

EAST MILLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Projects Accounts:		
Combining Balance Sheet	3	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	53
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	54
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 <u>Government Auditing Standards</u>		55-56
Schedule of Findings		57-62

East Mills Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Pete Franks	President	2013
Susan Stogdill	Vice President	2013
Rebecca Bell	Board Member	2013
Jeffery Poort	Board Member	2015
Matt Urban	Board Member	2015
School Officials		
Curtis Barclay	Superintendent	2013
Darla Hetzel	Business Manager/ Board Secretary	2013
Ahlers & Cooney, P.C.	Attorney	2013

EAST MILLS COMMUNITY SCHOOL DISTRICT

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

Independent Auditor's Report

To the Board of Education of East Mills Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Mills 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 year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014, on our consideration of East Mills 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 reports 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 and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Mills 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 \$6,883,132 in fiscal 2012 to \$6,099,401 in fiscal 2013. General Fund expenditures decreased from \$6,337,757 in fiscal 2012 to \$5,852,160 in fiscal 2013. The decrease in General Fund revenues was primarily the result of decreases in local source revenues. The decrease in expenditures was due to reduced spending in the instruction and support services functional areas. This resulted in an increase of the District's General Fund balance from \$1,874,478 at June 30, 2012 to \$2,121,728 at June 30, 2013.
- The District's Management Levy Fund increased from a balance of \$177,832 at June 30, 2012 to a balance of \$787,466 at June 30, 2013 primarily due to an increase in local tax levied.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

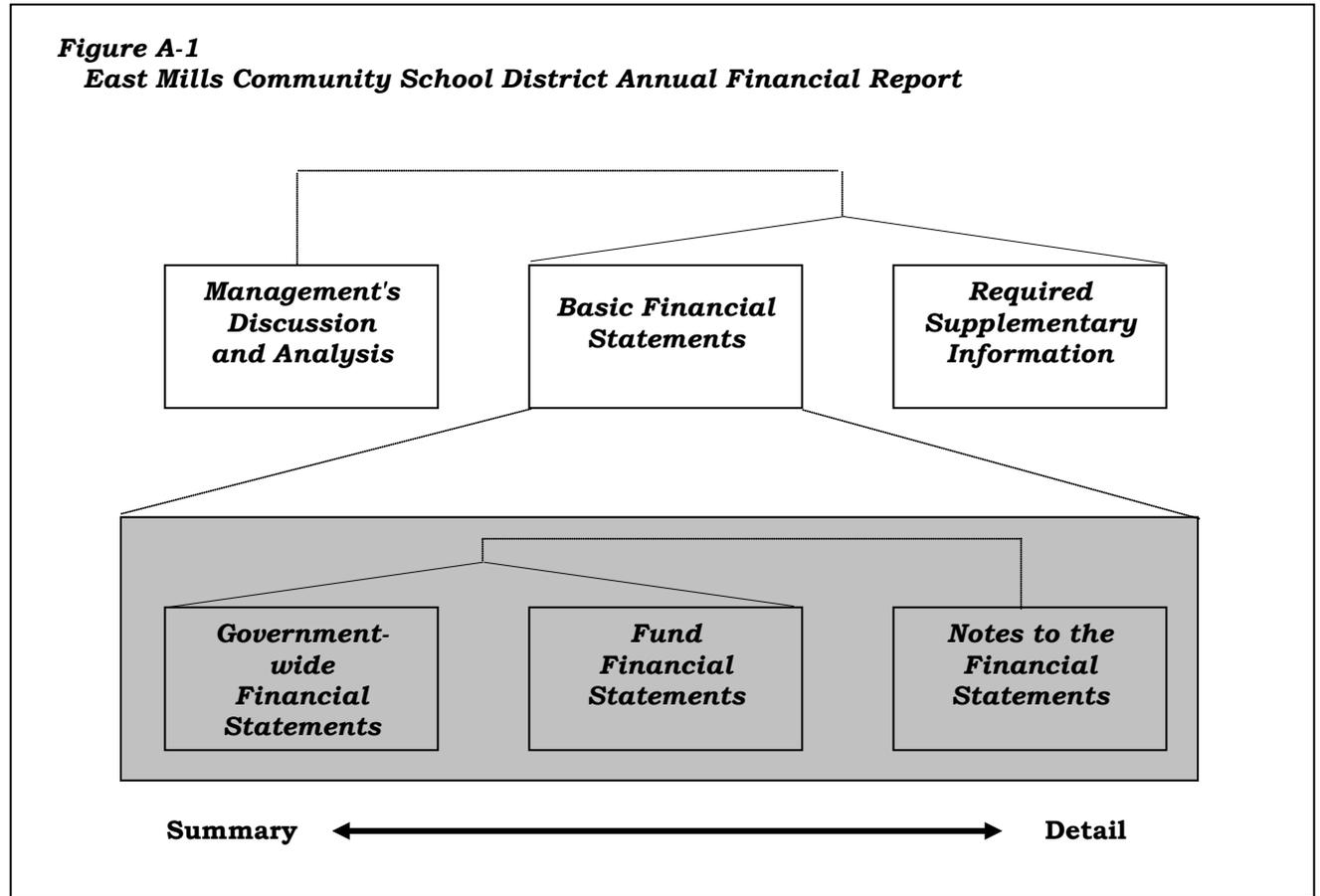


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or 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 and preschool program are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

- 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 acts as an agent for funds that belong to an outside organization.

