,522)
Operation and maintenance of plant	1,795,247	0	0	330,206	(1,465,041)	0	(1,465,041)
Transportation	695,659	2,339	8,065	0	(685,255)	0	(685,255)
	<u>5,056,042</u>	<u>2,339</u>	<u>44,217</u>	<u>330,206</u>	<u>(4,679,280)</u>	<u>0</u>	<u>(4,679,280)</u>
Long-term debt interest	289,431	0	0	0	(289,431)	0	(289,431)
Other expenses:							
AEA flowthrough	686,596	0	686,596	0	0	0	0
Depreciation(unallocated)*	552,304	0	0	0	(552,304)	0	(552,304)
	<u>1,238,900</u>	<u>0</u>	<u>686,596</u>	<u>0</u>	<u>(552,304)</u>	<u>0</u>	<u>(552,304)</u>
Total governmental activities	<u>19,113,432</u>	<u>1,142,866</u>	<u>1,540,142</u>	<u>330,206</u>	<u>(16,100,218)</u>	<u>0</u>	<u>(16,100,218)</u>
Business type activities:							
Support services:							
Administration	1,079	0	0	0	0	(1,079)	(1,079)
Operation and maintenance of plant	11,346	0	0	0	0	(11,346)	(11,346)
Non-instructional programs:							
Nutrition services	844,195	308,315	495,574	0	0	(40,306)	(40,306)
Total business type activities	<u>856,620</u>	<u>308,315</u>	<u>495,574</u>	<u>0</u>	<u>0</u>	<u>(52,731)</u>	<u>(52,731)</u>
Total	<u>\$ 19,970,052</u>	<u>1,451,181</u>	<u>2,035,716</u>	<u>330,206</u>	<u>(16,100,218)</u>	<u>(52,731)</u>	<u>(16,152,949)</u>
General Revenues:							
Property tax for:							
General purposes				\$ 4,904,393	0	4,904,393	
Debt service				792,593	0	792,593	
Capital outlay				365,476	0	365,476	
Income surtax				470,466	0	470,466	
Statewide sales, services and use tax				1,303,507	0	1,303,507	
Unrestricted state grants				10,536,954	0	10,536,954	
Unrestricted investment earnings				6,662	9	6,671	
Other general revenues				177,693	20,009	197,702	
Total general revenues and transfers				<u>18,557,744</u>	<u>20,018</u>	<u>18,577,762</u>	
Changes in net position				2,457,526	(32,713)	2,424,813	
Net position beginning of year				<u>13,856,555</u>	<u>647,277</u>	<u>14,503,832</u>	
Net position end of year				<u>\$ 16,314,081</u>	<u>614,564</u>	<u>16,928,645</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,898,441	1,790,876	1,623,543	7,312,860
Receivables:				
Property tax:				
Delinquent	55,742	4,605	16,753	77,100
Succeeding year	4,804,467	376,391	500,000	5,680,858
Income surtax	462,917	0	0	462,917
Accounts	3,772	0	3,547	7,319
Due from other governments	265,259	469,689	0	734,948
<b>TOTAL ASSETS</b>	<b>\$ 9,490,598</b>	<b>2,641,561</b>	<b>2,143,843</b>	<b>14,276,002</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 360,169	775,168	9,000	1,144,337
Salaries and benefits payable	1,773,158	0	0	1,773,158
Deferred revenue:				
Succeeding year property tax	4,804,467	376,391	500,000	5,680,858
Income surtax	462,917	0	0	462,917
<b>Total liabilities</b>	<b>7,400,711</b>	<b>1,151,559</b>	<b>509,000</b>	<b>9,061,270</b>
Fund balances:				
Restricted for:				
Categorical funding	644,697	0	0	644,697
School infrastructure	0	1,152,049	0	1,152,049
Physical plant and equipment	0	337,953	0	337,953
Debt service	0	0	1,342,452	1,342,452
Management levy purposes	0	0	106,619	106,619
Student activities	0	0	613,841	613,841
Unassigned:				
General	1,445,190	0	0	1,445,190
Student activities	0	0	(428,069)	(428,069)
<b>Total fund balances</b>	<b>2,089,887</b>	<b>1,490,002</b>	<b>1,634,843</b>	<b>5,214,732</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,490,598</b>	<b>2,641,561</b>	<b>2,143,843</b>	<b>14,276,002</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$ 5,214,732
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,875,076
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	413,449
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	462,917
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.	(129,275)
Long-term liabilities, including bonds payable, early retirement payable, computer lease payable and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,522,818)</u>
<b>Net position of governmental activities(page 18)</b>	<b><u><u>\$ 16,314,081</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 4,851,714	1,668,983	1,319,184	7,839,881
Tuition	471,837	0	0	471,837
Other	133,353	139,969	644,180	917,502
State sources	11,531,953	273,986	0	11,805,939
Federal sources	539,245	0	0	539,245
Total revenues	<u>17,528,102</u>	<u>2,082,938</u>	<u>1,963,364</u>	<u>21,574,404</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	7,231,364	0	393,981	7,625,345
Special	2,534,657	0	0	2,534,657
Other	1,949,924	0	622,135	2,572,059
	<u>11,715,945</u>	<u>0</u>	<u>1,016,116</u>	<u>12,732,061</u>
Support services:				
Student	316,029	0	0	316,029
Instructional staff	357,123	0	0	357,123
Administration	1,896,020	12,133	20,132	1,928,285
Operation and maintenance of plant	1,588,968	0	159,845	1,748,813
Transportation	591,464	144,141	12,574	748,179
	<u>4,749,604</u>	<u>156,274</u>	<u>192,551</u>	<u>5,098,429</u>
Capital outlay	0	6,053,814	0	6,053,814
Long-term debt:				
Principal	0	0	1,151,930	1,151,930
Interest and fiscal charges	0	0	231,505	231,505
	<u>0</u>	<u>0</u>	<u>1,383,435</u>	<u>1,383,435</u>
Other expenditures:				
AEA flowthrough	686,596	0	0	686,596
	<u>686,596</u>	<u>0</u>	<u>0</u>	<u>686,596</u>
Total expenditures	<u>17,152,145</u>	<u>6,210,088</u>	<u>2,592,102</u>	<u>25,954,335</u>
Excess(Deficiency) of revenues over over(under) expenditures	375,957	(4,127,150)	(628,738)	(4,379,931)
Other financing sources(uses):				
Transfer in	0	0	994,652	994,652
Transfer out	0	(994,652)	0	(994,652)
Total other financing sources(uses)	<u>0</u>	<u>(994,652)</u>	<u>994,652</u>	<u>0</u>
Change in fund balances	375,957	(5,121,802)	365,914	(4,379,931)
Fund balance beginning of year	1,713,930	6,611,804	1,268,929	9,594,663
Fund balance end of year	<u>\$ 2,089,887</u>	<u>1,490,002</u>	<u>1,634,843</u>	<u>5,214,732</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE 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

