

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Position	G	23
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Schedule of Funding Progress for the Retiree Health Plan		39
	<u>Schedule</u>	
Supplementary Information:		
Nonmajor Enterprise Funds:		
Combining Schedule of Net Position	1	41
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	2	42
Combining Schedule of Cash Flows	3	43
Capital Project Accounts:		
Combining Balance Sheet	4	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	47
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>		48-49
Schedule of Findings and Responses		50-53

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clarence Hansen	President	2015
Alan Movall	Vice President	2013
Mike Schmitt	Board Member	2015
Scott Currie	Board Member	2015
Chuck Struchen	Board Member	2013

School Officials

Dave Kwikkel	Superintendent
Julie McClintic	District Secretary/Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Schaller-Crestland 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 Schaller-Crestland Community School District, Schaller, 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 presents 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 Schaller-Crestland 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 4 through 14 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schaller-Crestland Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 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 June 12, 2014 on our consideration of Schaller-Crestland Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Schaller-Crestland Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

June 12, 2014

Schaller-Crestland Community School District

Management Discussion & Analysis

This section of the Schaller-Crestland Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The Schaller-Crestland CSD Board of Directors approved a Property Tax decrease from \$13.70797 to \$13.57738 per \$1,000 taxable valuation, creating a stable tax rate from the previous year.

Overview of the Financial Statements

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

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.

- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

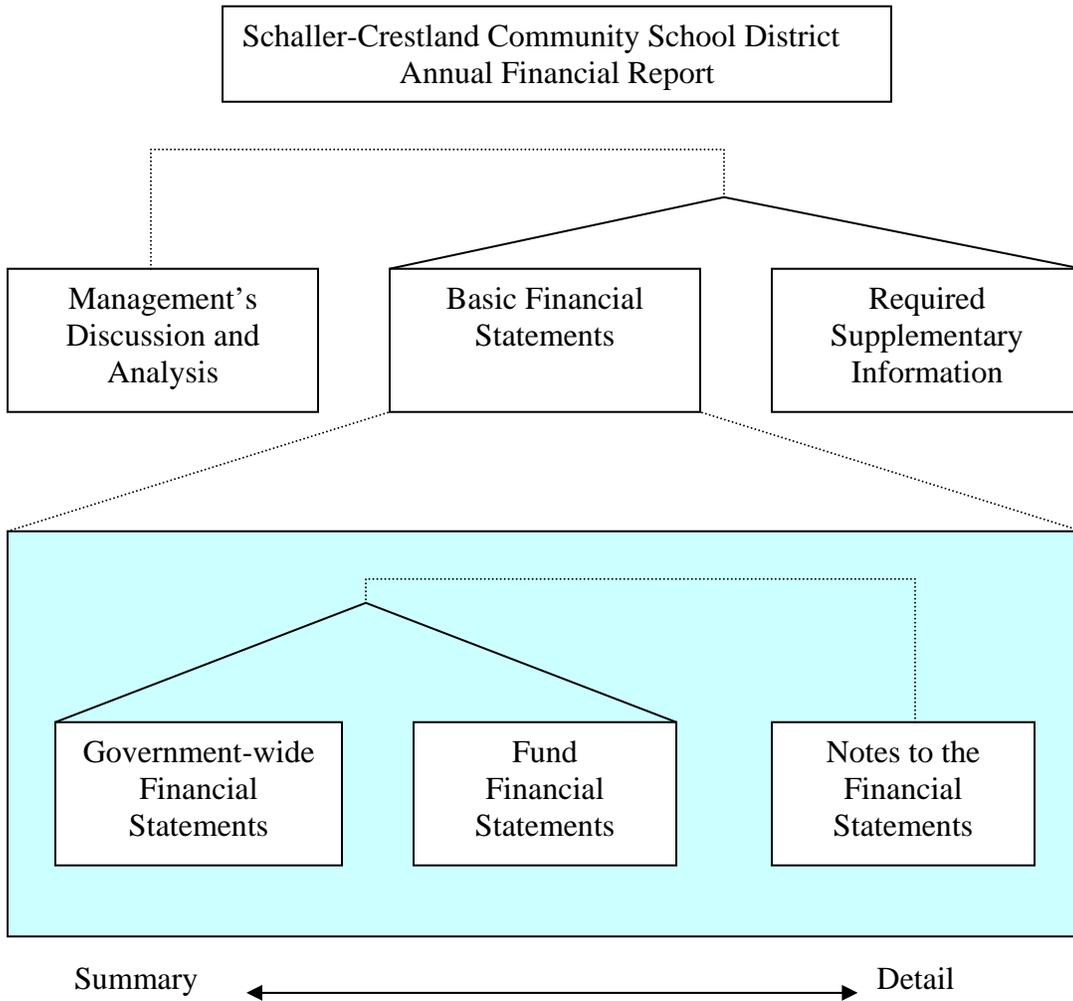
The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of funding Progress for the Retiree Health Plan.

Supplementary information provides detailed information about the nonmajor funds.

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

Figure A-1



Government-wide Statements

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

The two Government-wide 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 assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's food service and daycare programs would be included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Capital Projects and Special Revenue Funds that consist of Activity and Management.
- *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 statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Daycare Fund.

Government-wide Financial Analysis

Figure A-2 below provides a summary of the District's net position at June 30, 2013, 2012 and 2011.

Net assets

The District's total net position has shown a steady increase over the past two years, it increased by \$310,475 in 2012 and another \$515,482 or 12% in 2013.