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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2012-13	
Current and other assets	\$ 8,231,581	7,621,400	24,542	14,160	8,256,123	7,635,560	8.13%	
Capital assets	5,509,360	5,840,534	24,352	24,571	5,533,712	5,865,105	-5.65%	
Total assets	13,740,941	13,461,934	48,894	38,731	13,789,835	13,500,665	2.14%	
Long-term obligations	4,991,415	4,358,074	842	462	4,992,257	4,358,536	14.54%	
Other liabilities	4,273,373	4,611,747	31,856	2,779	4,305,229	4,614,526	-6.70%	
Total liabilities	9,264,788	8,969,821	32,698	3,241	9,297,486	8,973,062	3.62%	
Net position:								
Invested in capital assets, net of related debt	1,501,873	1,529,101	24,352	24,571	1,526,225	1,553,672	-1.77%	
Restricted	1,194,830	1,325,932	-	-	1,194,830	1,325,932	-9.89%	
Unrestricted	1,779,450	1,637,080	(8,156)	10,919	1,771,294	1,647,999	7.48%	
Total net position	\$ 4,476,153	4,492,113	16,196	35,490	4,492,349	4,527,603	-0.78%	

The District's combined net position decreased 0.78% or \$35,254 compared to the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$131,102, or 9.89%, compared to the prior year. The decrease in restricted net position is mainly attributable to the decrease in ending fund balance of the Capital Projects: Physical Plant and Equipment Levy 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. This represents an increase of \$123,295 or 7.48% compared to the prior year. The increase in unrestricted net position is attributable to the increase in fund balance of the General Fund.

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

Figure A-4								
Changes in Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2012-13	
Revenues & Transfers:								
Program revenues:								
Charges for services	\$ 332,295	338,596	109,500	124,537	441,795	463,133	-4.61%	
Operating grants, contributions and restricted interest	495,277	517,307	142,981	150,527	638,258	667,834	-4.43%	
General revenues:								
Property tax	3,814,279	3,890,427	-	-	3,814,279	3,890,427	-1.96%	
Income surtax	203,541	105,114	-	-	203,541	105,114	93.64%	
Statewide sales, services and use tax	471,528	408,246	-	-	471,528	408,246	15.50%	
Unrestricted state grants	2,396,003	2,514,910	-	-	2,396,003	2,514,910	-4.73%	
Nonspecific program federal grants	-	1,789	-	-	-	1,789	-100.00%	
Unrestricted investment earnings	62,180	37,469	273	299	62,453	37,768	65.36%	
Other	52,543	70,205	2,552	8,999	55,095	79,204	-30.44%	
Transfers	(1,146)	-	3,866	-	2,720	-	100.00%	
Total revenues & transfers	<u>7,826,500</u>	<u>7,884,063</u>	<u>259,172</u>	<u>284,362</u>	<u>8,085,672</u>	<u>8,168,425</u>	<u>-1.01%</u>	
Program expenses:								
Governmental activities:								
Instructional	4,896,328	4,989,492	-	17,195	4,896,328	5,006,687	-2.20%	
Support services	2,370,908	2,273,621	1,605	2,629	2,372,513	2,276,250	4.23%	
Non-instructional programs	-	-	276,861	305,759	276,861	305,759	-9.45%	
Other expenses	575,224	612,768	-	-	575,224	612,768	-6.13%	
Total expenses	<u>7,842,460</u>	<u>7,875,881</u>	<u>278,466</u>	<u>325,583</u>	<u>8,120,926</u>	<u>8,201,464</u>	<u>-0.98%</u>	
Change in net position	(15,960)	8,182	(19,294)	(41,221)	(35,254)	(33,039)	6.70%	
Net position beginning of year	<u>4,492,113</u>	<u>4,483,931</u>	<u>35,490</u>	<u>76,711</u>	<u>4,527,603</u>	<u>4,560,642</u>	<u>-0.72%</u>	
Net position end of year	<u>\$ 4,476,153</u>	<u>4,492,113</u>	<u>16,196</u>	<u>35,490</u>	<u>4,492,349</u>	<u>4,527,603</u>	<u>-0.78%</u>	

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 87.97% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest accounted for 97.42% of the revenue from business type activities.

The District's total revenues were \$8,085,672, of which \$7,826,500 was for governmental activities and \$259,172 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.01% decrease in revenues and a 0.98% decrease in expenses. The decrease in revenues can be partly attributable to the decrease in property tax collected during the year. The decrease in expenses was primarily due to decreased spending in the instructional functional area.

Governmental Activities

Revenues for governmental activities were \$7,826,500 and expenses were \$7,842,460.

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.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,896,328	4,989,492	-1.87%	4,298,264	4,373,295	-1.72%
Support services	2,370,908	2,273,621	4.28%	2,359,026	2,248,377	4.92%
Other expenses	575,224	612,768	-6.13%	357,598	398,306	-10.22%
Totals	\$ 7,842,460	7,875,881	-0.42%	7,014,888	7,019,978	-0.07%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$332,295.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$495,277.
- The net cost of governmental activities was financed with \$4,017,820 in local tax, \$471,528 in statewide sales, services and use tax, \$2,396,003 in unrestricted state grants, \$62,180 in interest income and \$51,397 in other general revenues net of transfers.

Business type Activities

Revenues of the District's business type activities were \$259,172 and expenses were \$278,466. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, other revenues and transfers.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,778,446, above last year's ending fund balances of \$2,843,076. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increased balances in the General Fund and the Management Levy Fund.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,874,487 on June 30, 2012 to \$2,121,728 on June 30, 2013. Revenues and expenditures decreased compared to the prior year. Revenues outpaced expenditures ensuring the improvement in the District's General Fund financial position.
- The Management Levy Fund balance increased from \$177,832 at June 30, 2012 to \$787,466 at June 30, 2013. The increase was the result of additional tax levied to support termination benefits for early retirees.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$35,490 at June 30, 2012 to \$16,196 at June 30, 2013. This represents a decrease of approximately 54.36%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$401,899 less than budgeted revenues, a variance of 4.74%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were less than budgeted, 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$5,533,712, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$353,755.

The original cost of the District's capital assets was \$11,098,490. Governmental funds account for \$10,947,284 with the remainder of \$151,206 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$385,532 at June 30, 2013, compared to \$557,699 at June 30, 2012. The decrease was due to depreciation expense recorded during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 47,500	47,500	-	-	47,500	47,500	0.00%
Buildings	4,838,557	4,977,078	-	-	4,838,557	4,977,078	-2.78%
Improvements other than buildings	262,123	282,828	-	-	262,123	282,828	-7.32%
Machinery and equipment	361,180	533,128	24,352	24,571	385,532	557,699	-30.87%
Total	\$ 5,509,360	5,840,534	24,352	24,571	5,533,712	5,865,105	-5.65%

Long-Term Debt

At June 30, 2013, the District had long-term debt outstanding of \$4,992,257 in general obligation bonds, revenue bonds, computer lease, net OPEB liability, and termination benefits. This represents an increase of 14.54% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District has an outstanding general obligation bonds payable for a total of \$1,975,000 at June 30, 2013.