Net change in fund balances - total governmental funds(page 22) \$ (4,379,931)

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

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

Capital outlays	\$ 6,234,476	
Depreciation expense	<u>(701,750)</u>	5,532,726

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (11,945)

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. Current year repayments are as follows: 1,151,930

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. (57,926)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (3,446)

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	309,496	
Other postemployment benefits	<u>(83,378)</u>	<u>226,118</u>

Changes in net position of governmental activities(page 19) \$ 2,457,526

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise: Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
<b>ASSETS</b>		
Cash and pooled investments	\$ 465,357	233,112
Accounts receivable	24,839	180,337
Inventories	30,041	0
Capital assets, net of accumulated depreciation	177,365	0
<b>TOTAL ASSETS</b>	<b>697,602</b>	<b>413,449</b>
<b>LIABILITIES</b>		
Accounts payable	624	0
Salaries and benefits payable	51,923	0
Unearned revenue	11,149	0
Net OPEB liability	19,342	0
<b>TOTAL LIABILITIES</b>	<b>83,038</b>	<b>0</b>
<b>NET POSITION</b>		
Invested in capital assets	177,365	0
Unrestricted	437,199	413,449
<b>TOTAL NET POSITION</b>	<b>\$ 614,564</b>	<b>413,449</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 308,315	0
Miscellaneous	20,009	2,183,730
TOTAL OPERATING REVENUES	<u>328,324</u>	<u>2,183,730</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Benefits	0	2,195,675
Services	1,079	0
Operation and maintenance of plant:		
Services	11,346	0
	<u>12,425</u>	<u>2,195,675</u>
Non-instructional programs:		
Food service operations:		
Salaries	278,716	0
Benefits	118,867	0
Services	1,622	0
Supplies	401,999	0
Depreciation	42,991	0
	<u>844,195</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>856,620</u>	<u>2,195,675</u>
OPERATING LOSS	<u>(528,296)</u>	<u>(11,945)</u>
NON-OPERATING REVENUES:		
State sources	7,452	0
Federal sources	488,122	0
Interest on investments	9	0
TOTAL NON-OPERATING REVENUES	<u>495,583</u>	<u>0</u>
Change in net position	(32,713)	(11,945)
Net position beginning of year	<u>647,277</u>	<u>425,394</u>
Net position end of year	<u>\$ 614,564</u>	<u>413,449</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 304,935	0
Cash received from miscellaneous	20,009	2,003,393
Cash payments to employees for services	(393,885)	0
Cash payments to suppliers for goods or services	(365,778)	(2,196,977)
Net cash used in operating activities	<u>(434,719)</u>	<u>(193,584)</u>
Cash flows from non-capital financing activities:		
State grants received	7,452	0
Federal grants received	429,891	0
Net cash provided by non-capital financing activities	<u>437,343</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(51,641)	0
Cash flows from investing activities:		
Interest on investments	9	0
Net decrease in cash and cash equivalents	(49,008)	(193,584)
Cash and cash equivalents at beginning of year	514,365	426,696
Cash and cash equivalents at end of year	<u>\$ 465,357</u>	<u>233,112</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (528,296)	(11,945)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	55,231	0
Depreciation	42,991	0
Decrease in inventories	1,371	0
Increase in accounts receivable	(3,937)	(180,337)
Decrease in accounts payable	(6,334)	(1,302)
Decrease in salaries and benefits payable	(114)	0
Increase in unearned revenue	557	0
Increase in other postemployment benefits	3,812	0
Net cash used in operating activities	<u>\$ (434,719)</u>	<u>(193,584)</u>

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

During the year ended June 30, 2013, the District received Federal commodities valued at \$55,231.

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2013

	Private Purpose Trust Scholarship Fund	Agency Fund
ASSETS		
Cash and pooled investments	\$ 9,680	83,786
LIABILITIES		
Due to other groups	0	83,786
NET POSITION		
Restricted for scholarships	\$ 9,680	0

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Gifts and contributions	\$ 750
Interest income	1
Total additions	751
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	150
Change in net position	601
Net position beginning of year	9,079
Net position end of year	\$ 9,680

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

The Knoxville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Knoxville, Iowa, and the predominate agricultural territory in Marion County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Knoxville 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 Knoxville 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 Marion 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

*Restricted net position* result 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 that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The

Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the Government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

#### E. Budgeting and Budgetary Control

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

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

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

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

At June 30, 2013 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,619,874 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 994,652