The District had revenue bonds payable of \$1,745,000 at June 30, 2013.

The District had a computer lease payable of \$287,487 at June 30, 2013.

The District had termination benefits payable of \$930,120 at June 30, 2013.

The District had a net OPEB liability of \$53,808 in the governmental activities and \$842 in the business type activities.

	Figure A-7 Outstanding Long-Term Obligations						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 1,975,000	2,105,000	-	-	1,975,000	2,105,000	-6.18%
Revenue bonds	1,745,000	1,810,000	-	-	1,745,000	1,810,000	-3.59%
Computer lease	287,487	396,433	-	-	287,487	396,433	-27.48%
Termination benefits	930,120	19,386	-	-	930,120	19,386	4697.90%
Net OPEB liability	53,808	27,255	842	462	54,650	27,717	97.17%
\$	4,991,415	4,358,074	842	462	4,992,257	4,358,536	14.54%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The East Mills Community School District has been looking into refinancing the general obligation bond to lower our interest and payments.
- The District is looking at ways to reduce expenditures to improve the unspent budget authority balance.
- The district is aware of an increase in worker's compensation claims and is reviewing plans and procedures to reduce the amount of claims in the future. This insurance is paid out of the Management Fund.
- A decrease in enrollment had a negative impact on the District's spending authority.
- On July 1, 2013 the IPERS rate increased to 8.93%, which will increase the East Mills Community School District's employer benefit costs during fiscal 2014.

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 Darla Hetzel, Business Manager/Board Secretary, East Mills Community School District, 58962 380th Street, Hastings, Iowa 51540.

EAST MILLS COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,937,187	19,698	3,956,885
Receivables:			
Property tax:			
Delinquent	59,477	-	59,477
Succeeding year	3,638,882	-	3,638,882
Income surtax	189,065	-	189,065
Accounts	3,383	-	3,383
Due from other governments	373,587	-	373,587
Due from other funds	30,000	-	30,000
Inventories	-	4,844	4,844
Capital assets, net of accumulated depreciation	5,509,360	24,352	5,533,712
Total assets	13,740,941	48,894	13,789,835
Liabilities			
Accounts payable	234,854	-	234,854
Salaries and benefits payable	368,632	-	368,632
Due to other funds	-	30,000	30,000
Interest payable	17,828	-	17,828
Deferred revenue:			
Succeeding year property tax	3,638,882	-	3,638,882
Other	13,177	-	13,177
Unearned revenue	-	1,856	1,856
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	135,000	-	135,000
Revenue bonds payable	80,000	-	80,000
Computer lease payable	112,349	-	112,349
Termination benefits payable	278,878	-	278,878
Portion due after one year:			
General obligation bonds payable	1,840,000	-	1,840,000
Revenue bonds payable	1,665,000	-	1,665,000
Computer lease payable	175,138	-	175,138
Termination benefits payable	651,242	-	651,242
Net OPEB liability	53,808	842	54,650
Total liabilities	9,264,788	32,698	9,297,486
Net Position			
Invested in capital assets, net of related debt	1,501,873	24,352	1,526,225
Restricted for:			
Categorical funding	343,406	-	343,406
Debt service	263,241	-	263,241
Student activities	85,827	-	85,827
School infrastructure	421,900	-	421,900
Physical plant and equipment	80,456	-	80,456
Unrestricted	1,779,450	(8,156)	1,771,294
Total net position	\$ 4,476,153	16,196	4,492,349

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,436,236	127,007	69,607	(3,239,622)	-	(3,239,622)
Special	845,884	40,128	29,793	(775,963)	-	(775,963)
Other	614,208	163,106	168,423	(282,679)	-	(282,679)
	<u>4,896,328</u>	<u>330,241</u>	<u>267,823</u>	<u>(4,298,264)</u>	<u>-</u>	<u>(4,298,264)</u>
Support services:						
Student	56,924	-	-	(56,924)	-	(56,924)
Instructional staff	160,643	-	7,476	(153,167)	-	(153,167)
Administration	970,016	-	-	(970,016)	-	(970,016)
Operation and maintenance of plant	780,749	-	-	(780,749)	-	(780,749)
Transportation	402,576	2,054	2,352	(398,170)	-	(398,170)
	<u>2,370,908</u>	<u>2,054</u>	<u>9,828</u>	<u>(2,359,026)</u>	<u>-</u>	<u>(2,359,026)</u>
Long-term debt interest	193,872	-	-	(193,872)	-	(193,872)
Other expenses:						
AEA flowthrough	217,626	-	217,626	-	-	-
Depreciation(unallocated)*	163,726	-	-	(163,726)	-	(163,726)
	<u>381,352</u>	<u>-</u>	<u>217,626</u>	<u>(163,726)</u>	<u>-</u>	<u>(163,726)</u>
Total governmental activities	<u>7,842,460</u>	<u>332,295</u>	<u>495,277</u>	<u>(7,014,888)</u>	<u>-</u>	<u>(7,014,888)</u>
Business type activities:						
Support services:						
Administration	186	-	-	-	(186)	(186)
Operation and maintenance of plant	1,419	-	-	-	(1,419)	(1,419)
	<u>1,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,605)</u>	<u>(1,605)</u>
Non-instructional programs:						
Food service operations	276,861	109,500	142,981	-	(24,380)	(24,380)
Total business type activities	<u>278,466</u>	<u>109,500</u>	<u>142,981</u>	<u>-</u>	<u>(25,985)</u>	<u>(25,985)</u>
Total	<u>\$ 8,120,926</u>	<u>441,795</u>	<u>638,258</u>	<u>(7,014,888)</u>	<u>(25,985)</u>	<u>(7,040,873)</u>
General Revenues & Transfers:						
Property tax levied for:						
General purposes				\$ 3,549,226	-	3,549,226
Debt service				174,724	-	174,724
Capital outlay				90,329	-	90,329
Income surtax				203,541	-	203,541
Statewide sales, services and use tax				471,528	-	471,528
Unrestricted state grants				2,396,003	-	2,396,003
Unrestricted investment earnings				62,180	273	62,453
Other				52,543	2,552	55,095
Transfers				(1,146)	3,866	2,720
Total general revenues & transfers				<u>6,998,928</u>	<u>6,691</u>	<u>7,005,619</u>
Change in net position				(15,960)	(19,294)	(35,254)
Net position beginning of year				4,492,113	35,490	4,527,603
Net position end of year				<u>\$ 4,476,153</u>	<u>16,196</u>	<u>4,492,349</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Management			Total
	General	Levy	Nonmajor	
Assets				
Cash and pooled investments	\$ 2,541,239	775,922	611,501	3,928,662
Receivables:				
Property tax:				
Delinquent	43,140	12,562	3,775	59,477
Succeeding year	2,170,949	1,199,999	267,934	3,638,882
Income surtax	189,065	-	-	189,065
Accounts	3,383	-	-	3,383
Due from other funds	30,000	-	751	30,751
Due from other governments	115,326	-	258,261	373,587
Total assets	\$ 5,093,102	1,988,483	1,142,222	8,223,807
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 229,818	-	5,036	234,854
Due to other funds	751	-	-	751
Salaries and benefits payable	367,614	1,018	-	368,632
Deferred revenue:				
Succeeding year property tax	2,170,949	1,199,999	267,934	3,638,882
Income surtax	189,065	-	-	189,065
Other	13,177	-	-	13,177
Total liabilities	2,971,374	1,201,017	272,970	4,445,361
Fund balances:				
Restricted for:				
Categorical funding	343,406	-	-	343,406
Debt service	-	-	281,069	281,069
Management levy purposes	-	787,466	-	787,466
Student activities	-	-	85,827	85,827
School infrastructure	-	-	421,900	421,900
Physical plant and equipment	-	-	80,456	80,456
Unassigned	1,778,322	-	-	1,778,322
Total fund balances	2,121,728	787,466	869,252	3,778,446
Total liabilities and fund balances	\$ 5,093,102	1,988,483	1,142,222	8,223,807

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	3,778,446
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,509,360
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		8,525
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		189,065
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.		(17,828)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, computer lease payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(4,991,415)</u>
 Net position of governmental activities(page 18)	 \$	 <u><u>4,476,153</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Management			Total
	General	Levy	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 2,948,254	800,420	736,581	4,485,255
Tuition	157,122	-	-	157,122
Other	102,345	16,184	170,967	289,496
Intermediate sources	400	-	-	400
State sources	2,719,434	-	-	2,719,434
Federal sources	171,846	-	-	171,846
Total revenues	<u>6,099,401</u>	<u>816,604</u>	<u>907,548</u>	<u>7,823,553</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,634,793	47,592	-	2,682,385
Special	844,529	-	-	844,529
Other	467,064	-	147,028	614,092
	<u>3,946,386</u>	<u>47,592</u>	<u>147,028</u>	<u>4,141,006</u>
Support services:				
Student	56,640	-	-	56,640
Instructional staff	87,184	-	73,457	160,641
Administration	645,093	4,254	-	649,347
Operation and maintenance of plant	531,508	138,542	12,740	682,790
Transportation	367,723	16,582	-	384,305
	<u>1,688,148</u>	<u>159,378</u>	<u>86,197</u>	<u>1,933,723</u>
Capital outlay	-	-	99,401	99,401
Long-term debt:				
Principal	-	-	303,946	303,946
Interest and fiscal charges	-	-	195,201	195,201
	<u>-</u>	<u>-</u>	<u>499,147</u>	<u>499,147</u>
Other expenditures:				
AEA flowthrough	217,626	-	-	217,626
Total expenditures	<u>5,852,160</u>	<u>206,970</u>	<u>831,773</u>	<u>6,890,903</u>
Excess of revenues over expenditures	247,241	609,634	75,775	932,650
Other financing sources(uses):				
Transfer in	-	-	421,221	421,221
Transfer out	-	-	(418,501)	(418,501)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>2,720</u>	<u>2,720</u>
Change in fund balances	247,241	609,634	78,495	935,370
Fund balances beginning of year	1,874,487	177,832	790,757	2,843,076
Fund balances end of year	<u>\$ 2,121,728</u>	<u>787,466</u>	<u>869,252</u>	<u>3,778,446</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22)		\$ 935,370
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlay 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. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Capital outlay	\$ 18,496	
Depreciation expense	<u>(349,670)</u>	(331,174)
 Net change in Internal Service Fund charged back against expenditures made for self-funded insurance on an entity-wide basis		
		7,763
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:		
		303,946
 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.		
		1,329
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		4,093
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(910,734)	
Other postemployment benefits	<u>(26,553)</u>	<u>(937,287)</u>
 Change in net position of governmental activities(page 19)		 <u>\$ (15,960)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Cash and pooled investments	\$ 19,698	8,525
Inventories	4,844	-
Capital assets, net of accumulated depreciation	24,352	-
Total assets	48,894	8,525
Liabilities		
Due to other funds	30,000	-
Unearned revenue	1,856	-
Net OPEB liability	842	-
Total liabilities	32,698	-
Net position		
Invested in capital assets	24,352	-
Unrestricted	(8,156)	8,525
Total net position	\$ 16,196	8,525