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

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,966	0	0	63,966
Construction in progress	1,035,021	5,829,476	479,933	6,384,564
Total capital assets not being depreciated	1,098,987	5,829,476	479,933	6,448,530
Capital assets being depreciated:				
Buildings	22,006,876	655,582	0	22,662,458
Machinery and equipment	3,030,444	229,351	50,000	3,209,795
Total capital assets being depreciated	25,037,320	884,933	50,000	25,872,253
Less accumulated depreciation for:				
Buildings	7,421,976	552,304	0	7,974,280
Machinery and equipment	2,371,981	149,446	50,000	2,471,427
Total accumulated depreciation	9,793,957	701,750	50,000	10,445,707
Total capital assets being depreciated, net	15,243,363	183,183	0	15,426,546
Governmental activities capital assets, net	\$ 16,342,350	6,012,659	479,933	21,875,076

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 645,200	51,641	27,639	669,202
Less accumulated depreciation	476,485	42,991	27,639	491,837
Business type activities capital assets, net	\$ 168,715	8,650	0	177,365

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 55,251
Support services:	
Student	2,927
Operation and maintenance of plant	56,954
Transportation	114,219
	<u>229,351</u>
Unallocated depreciation	<u>655,582</u>
Total governmental activities depreciation expense	<u>\$ 884,933</u>
Business type activities:	
Food services	<u>\$ 42,991</u>

**(5) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 780,000	0	780,000	0	0
Revenue bonds	9,605,000	0	0	9,605,000	340,000
Computer Lease	951,653	0	371,930	579,723	382,131
Termination benefits	961,034	0	309,496	651,538	262,251
Net OPEB liability	603,179	83,378	0	686,557	0
Total	<u>\$ 12,900,866</u>	<u>83,378</u>	<u>1,461,426</u>	<u>11,522,818</u>	<u>984,382</u>
Business Type Activities:					
Net OPEB liability	\$ 15,530	3,812	0	19,342	0

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of June 1, 2011			Bond Issue of June 1, 2012			Total		
	Interest			Interest			Principal	Interest	Total
	Rates	Principal	Interest	Rates	Principal	Interest			
2014	2.00	¥ \$ 140,000	109,937	2.00	¥ \$ 200,000	142,688	\$ 340,000	252,625	592,625
2015	2.00	140,000	106,788	2.00	350,000	139,937	490,000	246,725	736,725
2016	2.50	145,000	103,225	2.50	355,000	136,413	500,000	239,638	739,638
2017	2.50	150,000	99,537	2.50	355,000	132,862	505,000	232,399	737,399
2018	2.75	150,000	95,600	1.20	360,000	128,928	510,000	224,528	734,528
2019-2023	3.00-3.90	835,000	400,902	1.45-2.30	1,885,000	551,708	2,720,000	952,610	3,672,610
2024-2028	4.00-4.50	1,020,000	220,624	2.50-3.10	2,110,000	310,594	3,130,000	531,218	3,661,218
2029-2030	4.50	475,000	21,713	3.20-3.25	935,000	30,516	1,410,000	52,229	1,462,229
Total		\$ 3,055,000	1,158,326		\$ 6,550,000	1,573,646	\$ 9,605,000	2,731,972	12,336,972

The District has pledged future statewide sales, services and use tax revenue to repay the \$3,055,000 and \$6,550,000 bonds issued in June 1, 2011 and June 1, 2012 respectively. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required 5% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$12,336,972. For the current year, interest paid on the bonds was \$195,156 and statewide sales, services and use tax revenue were \$1,303,507.

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

- a) \$749,213 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Computer Lease Payable

On April 21, 2011, the District entered into a lease agreement with Apple for computers for the District's one on one initiative. The lease is scheduled to be repaid as follows from the Capital Projects: Statewide Sales, Services and Use Tax Fund:

Year Ending June 30,	Lease of April 21, 2011			
	Interest Rates	Principal	Interest	Total
2014	2.74	% \$ 382,131	15,899	398,030
2015	2.74	197,592	1,424	199,016
Total		\$ 579,723	17,323	597,046

#### Termination Benefits

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five. Eligible employees must be an employee of the District for at least 10 years. Employees must complete an application which is required to be approved by the Board of Education.

The District offers three different early retirement incentives. The first pays the employee 100% of their contracted annual salary (exclusive of supplemental pay or extended contract pay) over the three years following retirement to a tax-sheltered annuity. The second pays for four years of the retiree's health insurance and pays the employee 50% of their contracted annual salary (exclusive of supplemental pay or extended contract pay) over the three years following retirement to a tax-sheltered annuity. The third pays for seven years of the retiree's health insurance.

At June 30, 2013, the District has obligations to 48 participants with a total liability of \$651,538. Early retirement benefits paid during the year ended June 30, 2013, totaled \$309,496. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

#### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$862,876, \$806,609 and \$718,984 respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 204 active and 11 retired members in the plan. Retirees are able to remain on the District's plan until they reach the age of 65.

The medical/prescription drug benefit, which is a fully-funded medical plan, is administered by United Healthcare of River Valley. 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. There is no subsidy or OPEB liability associated with the dental benefit.

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 of the District (ARC), 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 June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 207,353
Interest on net OPEB obligation	15,468
Adjustment to annual required contribution	(61,767)
Annual OPEB cost (expense)	<u>161,054</u>
Contributions made	<u>(73,864)</u>
Increase in net OPEB obligation	87,190
Net OPEB obligation - beginning of year	<u>618,709</u>
Net OPEB obligation - end of year	<u>\$ 705,899</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

For fiscal year 2013, the District contributed \$73,864 to the medical plan. Plan members receiving benefits contributed \$0, or 0% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 215,205	6.0 %	\$ 472,525
2012	154,047	5.1	618,709
2013	161,054	45.9	705,899

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 \$1.316 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.316 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.066 million, and the ratio of the UAAL to the covered payroll was 9.4%. 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 healthcare 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 the 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 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 the calculations.