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activites: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 109,500	-
Miscellaneous	2,552	10,538
Total operating revenues	<u>112,052</u>	<u>10,538</u>
Operating expenses:		
Support services:		
Administration:		
Benefits	-	947
Services	186	1,936
Operation and maintenance of plant:		
Services	1,419	-
	<u>1,605</u>	<u>2,883</u>
Non-instructional programs:		
Food service operations:		
Salaries	97,698	-
Benefits	23,566	-
Services	2,306	-
Supplies	149,206	-
Depreciation	4,085	-
	<u>276,861</u>	<u>-</u>
Total operating expenses	<u>278,466</u>	<u>2,883</u>
Operating income(loss)	<u>(166,414)</u>	<u>7,655</u>
Non-operating revenues:		
State sources	2,344	-
Federal sources	140,637	-
Interest on investments	273	108
Total non-operating revenues	<u>143,254</u>	<u>108</u>
Change in net position before capital contributions	(23,160)	7,763
Capital contributions	<u>3,866</u>	<u>-</u>
Change in net position	(19,294)	7,763
Net position beginning of year	<u>35,490</u>	<u>762</u>
Net position end of year	<u>\$ 16,196</u>	<u>8,525</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activites: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 108,657	-
Cash received from miscellaneous	2,552	10,538
Cash payments to employees for services	(120,884)	(2,883)
Cash payments to suppliers for goods or services	(132,989)	-
Net cash provided by(used in) operating activities	<u>(142,664)</u>	<u>7,655</u>
Cash flows from non-capital financing activities:		
Borrowings from the General Fund	30,000	-
State grants received	2,344	-
Federal grants received	124,002	-
Net cash provided by non-capital financing activities	<u>156,346</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	273	108
Net increase in cash and cash equivalents	13,955	7,763
Cash and cash equivalents at beginning of year	<u>5,743</u>	<u>762</u>
Cash and cash equivalents at end of year	<u>\$ 19,698</u>	<u>8,525</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (166,414)	7,655
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	16,635	-
Depreciation	4,085	-
Decrease in inventories	3,573	-
Decrease in accounts payable	(80)	-
Decrease in unearned revenue	(843)	-
Increase in other postemployment benefits	380	-
Net cash provided by(used in) operating activities	<u>\$ (142,664)</u>	<u>7,655</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$16,635 of federal commodities.

During the year ended June 30, 2013, the Capital Projects: Physical Plant and Equipment Levy Fund contributed \$3,866 of equipment to the Nutrition Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>	
	<u>Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 1,825	1,969
Liabilities		
Due to other groups	-	1,969
Net Position		
Restricted for scholarships	\$ 1,825	-

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,800
Interest income	10
Total additions	1,810
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	600
Change in net position before other financing uses	1,210
Other financing uses:	
Transfer out	(2,720)
Change in net position	(1,510)
Net position beginning of year	3,335
Net position end of year	\$ 1,825

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

The East Mills 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 cities of Malvern, Hastings, Henderson and Emerson, Iowa, and the predominately agricultural territory in a portion of Mills and Montgomery Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Levy Fund is utilized to account for the payment of property insurance and termination benefits.

The District reports the following nonmajor proprietary fund:

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

The District reports another proprietary fund:

The Internal Service Fund is utilized to account for the District's flexible spending account.

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

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

The Agency Fund is used to account for assets held 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 results 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 - committed, assigned and then unassigned fund balances.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, intangibles, 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	\$ -
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Years of Useful Life
Buildings	25-50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 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 in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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 the preceding classification.

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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

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

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

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 \$164,036 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 interfund 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	\$ 418,501
Activity	Private Purpose Trust	2,720
		<u>\$ 421,221</u>

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

The transfer from the Private Purpose Trust Fund to the Activity Fund was needed to move money that was donated for purposes more appropriately handled in the Activity Fund.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 30,000
Capital Projects: Physical Plant and Equipment Levy	General	751
		<u>\$ 30,751</u>

The Nutrition Fund is repaying the General Fund for salaries and benefits paid during the year.

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for Fire Safety grant money not moved to the proper account before year end.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,500	-	-	47,500
Total capital assets not being depreciated	<u>47,500</u>	-	-	<u>47,500</u>
Capital assets being depreciated:				
Buildings	7,605,098	4,500	-	7,609,598
Improvements other than buildings	745,355	-	-	745,355
Machinery and equipment	2,530,835	13,996	-	2,544,831
Total capital assets being depreciated	<u>10,881,288</u>	<u>18,496</u>	-	<u>10,899,784</u>
Less accumulated depreciation for:				
Buildings	2,628,020	143,021	-	2,771,041
Improvements other than buildings	462,527	20,705	-	483,232
Machinery and equipment	1,997,707	185,944	-	2,183,651
Total accumulated depreciation	<u>5,088,254</u>	<u>349,670</u>	-	<u>5,437,924</u>
Total capital assets being depreciated, net	<u>5,793,034</u>	<u>(331,174)</u>	-	<u>5,461,860</u>
Governmental activities capital assets, net	<u>\$ 5,840,534</u>	<u>(331,174)</u>	-	<u>5,509,360</u>
Business type activities:				
Machinery and equipment	\$ 147,340	3,866	-	151,206
Less accumulated depreciation	122,769	4,085	-	126,854
Business type activities capital assets, net	<u>\$ 24,571</u>	<u>(219)</u>	-	<u>24,352</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 157,710
Support services:	
Administration	5,128
Operation and maintenance of plant	5,294
Transportation	<u>17,812</u>
	185,944
Unallocated depreciation	<u>163,726</u>
Total governmental activities depreciation expense	<u>\$ 349,670</u>
Business type activities:	
Food services	<u>\$ 4,085</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,105,000	-	130,000	1,975,000	135,000
Revenue bonds	1,810,000	-	65,000	1,745,000	80,000
Computer lease	396,433	-	108,946	287,487	112,349
Termination benefits	19,386	928,629	17,895	930,120	278,878
Net OPEB liability	27,255	26,553	-	53,808	-
	<u>\$ 4,358,074</u>	<u>955,182</u>	<u>321,841</u>	<u>4,991,415</u>	<u>606,227</u>
Business type activities:					
Net OPEB liability	\$ 462	380	-	842	-

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated May 1, 2005			
	Interest Rates	Principal	Interest	Total
2014	4.75	% \$ 135,000	90,332	225,332
2015	4.50	140,000	83,920	223,920
2016	4.20	140,000	77,620	217,620
2017	4.30	145,000	71,740	216,740
2018	4.40	155,000	65,505	220,505
2019-2023	4.50-4.75	860,000	218,093	1,078,093
2024-2025	4.75	400,000	28,737	428,737
Total		<u>\$ 1,975,000</u>	<u>635,947</u>	<u>2,610,947</u>

Revenue Bonds

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

Year Ending June 30,	Revenue bonds dated May 1, 2009			
	Interest Rates	Principal	Interest	Total
2014	3.25	% \$ 80,000	84,030	164,030
2015	3.75	80,000	81,430	161,430
2016	3.75	85,000	78,430	163,430
2017	4.20	85,000	75,242	160,242
2018	4.20	90,000	71,673	161,673
2019-2023	4.60-5.10	510,000	293,237	803,237
2024-2028	5.10-5.40	660,000	150,960	810,960
2029	5.40	155,000	8,370	163,370
		<u>\$ 1,745,000</u>	<u>843,372</u>	<u>2,588,372</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,950,000 of bonds issued May 1, 2009. The bonds were issued for the purpose of financing a portion of the costs of an addition and remodeling of the existing high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the District. Annual principal and interest payments on the bonds are expected to require approximately 34 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,588,372. For the current year, \$65,000 of principal and \$86,143 of interest were paid on the bonds and total statewide sales, services and use tax revenues were \$471,528.

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

- a) \$164,030 of the proceeds from the issuance of the revenue bonds shall be deposited to a 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 in the sinking account. The reserve account is maintained in the Capital Projects: Statewide Sales Services and Use Tax Fund.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Moneys 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

During the year ended June 30, 2012, the District entered into a capital lease for the purchase of computer equipment. The lease payments are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's indebtedness under the agreement at June 30, 2013 are as follows:

Year Ending June 30,	Computer lease dated March 1, 2012			
	Interest Rates	Principal	Interest	Total
2014	2.74	% \$ 112,349	8,048	120,397
2015	2.74	115,859	4,538	120,397
2016	2.74	59,279	919	60,198
		<u>\$ 287,487</u>	<u>13,505</u>	<u>300,992</u>

Termination Benefits

For the year ended June 30, 2013 the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have reached the age of 55 at the actual date of retirement, completed five years of service at the District immediately prior to retiring and be employed on a full-time basis as a certified teacher or administrator during the last school year prior to early retirement.

Early retirement benefits equal 75% of the employee's current regular salary contributed to a Special Pay Plan per Internal Revenue Code 403(b). The retiring employee would receive 50% of this with an additional 10% for each year employed at the District over five years with a maximum limit of 100%. This contribution will be paid in two equal installments on July 15, 2013 and July 15, 2014.

Additionally the District will continue to pay the employees' health insurance premium in the District's plan until the employee reaches the age of 65 or otherwise ceases to participate in the District's health insurance plan. The employer's contribution is fixed at the 2013-2014 cost, with any increases being the employee's obligation.

Additionally the District will continue to make the current contribution to the employee's Tax Sheltered Annuity, if any, until the employee reaches the age of 65 or otherwise ceases to participate in such a plan.

At June 30, 2013, the District has obligations to ten participants with a total liability of \$930,120. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$17,895.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013 and 2012 were \$271,743 and \$229,976, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 42 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 25 years.

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

Annual required contribution	\$ 53,451
Interest on net OPEB obligation	693
Adjustment to annual required contribution	<u>(2,788)</u>
Annual OPEB cost	51,356
Contributions made	<u>(24,423)</u>
Increase in net OPEB obligation	26,933
Net OPEB obligation beginning of year	27,717
Net OPEB obligation end of year	<u><u>\$ 54,650</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$24,423 to the plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 49,865	44.4%	\$ 27,717
2013	53,451	45.7%	54,650

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$225,507, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$225,507. The covered payroll (annual payroll of active employees covered by

the plan) was \$1,773,349 and the ratio of the UAAL to covered payroll was 12.72%. As of June 30, 2013 there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the East Mills Community School District. The UAAL is being amortized as a level percentage of the projected payroll expense on an open basis over 25 years.

(9) Risk Management

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

(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 \$217,626 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
Limited English Proficiency	\$ 1,334
Returning Dropouts and Dropout Prevention Programs	143,058
Four-year-old Preschool State Aid	133,629
Teacher Salary Supplement	819
Early Childhood Programs	7,083
Professional Development for Model Core Curriculum	37,543
Professional Development	19,940
Total	<u>\$ 343,406</u>

(12) Deficit Unrestricted Net Position

At June 30, 2013, the District had a deficit unrestricted net position of \$8,156 in the School Nutrition Fund.

(13) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the certified budget and the District exceeded its General Fund unspent authorized budget.

REQUIRED SUPPLEMENTARY INFORMATION

EAST MILLS 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 Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,931,873	112,325	5,044,198	5,294,417	5,294,417	(250,219)
Intermediate sources	400	-	400	18,000	18,000	(17,600)
State sources	2,719,434	2,344	2,721,778	2,742,341	2,742,341	(20,563)
Federal sources	171,846	140,637	312,483	426,000	426,000	(113,517)
Total revenues	<u>7,823,553</u>	<u>255,306</u>	<u>8,078,859</u>	<u>8,480,758</u>	<u>8,480,758</u>	<u>(401,899)</u>
Expenditures/Expenses:						
Instruction	4,141,006	-	4,141,006	5,451,558	5,451,558	1,310,552
Support services	1,933,723	1,605	1,935,328	3,720,100	3,720,100	1,784,772
Non-instructional programs	-	276,861	276,861	310,000	310,000	33,139
Other expenditures	816,174	-	816,174	736,498	736,498	(79,676)
Total expenditures/expenses	<u>6,890,903</u>	<u>278,466</u>	<u>7,169,369</u>	<u>10,218,156</u>	<u>10,218,156</u>	<u>3,048,787</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	932,650	(23,160)	909,490	(1,737,398)	(1,737,398)	2,646,888
Other financing sources, net	<u>2,720</u>	<u>3,866</u>	<u>6,586</u>	-	-	<u>6,586</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	935,370	(19,294)	916,076	(1,737,398)	(1,737,398)	2,653,474
Balances beginning of year	<u>2,843,076</u>	<u>35,490</u>	<u>2,878,566</u>	<u>2,237,273</u>	<u>2,237,273</u>	<u>641,293</u>
Balances end of year	<u>\$ 3,778,446</u>	<u>16,196</u>	<u>3,794,642</u>	<u>499,875</u>	<u>499,875</u>	<u>3,294,767</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the other expenditures functional area exceed the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	-	\$ 257,008	257,008	0.0%	\$ 1,766,825	14.55%
2013	July 1, 2011	-	225,507	225,507	0.0%	1,773,349	12.72%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special			
	Revenue:			
	Student	Debt	Capital	
	Activity	Service	Projects	Total
Assets				
Cash and pooled investments	\$ 88,682	114,681	408,138	611,501
Receivables:				
Property tax:				
Delinquent	-	2,358	1,417	3,775
Succeeding year	-	175,332	92,602	267,934
Due from other funds	-	-	751	751
Due from other governments	124	-	258,137	258,261
Total assets	\$ 88,806	292,371	761,045	1,142,222
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,979	-	2,057	5,036
Deferred revenue:				
Succeeding year property tax	-	175,332	92,602	267,934
Total liabilities	2,979	175,332	94,659	272,970
Fund balances:				
Restricted for:				
Debt service	-	117,039	164,030	281,069
Student activities	85,827	-	-	85,827
School infrastructure	-	-	421,900	421,900
Physical plant and equipment	-	-	80,456	80,456
Total fund balances	85,827	117,039	666,386	869,252
Total liabilities and fund balances	\$ 88,806	292,371	761,045	1,142,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue:			
	Student Activity	Debt Service	Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	174,724	561,857	736,581
Other	164,827	3,124	3,016	170,967
Total revenues	164,827	177,848	564,873	907,548
Expenditures:				
Current:				
Instruction:				
Other	147,028	-	-	147,028
Support services:				
Instructional staff	-	-	73,457	73,457
Operation and maintenance of plant	140	-	12,600	12,740
Capital outlay	-	-	99,401	99,401
Long-term debt:				
Principal	-	303,946	-	303,946
Interest and fiscal charges	-	195,201	-	195,201
Total expenditures	147,168	499,147	185,458	831,773
Excess(Deficiency) of revenues over(under) expenditures	17,659	(321,299)	379,415	75,775
Other financing sources(uses):				
Transfer in	2,720	418,501	-	421,221
Transfer out	-	-	(418,501)	(418,501)
Total other financing sources(uses)	2,720	418,501	(418,501)	2,720
Change in fund balances	20,379	97,202	(39,086)	78,495
Fund balances beginning of year	65,448	19,837	705,472	790,757
Fund balances end of year	\$ 85,827	117,039	666,386	869,252