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%. The medical trend rate is reduced by a percentage each year until reaching the 6% ultimate trend rate.

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

Projected claim costs of the medical plan are \$661 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(8) Risk Management**

The District has a self-funded dental insurance plan. Total out of pocket expense per participant is \$1,000. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$91,058 at June 30, 2013.

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

**(9) Deficit Fund Balance**

The Student Activity Fund had a deficit unassigned fund balance of \$428,069.

**(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 \$686,596 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

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

Program	Amount
Talented and gifted	\$ 185,841
Teacher salary supplement	91,603
Statewide voluntary preschool	367,253
Total	<u>\$ 644,697</u>

**(12) Construction Commitment**

The District has entered into various contracts totaling \$7,188,513. Projects included in the construction in progress are a middle school roof replacement, a High School track replacement, various lighting upgrades and a new auditorium at the High School. As of June 30, 2013, costs of \$6,384,564 had been incurred against the contracts. The balance of \$803,949 remaining at June 30, 2013 will be paid as work on the project progresses.

**(13) Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Management Levy Purposes	Debt Service	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	106,619	1,342,452	1,445,190
Capital assets	21,875,076		-	-
Revenue bond proceeds expended for capital assets	(9,605,000)		-	-
Computer lease	-		-	(579,723)
Income surtax	-		-	462,917
Accrued interest payable	-		(129,275)	-
Termination benefits payable	-	(106,619)	-	(544,919)
Internal service	-		-	413,449
Unassigned student activity fund balance	-		-	(428,593)
Net OPEB liability	-		-	(686,557)
Net position (Exhibit A)	\$ 12,270,076	-	1,213,177	81,764

REQUIRED SUPPLEMENTARY INFORMATION

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 9,229,220	328,333	9,557,553	9,495,015	9,495,015	62,538
State sources	11,805,939	7,452	11,813,391	11,674,924	11,674,924	138,467
Federal sources	539,245	488,122	1,027,367	975,000	975,000	52,367
Total revenues	<u>21,574,404</u>	<u>823,907</u>	<u>22,398,311</u>	<u>22,144,939</u>	<u>22,144,939</u>	<u>253,372</u>
Expenditures/Expenses:						
Instruction	12,732,061	0	12,732,061	13,102,500	13,102,500	370,439
Support services	5,098,429	12,425	5,110,854	5,558,000	5,558,000	447,146
Non-instructional programs	0	844,195	844,195	950,000	950,000	105,805
Other expenditures	8,123,845	0	8,123,845	9,605,901	9,605,901	1,482,056
Total expenditures/expenses	<u>25,954,335</u>	<u>856,620</u>	<u>26,810,955</u>	<u>29,216,401</u>	<u>29,216,401</u>	<u>2,405,446</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(4,379,931)	(32,713)	(4,412,644)	(7,071,462)	(7,071,462)	2,658,818
Balance beginning of year	<u>9,594,663</u>	<u>647,277</u>	<u>10,241,940</u>	<u>9,040,254</u>	<u>9,040,254</u>	<u>1,201,686</u>
Balance end of year	<u>\$ 5,214,732</u>	<u>614,564</u>	<u>5,829,296</u>	<u>1,968,792</u>	<u>1,968,792</u>	<u>3,860,504</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial			Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
		Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	1,385	1,385	0.0 %	9,854	14.1 %
2011	July 1, 2010	-	1,180	1,180	0.0	9,397	12.6
2012	July 1, 2010	-	1,180	1,180	0.0	8,762	13.5
2013	July 1, 2012	-	1,316	1,316	0.0	14,066	9.4

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue				
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 97,389	193,689	291,078	1,332,465	1,623,543
Receivables:					
Property tax:					
Delinquent	6,766	0	6,766	9,987	16,753
Succeeding year	500,000	0	500,000	0	500,000
Accounts	2,464	1,083	3,547	0	3,547
<b>TOTAL ASSETS</b>	<b>\$ 606,619</b>	<b>194,772</b>	<b>801,391</b>	<b>1,342,452</b>	<b>2,143,843</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 0	9,000	9,000	0	9,000
Deferred revenue:					
Succeeding year property tax	500,000	0	500,000	0	500,000
Total liabilities	500,000	9,000	509,000	0	509,000
Fund balances:					
Restricted for:					
Debt service	0	0	0	1,342,452	1,342,452
Management levy purposes	106,619	0	106,619	0	106,619
Student activities	0	613,841	613,841	0	613,841
Unassigned	0	(428,069)	(428,069)	0	(428,069)
Total fund balances	106,619	185,772	292,391	1,342,452	1,634,843
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 606,619</b>	<b>194,772</b>	<b>801,391</b>	<b>1,342,452</b>	<b>2,143,843</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE 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 Special Revenue Funds	Debt Service	Total
REVENUES:					
Local sources:					
Local tax	\$ 526,591	0	526,591	792,593	1,319,184
Other	41,547	601,821	643,368	812	644,180
Total revenues	568,138	601,821	1,169,959	793,405	1,963,364
EXPENDITURES:					
Current:					
Instruction:					
Regular	393,981	0	393,981	0	393,981
Other	0	622,135	622,135	0	622,135
Support services:					
Administration	20,027	105	20,132	0	20,132
Operation and maintenance of plant	159,845	0	159,845	0	159,845
Transportation	12,574	0	12,574	0	12,574
Long-term debt:					
Principal	0	0	0	1,151,930	1,151,930
Interest and fiscal charges	0	0	0	231,505	231,505
Total expenditures	586,427	622,240	1,208,667	1,383,435	2,592,102
Deficiency of revenues under expenditures	(18,289)	(20,419)	(38,708)	(590,030)	(628,738)
Other financing sources:					
Transfer in	0	0	0	994,652	994,652
Change in fund balances	(18,289)	(20,419)	(38,708)	404,622	365,914
Fund balance beginning of year	124,908	206,191	331,099	937,830	1,268,929
Fund balance end of year	\$ 106,619	185,772	292,391	1,342,452	1,634,843

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,457,528	333,348	1,790,876
Receivables:			
Delinquent	0	4,605	4,605
Succeeding year	0	376,391	376,391
Due from other governments	469,689	0	469,689
<b>Total assets</b>	<b>\$ 1,927,217</b>	<b>714,344</b>	<b>2,641,561</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ 775,168	0	775,168
Deferred revenue			
Succeeding year property tax	0	376,391	376,391
<b>Total liabilities</b>	<b>775,168</b>	<b>376,391</b>	<b>1,151,559</b>
Fund balances:			
Restricted for:			
School infrastructure	1,152,049	0	1,152,049
Physical plant and equipment	0	337,953	337,953
<b>Total fund balances</b>	<b>1,152,049</b>	<b>337,953</b>	<b>1,490,002</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,927,217</b>	<b>714,344</b>	<b>2,641,561</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,303,507	365,476	1,668,983
Other	59,729	80,240	139,969
State sources	273,986	0	273,986
Total revenues	<u>1,637,222</u>	<u>445,716</u>	<u>2,082,938</u>
EXPENDITURES:			
Current:			
Support services:			
Adminstration	12,133	0	12,133
Transportation	0	144,141	144,141
Capital outlay	5,613,308	440,506	6,053,814
Total expenditures	<u>5,625,441</u>	<u>584,647</u>	<u>6,210,088</u>
Deficiency of revenues under expenditures	(3,988,219)	(138,931)	(4,127,150)
Other financing uses:			
Transfer out	(994,652)	0	(994,652)
Change in fund balances	(4,982,871)	(138,931)	(5,121,802)
Fund balances beginning of year	<u>6,134,920</u>	<u>476,884</u>	<u>6,611,804</u>
Fund balances end of year	<u>\$ 1,152,049</u>	<u>337,953</u>	<u>1,490,002</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Academic Clubs:</u>				
HS Band	\$ 48	18,758	19,065	(259)
HS Camera Club	8,309	6,909	5,803	9,415
HS Drama Club	3,154	6,354	7,826	1,682
HS Science Club	4,725	6,078	8,343	2,460
HS Vocal	6,568	0	498	6,070
MS Band	353	204	206	351
Knoxville Art Club	1,404	229	0	1,633
Middle Student Advisory	14,972	20,219	19,373	15,818
	<u>39,533</u>	<u>58,751</u>	<u>61,114</u>	<u>37,170</u>
<u>Athletic Support:</u>				
Baseball Club	14,241	15,437	18,882	10,796
Drill Team	4,561	14,398	16,241	2,718
Girls Softball Club	2,371	51,406	37,036	16,741
MS Cheerleaders	(500)	0	0	(500)
HS Cheerleaders	684	9,931	10,381	234
MS Baseball Club	(42)	0	0	(42)
Panther Basketball	9,601	13,277	14,049	8,829
Panther Club	1,617	0	3,352	(1,735)
Panther Football Club	1,955	29,920	29,159	2,716
Panther Soccer	3,431	1,936	1,546	3,821
Pantherette Girls	11,221	56,522	55,605	12,138
Panther Girls Track Club	308	4,546	4,766	88
Pantherette Soccer	850	959	815	994
Pepsi Pop Fund	3,126	6,065	5,910	3,281
MS Softball Club	1,535	658	731	1,462
Wrestling Club	529	5,442	5,457	514
Volleyball Club	6,521	13,012	9,209	10,324
Bowling Club	7,916	2,575	2,768	7,723
Girls Golf Club	120	1,257	1,240	137
Boys Track Club	58	0	0	58
Tennis Club	0	4,079	3,495	584
Girls Cross Country	1,850	5,587	3,552	3,885
7th Grade Girls Basketball Club	167	0	0	167
	<u>72,120</u>	<u>237,007</u>	<u>224,194</u>	<u>84,933</u>
<u>Boys Athletics:</u>				
Baseball	(69,822)	3,417	5,614	(72,019)
Boys Basketball	54,811	7,587	5,790	56,608
Boys Cross Country	(19,794)	674	875	(19,995)
Boys Golf	(13,544)	0	2,032	(15,576)
Boys Soccer	1,051	3,257	2,159	2,149
Boys Tennis	(9,467)	180	469	(9,756)
Boys Track	(22,095)	775	5,041	(26,361)
Football	98,654	22,796	15,807	105,643
Wrestling	(13,559)	8,513	11,109	(16,155)
	<u>6,235</u>	<u>47,199</u>	<u>48,896</u>	<u>4,538</u>
<u>Classes:</u>				
Junior Class	2,253	17,222	15,075	4,400
Senior Class	2,708	2,727	4,445	990
	<u>4,961</u>	<u>19,949</u>	<u>19,520</u>	<u>5,390</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>General Athletics:</u>				
Cheerleading	(6,548)	0	122	(6,670)
Drill Team	(9,870)	0	0	(9,870)
HS General Athletics	(53,663)	14,020	12,874	(52,517)
State Tournament	0	0	1,236	(1,236)
	<u>(70,081)</u>	<u>14,020</u>	<u>14,232</u>	<u>(70,293)</u>
<u>Girls Athletics:</u>				
Girls Basketball	35,970	6,303	3,784	38,489
Girls Cross Country	(11,342)	600	705	(11,447)
Girls Golf	(10,185)	0	1,907	(12,092)
Girls Soccer	(9,190)	1,619	2,122	(9,693)
Girls Tennis	(5,320)	0	469	(5,789)
Girls Track	(25,424)	775	2,425	(27,074)
Softball	(36,828)	1,670	6,010	(41,168)
Volleyball	(7,400)	4,194	8,550	(11,756)
Bowling	2,045	815	0	2,860
	<u>(67,674)</u>	<u>15,976</u>	<u>25,972</u>	<u>(77,670)</u>
<u>Middle School Boys Athletics:</u>				
MS Baseball	(20,168)	0	1,984	(22,152)
MS Boys Basketball	8,722	1,662	2,233	8,151
MS Boys Track	(5,739)	50	439	(6,128)
MS Cross Country	(20)	0	0	(20)
MS Football	(22,672)	2,359	7,165	(27,478)
MS Wrestling	(2,151)	514	1,639	(3,276)
	<u>(42,028)</u>	<u>4,585</u>	<u>13,460</u>	<u>(50,903)</u>
<u>Middle School General Athletics:</u>				
MS General Athletics	8,729	2,827	1,137	10,419
<u>Middle School Girls Athletics:</u>				
MS Girls Basketball	889	1,521	1,430	980
MS Girls Track	(228)	2,271	2,455	(412)
MS Softball	(15,150)	326	1,512	(16,336)
MS Volleyball	5,128	1,767	1,345	5,550
	<u>(9,361)</u>	<u>5,885</u>	<u>6,742</u>	<u>(10,218)</u>
<u>Northstar Elementary Activities:</u>				
Northstar Activity Tickets	0	1,200	1,200	0
Northstar Book Fair	4,872	9,295	7,884	6,283
Northstar Resale	24,654	21,058	27,861	17,851
Northstar Student Council	2,884	1,709	2,538	2,055
Northstar Student Teachers	(72)	0	0	(72)
	<u>32,338</u>	<u>33,262</u>	<u>39,483</u>	<u>26,117</u>