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 327,793	80,345	408,138
Receivables:			
Property tax:			
Delinquent	-	1,417	1,417
Succeeding year	-	92,602	92,602
Due from other funds	-	751	751
Due from other governments	258,137	-	258,137
Total assets	\$ 585,930	175,115	761,045
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	2,057	2,057
Deferred revenue:			
Succeeding year property tax	-	92,602	92,602
Total liabilities	-	94,659	94,659
Fund balances:			
Restricted for:			
School infrastructure	421,900	-	421,900
Debt service	164,030	-	164,030
Physical plant and equipment	-	80,456	80,456
Total fund balances	585,930	80,456	666,386
Total liabilities and fund balances	\$ 585,930	175,115	761,045

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 471,528	90,329	561,857
Other	2,055	961	3,016
Total revenues	<u>473,583</u>	<u>91,290</u>	<u>564,873</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	73,457	73,457
Operation and maintenance of plant	-	12,600	12,600
Capital outlay	3,000	96,401	99,401
Total expenditures	<u>3,000</u>	<u>182,458</u>	<u>185,458</u>
Excess(Deficiency) of revenues over(under) expenditures	470,583	(91,168)	379,415
Other financing uses:			
Transfer out	(418,501)	-	(418,501)
Change in fund balances	52,082	(91,168)	(39,086)
Fund balances beginning of year	<u>533,848</u>	<u>171,624</u>	<u>705,472</u>
Fund balances end of year	<u>\$ 585,930</u>	<u>80,456</u>	<u>666,386</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST MILLS 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	Interfund Transfers	Balance End of Year
Miscellaneous	\$ 903	851	-	-	1,754
HS Drama	-	2,348	1,400	-	948
MS Drama	2,992	678	254	-	3,416
HS Vocal	451	183	483	-	151
HS Instrumental Music	-	448	235	-	213
MS Instrumental Music	1,105	326	397	-	1,034
MS Annual	15	1,306	1,321	-	-
MS Cheerleading	571	-	-	-	571
MS Fundraiser	4,304	10,175	7,336	-	7,143
MS Library Club	2,058	4,482	4,232	-	2,308
Class of 2010	123	-	123	-	-
Class of 2011	291	-	291	-	-
Class of 2012	275	-	275	-	-
Class of 2013	2,590	1,854	4,063	-	381
Class of 2014	6,174	10,512	8,022	-	8,664
Class of 2015	74	824	824	-	74
Class of 2016	-	721	13	-	708
Class of 2017	-	431	-	-	431
5-6 Loop Fund	273	-	-	-	273
MS Concessions	1,089	1,069	908	-	1,250
MS Athletics	3,146	-	3,146	-	-
MS Student Council	1,029	714	1,743	-	-
Elementary Fundraiser	97	1,696	1,793	-	-
Elementary Activity	-	2,678	2,191	2,720	3,207
HS Athletics	11,045	20,708	31,589	-	164
HS Volleyball	611	3,788	3,572	-	827
HS Softball	3	906	489	-	420
HS Girls Basketball	64	-	64	-	-
HS Boys Basketball	386	240	152	-	474
HS Baseball	505	3,635	3,009	-	1,131
HS Wrestling	771	4,007	4,272	-	506
HS Track	-	1,565	1,565	-	-
MS Boys Basketball	1,323	271	-	-	1,594
MS Football	1,029	36	336	-	729
MS Wrestling	200	-	-	-	200
MS Basketball	2,182	396	-	-	2,578
MS Volleyball	112	827	783	-	156
MS Girls Track	1,126	-	-	-	1,126
National Honor Society	219	659	808	-	70
Dance Team	58	-	-	-	58
HS Yearbook	2,416	2,480	3,275	-	1,621
Art Club	89	-	-	-	89
HS Concessions	4,435	25,318	19,011	-	10,742
Panther Den	578	25	-	-	603
HS Cheerleading	-	1,009	1,009	-	-
FCCLA	(2,623)	23,422	16,644	-	4,155
HOSA	1,366	9,554	10,550	-	370
HS Library Club	379	-	25	-	354
HS Weight Club	204	-	-	-	204
Chantry Music Revolving	347	-	-	-	347
HS Shop	40	-	-	-	40
HS Student Council	-	204	157	-	47
Chantry Activity	964	-	964	-	-
Chantry Library	462	1,754	1,485	-	731
HS Activity	9,394	22,727	8,359	-	23,762
HS Library	203	-	-	-	203
Total	\$ 65,448	164,827	147,168	2,720	85,827