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Other Activities:</u>				
6th Grade Resale	62	0	0	62
7th Grade Resale	7,905	2,162	1,689	8,378
8th Grade Resale	1,775	67	0	1,842
Activity Interest	6,119	356	104	6,371
Collins Fund	83,818	0	452	83,366
Goal Activity	10,418	1,719	591	11,546
HS Activity Tickets	0	6,600	6,600	0
HS Book Fair	363	127	68	422
HS Resale	312	416	115	613
HS Student Teacher	1,604	329	1,155	778
HS Athletic Savings	8,934	12,809	21,743	0
HS Pepsi Pop Fund	15,534	35,828	37,936	13,426
International Club	1,040	0	0	1,040
ISJIT	2,206	1	0	2,207
K-Fund Yearbook	8,879	9,671	7,597	10,953
Middle Activity Tickets	0	3,300	3,300	0
Middle Annual/Yearbook	152	5,300	5,937	(485)
Middle Resale	2,021	4,784	5,482	1,323
Middle Book Fair	1,643	2,080	1,625	2,098
National Honor Society	703	494	115	1,082
Panther Club Scholarship	12,223	18	0	12,241
Student Senate	2,229	9,486	7,973	3,742
Student Senate Scholarship	1,927	3	0	1,930
Team Nutrition Club	4,508	5,791	3,897	6,402
	<u>174,375</u>	<u>101,341</u>	<u>106,379</u>	<u>169,337</u>
<u>Vocational Clubs:</u>				
Construction Trades	37,545	259	265	37,539
FCCLA Account	4,583	2,888	6,502	969
FFA Account	4,290	37,386	33,001	8,675
Industrial Arts	698	0	0	698
	<u>47,116</u>	<u>40,533</u>	<u>39,768</u>	<u>47,881</u>
<u>West Elementary Activities:</u>				
West Activity Tickets	0	210	210	0
West Book Fair	2,793	4,862	6,135	1,520
West Resale	2,820	0	0	2,820
West Student Teacher	2,919	0	2,840	79
West Student Council	1,396	15,414	12,158	4,652
	<u>9,928</u>	<u>20,486</u>	<u>21,343</u>	<u>9,071</u>
 Total	 <u>\$ 206,191</u>	 <u>601,821</u>	 <u>622,240</u>	 <u>185,772</u>

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST  
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund				
	Tunnie Memorial	Cox Scholarship	Norton Scholarship	Auditorium Project	Total
ASSETS:					
Cash and pooled investments	\$ 584	3,608	65	5,423	9,680
LIABILITIES					
	0	0	0	0	0
NET POSITION:					
Restricted for scholarships	\$ 584	3,608	65	5,423	9,680

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship Fund				
	Tunnie Memorial	Cox Scholarship	Norton Scholarship	Auditorium Project	Total
ADDITIONS:					
Local sources:					
Gifts and contributions	\$ 0	750	0	0	750
Interest income	0	0	0	1	1
TOTAL ADDITIONS	0	750	0	1	751
DEDUCTIONS:					
Instruction:					
Regular:					
Scholarships awarded	0	150	0	0	150
TOTAL DEDUCTIONS	0	150	0	0	150
Change in net position	0	600	0	1	601
Fund balances beginning of year	584	3,008	65	5,422	9,079
Fund balances end of year	\$ 584	3,608	65	5,423	9,680

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b><u>MARION COUNTY EMPOWERMENT</u></b>				
ASSETS				
Cash and pooled investments	\$ 55,297	300,428	275,698	80,027
LIABILITIES				
Due to other groups	\$ 55,297	300,428	275,698	80,027
<b><u>KCSD EMPLOYEE FLEX SPENDING</u></b>				
ASSETS				
Cash and pooled investments	\$ 4,654	37,972	38,867	3,759
LIABILITIES				
Due to other groups	\$ 4,654	37,972	38,867	3,759
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
ASSETS				
Cash and pooled investments	\$ 59,951	338,400	314,565	83,786
LIABILITIES				
Due to other groups	\$ 59,951	338,400	314,565	83,786

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities:		
	Internal Service Funds		
	Health Insurance	Self-funded Dental Insurance	Total
ASSETS:			
Cash and pooled investments	\$ 154,708	78,404	233,112
Receivables:			
Accounts	167,683	12,654	180,337
TOTAL ASSETS	322,391	91,058	413,449
LIABILITIES:	0	0	0
NET POSITION	\$ 322,391	91,058	413,449

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
INTERNAL SERVICE FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013

	Governmental Activities:		
	Internal Service Funds		
	Health Insurance	Self-funded Dental Insurance	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 2,030,919	152,811	2,183,730
TOTAL OPERATING REVENUE	<u>2,030,919</u>	<u>152,811</u>	<u>2,183,730</u>
OPERATING EXPENSES:			
Support services:			
Administration:			
Benefits	2,040,865	154,810	2,195,675
TOTAL OPERATING EXPENSES	<u>2,040,865</u>	<u>154,810</u>	<u>2,195,675</u>
Change in net position	(9,946)	(1,999)	(11,945)
Fund balances beginning of year	<u>332,337</u>	<u>93,057</u>	<u>425,394</u>
Fund balances end of year	<u>\$ 322,391</u>	<u>91,058</u>	<u>413,449</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT  
INTERNAL SERVICE FUND  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013

	Governmental Activities:		
	Internal Service Funds		
	Self-funded		Total
Health Insurance	Dental Insurance		
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 1,863,236	140,157	2,003,393
Cash payments to suppliers for goods or services	(2,042,167)	(154,810)	(2,196,977)
Net cash used in operating activities	<u>(178,931)</u>	<u>(14,653)</u>	<u>(193,584)</u>
Net decrease in cash and cash equivalents	(178,931)	(14,653)	(193,584)
Cash and cash equivalents at beginning of year	<u>333,639</u>	<u>93,057</u>	<u>426,696</u>
Cash and cash equivalents at end of year	<u>\$ 154,708</u>	<u>78,404</u>	<u>233,112</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (9,946)	(1,999)	(11,945)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Increase in accounts receivable	(167,683)	(12,654)	(180,337)
Decrease in accounts payable	(1,302)	0	(1,302)
Net cash used in operating activities	<u>\$ (178,931)</u>	<u>(14,653)</u>	<u>(193,584)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 7,839,881	8,003,647	7,437,632	6,974,671	7,070,071	6,370,480	6,373,520	6,436,297	6,271,019	5,406,638
Tuition	471,837	425,964	401,044	412,384	411,511	352,774	444,933	435,713	412,584	384,825
Other	917,502	838,720	1,127,701	817,801	1,105,747	817,629	951,118	900,892	755,925	684,887
Intermediate sources	0	0	0	0	0	22,141	0	0	0	300
State sources	11,805,939	11,595,516	11,277,768	9,422,841	10,973,173	10,996,970	10,383,090	9,666,649	9,266,712	8,566,918
Federal sources	539,245	865,647	942,998	1,563,222	700,204	499,102	483,871	515,121	526,675	525,896
<b>Total</b>	<b>\$ 21,574,404</b>	<b>21,729,494</b>	<b>21,187,143</b>	<b>19,190,919</b>	<b>20,260,706</b>	<b>19,059,096</b>	<b>18,636,532</b>	<b>17,954,672</b>	<b>17,232,915</b>	<b>15,569,464</b>
Expenditures:										
Instruction:										
Regular	\$ 7,625,345	7,569,159	7,570,307	7,723,702	7,783,173	7,274,840	6,805,524	6,232,711	5,859,910	5,618,174
Special	2,534,657	2,331,981	2,160,310	2,163,846	2,303,370	2,282,564	2,192,323	2,059,686	2,310,021	2,000,372
Other	2,572,059	2,622,649	2,473,256	2,416,091	2,331,557	2,280,792	2,223,187	2,192,156	1,314,612	1,201,591
Support services:										
Student	316,029	323,044	316,474	358,266	434,005	433,321	429,610	429,577	688,674	679,614
Instructional staff	357,123	327,500	1,647,901	319,171	394,561	415,359	396,764	389,630	821,959	673,089
Administration	1,928,285	1,886,323	2,256,071	1,934,984	2,050,703	2,130,779	1,928,616	1,859,177	1,683,840	1,529,732
Operation and maintenance										
of plant	1,748,813	1,635,693	1,610,774	1,655,546	1,738,269	1,581,508	1,551,750	1,514,703	1,375,891	1,395,117
Transportation	748,179	757,547	581,519	609,703	676,125	644,203	612,541	537,821	541,570	427,597
Other support	0	0	0	0	0	0	0	0	1,750	73,529
Non-instructional programs	0	0	0	0	0	0	0	100	9,976	7,384
Capital outlay	6,053,814	1,668,885	1,075,786	548,370	617,586	764,091	2,086,702	3,903,561	844,960	496,057
Long-term debt:										
Principal	1,151,930	3,817,002	1,365,000	1,295,000	1,250,000	1,200,000	625,000	600,000	565,000	540,000
Interest and fiscal charges	231,505	169,736	138,822	246,516	305,731	351,292	429,800	270,500	261,765	291,003
Other expenditures:										
AEA flow-through	686,596	687,382	760,660	734,903	686,326	663,042	632,385	588,615	566,235	546,076
<b>Total</b>	<b>\$ 25,954,335</b>	<b>23,796,901</b>	<b>21,956,880</b>	<b>20,006,098</b>	<b>20,571,406</b>	<b>20,021,791</b>	<b>19,914,202</b>	<b>20,578,237</b>	<b>16,846,163</b>	<b>15,479,335</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	\$ 81,693
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	403,429 *
			<u>485,122</u>
TEAM NUTRITION GRANT	10.574	FY 12	<u>3,000</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	285,191
TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 13	19,680
			<u>304,871</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	<u>68,134</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	<u>11,765</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)			
	84.027	FY 13	<u>99,159</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>19,165</u>
TOTAL			<u>\$ 991,216</u>

\* - Includes \$55,231 of non-cash awards

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Knoxville Community School District and is presented in conformity with 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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Knoxville Community School District:**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Knoxville 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 Knoxville Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Knoxville 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 deficiencies in internal control we consider to be significant deficiencies.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Knoxville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part 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.