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MILLS 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
Assets				
Cash and pooled investments	\$ 1,969	-	-	1,969
Liabilities				
Due to other groups	\$ 1,969	-	-	1,969

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MILLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST TWO YEARS

	Modified Accrual Basis	
	Year Ended June 30,	
	2013	2012
Revenues:		
Local sources:		
Local tax	\$ 4,485,255	4,325,883
Tuition	157,122	149,275
Other	289,496	299,955
Intermediate sources	400	-
State sources	2,719,434	3,048,396
Federal sources	171,846	181,079
Total	<u>\$ 7,823,553</u>	<u>8,004,588</u>
Expenditures:		
Instruction:		
Regular	\$ 2,682,385	3,253,652
Special	844,529	911,947
Other	614,092	677,907
Support services:		
Student	56,640	67,499
Instructional staff	160,641	331,117
Administration	649,347	723,824
Operation and maintenance of plant	682,790	668,001
Transportation	384,305	442,967
Other		
Capital outlay	99,401	146,259
Long Term Debt:		
Principal	303,946	190,000
Interest and fiscal charges	195,201	191,342
Other expenditures:		
AEA flow-through	217,626	214,462
Total	<u>\$ 6,890,903</u>	<u>7,818,977</u>

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
East Mills Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Mills Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Mills Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Mills Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Mills Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies 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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 I of the accompanying Schedule of Findings as items I-B-13 through I-C-13 to be significant deficiencies.

Compliance and Other Matters

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

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

East Mills Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit East Mills Community School District's responses and, accordingly, we express no opinion on them.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

- 1) Disbursements - purchase order processing, check preparation, mailing and recording.
- 2) Wire transfers - processing and approving.
- 3) Payroll - recordkeeping, preparation, posting and distribution.
- 4) Transfers - preparing and approving.
- 5) Financial reporting - preparing, reconciling and approving.

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

Response - With a limited number of employees segregation of duties is difficult but we will continue to work on a solution.

Conclusion - Response accepted.

I-B-13 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for performances and athletic events that require an admission fee. Individuals collecting cash at District events do not have a process for reconciling the number of people admitted to the event to the amount of cash collected for the event.

Recommendation -The District's Board of Directors should develop internal control procedures for handling cash for all events that the District charges an admission fee. The Board of directors should involve the District's business office staff in developing detailed procedures for handling cash before and after District events. Once the Board of Directors has approved these procedures, the procedures should be communicated and followed by persons involved in cash collection at District events. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.

- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - This was corrected before the start of the 2013-2014 school year.

Conclusion - Response accepted.

I-C-13 Grant Coding - We noted that numerous adjustments were required at year end reclassifying expenses to balance various grants. The reclassifying of expenses gives the appearance that these grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grants.

Recommendation - The District should determine who and what costs are appropriate prior to payment and operation of the grant. Additionally the District should determine if the grant has resources prior to incurring the cost. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent on appropriate items in the correct time period in addition to not overspending the grant.

Response - A spreadsheet of each grant will be kept throughout the year to record revenue and expenses and will be shared with the person in charge of the grant.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded the amounts budgeted in the other expenditures functional area. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2013 by \$157,854.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response - We are running a monthly report to compare expenditures to the published budget to assure we don't overspend. We met with the SBRC concerning the negative unspent authorized budget and project to be positive at June 30, 2014.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted gift cards purchased from the Student Activity Fund that appear to be given out by the Student Council as prizes. Giving gift cards does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

Response - The District does not allow the purchase of gift cards anymore.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Phyllis Paulsen, Teacher Husband owns Dwayne Paulsen Electric	Supplies/Services	\$24,479
Susan Stogdill, Board Member Husband owns Mr B. Catering	Services	\$90

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the District employee's spouse and Board Member's relatives do not appear to represent a conflict of interest.

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

- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - No variances regarding the enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Financial Condition - We noted that the School Nutrition Fund had a deficit unrestricted net position of \$8,156 at June 30, 2013.

Recommendation - The District should monitor this Fund and investigate alternatives to eliminate the deficit.

Response - This has been worked on and corrected. The School Nutrition Fund has a positive balance now.

Conclusion - Response accepted.

- II-M-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning balance		\$ 533,848
Revenues:		
Sales tax revenues	\$ 471,528	
Other local revenues	2,055	473,583
		<u>1,007,431</u>
Expenditures/ transfers out:		
Other	\$ 3,000	
Transfers to other funds:		
Debt service fund	418,501	421,501
		<u>421,501</u>
Ending balance		<u>\$ 585,930</u>

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

	<u>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Debt service levy	<u>\$ 1.02120</u>	<u>\$ 266,758</u>

II-N-13 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. During our audit, we noted there were no electronic images or copies of the backs of checks written from District's bank accounts during fiscal 2013.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - The bank that did not give us a copy of the back of the checks is no longer being used. We now retain images of the fronts and backs of each cancelled check.

Conclusion - Response accepted.

II-O-13 Student Activity Fund - During our audit issues arose about the properness of certain receipts recorded in the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of questioned revenues are as follows:

Commissions: We noted Life Touch picture commissions were being recorded in the Elementary Activity account in the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund, therefore Life Touch commissions should be receipted into the General Fund.

Response - This has been corrected. All commissions from Life Touch will be deposited into the General Fund.

Conclusion - Response accepted.

Box Tops/Target Donations: We noted the District records Box Tops and Target donations in the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. Target Donations are undesignated, therefore more appropriately receipted in the General Fund for use as determined by the Board of Directors. This designation should be done annually and noted in the District's board minutes. According to information contained on the website for Box Tops, the donation can be used for such items as books, computers or playground equipment. Since the items listed for purchase with Box Top Donations appear to be General Fund expenditures in nature, the most logical place to record these donations would be the General Fund.

Response - All Box Tops and Target donations are being deposited into the General Fund.

Conclusion - Response accepted.