### **Knoxville Community School District's Responses to Findings**

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

### **Purpose of this Report**

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 21, 2014  
Newton, Iowa

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**Independent Auditor's Report on Compliance for Each Major Federal 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 Knoxville Community School District:**

**Report on Compliance for Each Major Federal Program**

We have audited Knoxville 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 Knoxville Community School District's major federal programs for the year ended June 30, 2013. Knoxville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Knoxville 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 Knoxville Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Knoxville Community School District complied, in all material respects, with the types of compliance 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 Knoxville 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 Knoxville Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Knoxville Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 21, 2014  
Newton, Iowa

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

Part I: Summary of the Independent Auditor's Report

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  
    - CFDA Number 84.010 - Title I Grant to Local Educational Agencies
    - CFDA Number 84.010 - Title I - School in Need of Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Knoxville Community School District did qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - Timesheets are given out to coaches who are non-certified staff. We will work with these staff members to make sure they are returned in the future.

Conclusion - Response accepted.

II-B-13 Employee Reimbursements - We noted during our audit that in the Student Activity Fund employees purchase supplies for the District and turn the receipts into the central office for reimbursement without proper approval from an administrator. When the District makes the reimbursements to the employees, the District reimburses the full amount of the receipt including the sales tax.

Recommendation - If employees are allowed to make purchases of District supplies, an administrator should sign off on the purchases. If the District would have made the purchases, sales tax is not applicable because of the District's tax exempt status. Therefore, when the District reimburses employees, the reimbursement should not include sales tax.

Response - The District tries to get staff members to use the district's credit cards. When those are not available we try to identify the reimbursements and not reimburse the sales tax. We will continue to work with our staff to have them use the district's credit cards.

Conclusion - Response accepted.

II-C-13 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District contracts with a collections company, and they send out a series of letters to try to collect the balances. The District will continue to work with this company to try to collect the negative student account balances.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

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 amount budgeted.

IV-B-13 Questionable Disbursements -

**Clothing Items Purchased for Staff:** We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity and School Nutrition Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - The District has placed a limit of \$75 per coach to purchase clothing. The District will continue to monitor the purchasing process going forward and will try to find alternative ways, such as the booster club, to purchase the coaches clothing.

Conclusion - Response acknowledged. The value of the clothing should be added to the employees W-2 and the Board should identify the public purpose served by providing clothing.

**Gift Card Purchases:** We noted a disbursement for gift cards for prizes for prom. Giving gift cards to students does not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

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

Response -The District has educated employees that district funds cannot be used to purchase gift cards. We will continue to work with staff to ensure that only items that meet public purpose are purchased by the District.

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 - No business transactions between the District and District officials were noted.

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 Department of Education. The number of resident students was overstated by 0.10.

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

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter. The District has corrected its aid and levy to show the adjustment.

Conclusion - Response accepted.

IV-H-13 Supplementary Weighting - No variances in basic enrollment data certified to the Iowa Department of Education were noted

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

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

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

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

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

Beginning balance		\$ 6,134,920
Revenues:		
Sales tax revenues	\$ 1,303,507	
Other local revenues	59,729	
School infrastructure supplemental amount	273,986	1,637,222
		<u>7,772,142</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 5,356,771	
Equipment	80,878	
Other	187,792	
Transfers to other funds:		
Debt service fund	994,652	6,620,093
		<u>6,620,093</u>
Ending balance		<u>\$ 1,152,049</u>

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

IV-M-13 Financial Condition - The District had several accounts in the Special Revenue, Student Activity Fund that had deficit balances at the end of the year totaling \$428,069.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered for the Student Activity Fund.

Response - The District is working on a budgeting plan for the deficit accounts. The District will continue to work through the process of monitoring these accounts and working to eliminate the deficit accounts.

Conclusion - Response accepted.

IV-N-13 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/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 cocurricular 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.

**Administratively Maintained Accounts:** We noted during our audit that the District maintains accounts that appear to be administratively maintained. These accounts do not appear to be cocurricular in nature.

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. These accounts are Pepsi Pop Fund, Book Fair, Team Nutrition and ISJIT account. These accounts appear to not be student run organization accounts and should be closed and transferred to the General Fund. In

addition, there are inactive accounts that need to be reviewed and closed if not being used.

Response - The District is reviewing expenditures from the Student Activity Fund to ensure compliance with the Department of Education administrative rules and Iowa Code. The District will continue to review these accounts and determine the true function of each of these accounts and move them to the General Fund if necessary.

Conclusion - Response accepted.

**Interest Allocation:** We noted that the District received interest on Student Activity Funds, but that the interest was not allocated to the various Student Activity Fund accounts.

Recommendation - The interest earned each year should be allocated out on an annual basis to the individual accounts.

Response - The District will allocate any interest remaining in this account.

Conclusion - Response accepted.

IV-O-13 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District has added a line to each officiating contract to make certain that all officiating contracts are signed by the Board President.

Conclusion - Response accepted.

IV-Q-13 Payroll Authorization - We noted during our audit, the District does not maintain the written authorization to mail employees' payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should maintain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will retain the signed authorization forms to mail the employees' payroll checks.

Conclusion - Response accepted.