Figure A-2	Condensed Statement of Net Position									
	Governmental Activities			Business Type Activities			Total School District			Total % Change 2012-2013
	2011	2012	2013	2011	2012	2013	2011	2012	2013	
Current and other assets	\$4,471,781	\$4,617,278	\$4,988,198	\$27,746	\$25,775	\$6,367	\$4,499,527	\$4,643,053	\$4,994,565	8%
Capital assets	2,573,018	2,708,167	2,843,369	27,826	41,529	36,947	2,600,844	2,749,696	2,880,316	5%
Total Assets	7,044,799	7,325,445	7,831,567	55,572	67,304	43,314	7,100,371	7,392,749	7,874,881	7%
Long-term liabilities	120,068	81,396	56,966	0	0	0	120,068	81,396	56,966	(30%)
Other liabilities	3,038,131	3,056,245	3,044,139	4,281	6,743	9,929	3,042,412	3,062,988	3,054,868	(1%)
Total liabilities	3,158,199	3,137,641	3,101,105	4,281	6,743	9,929	3,162,480	3,144,384	3,111,034	(1%)
Net Position:										
Investment in capital assets	2,573,018	2,708,167	2,843,369	27,826	41,529	36,947	2,600,844	2,749,696	2,880,316	5%
Restricted	895,189	844,848	1,116,636	0	0	0	895,189	844,848	1,116,636	32%
Unrestricted	418,393	634,789	770,457	23,465	19,032	(3,562)	441,858	653,821	766,895	17%
TOTAL NET POSITION	\$3,886,600	\$4,187,804	4,730,462	\$51,291	\$60,561	33,385	\$3,937,891	\$4,248,365	4,763,847	12%

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$271,788 or 32% from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints, established by debt covenants, enabling legislation or other legal requirements – increased by \$113,074 or 17% from the previous year.

Figure A-3 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Changes in Net Position						
Figure A-3	Governmental Activities		Business-type Activities		Total School District	
	2012	2013	2012	2013	2012	2013
Revenues						
Program Revenues						
Charges for services	932,321	947,743	170,722	157,855	1,103,043	1,105,598
Operating Grants & Contributions	594,435	592,980	133,743	153,991	728,178	746,971
Capital Grants & Contributions	565	0	0	0	565	0
General Revenues						
Property taxes & other taxes	2,852,241	3,101,261	0	0	2,852,241	3,101,261
Unrestricted State Grants	1,262,151	1,260,715	0	0	1,262,151	1,260,715
Unrestricted Investment Earnings	9,463	10,703	87	32	9,550	10,735
Other Revenue	9,450	6,194	0	0	9,450	6,194
Total Revenues	\$5,660,626	\$5,919,596	\$304,552	\$311,878	\$5,965,178	6,231,474
Expenses						
Instruction	3,558,907	3,638,590	0	0	3,558,907	3,638,590
Support Services	1,367,086	1,429,699	0	0	1,367,086	1,429,699
Non-Instructional Programs	0	0	314,332	339,054	314,332	339,054
Other Expenses	414,379	308,649	0	0	414,379	308,649
Total Expenses	\$5,340,372	\$5,376,938	\$314,332	\$339,054	\$5,654,704	\$5,715,992
Net Revenues and Expenses	\$320,254	\$542,658	(\$9,780)	(\$27,176)	\$310,474	\$515,482
Transfers	(\$19,050)	0	\$19,050	-	0	0
Change in Net Position	\$301,204	\$542,658	\$9,270	(\$27,176)	\$310,474	\$515,482

Total District revenues increased \$266,296 between 2012 and 2013 while total expenses increased in 2013 \$61,288. This created an increase of \$515,482 in total school district net position. Total property tax and other local tax revenues increased \$249,020.

Governmental Activities -

Referring to *Figure A-3*, revenues for the District's governmental activities were \$5,919,596 for fiscal year 2013. Total governmental expenditures were \$5,376,938.

The fiscal year previous the District trimmed expenses through Whole Grade Sharing revenues. The board of directors was able to maintain the overall district tax rate from \$13.70907 to \$13.57738 per thousand dollars of taxable valuation. The whole grade sharing agreement had significant impact on our revenue to expense ratio for year 2011 versus 2010. As we moved forward into the next fiscal years (2012 and 2013) we began to understand the Whole Grade Sharing Billing process better and therefore we could adjust to it whether it be the costs associated with instruction or transportation at the Middle School and High School levels.

Net Cost of Governmental Activities				
Figure A-4				
	Total Cost of Services 2012	Total Cost of Services 2013	Net Cost Of Services 2012	Net Cost Of Services 2013
Instruction	3,558,907	3,638,590	2,303,842	2,434,860
Support Services	1,367,086	1,429,699	1,241,427	1,240,824
Other Expenses	414,379	308,649	267,782	160,531
TOTAL	5,340,372	5,376,938	3,813,051	3,836,215

Figure A-4 presents the cost of the District’s major governmental activities: instruction, support services, and other expenses. The table shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

- The cost of all governmental activities this year was \$5,376,938.
- Most of the District’s net costs (\$3,836,215) were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$3,101,261 in property and other local taxes, and \$1,260,715 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business-Type Activities -

The District’s business-type activities include the School Nutrition and Daycare Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District’s business-type activities show a decrease in net position for fiscal years 2013 and 2012. The decrease in net position for the year was the result of too low of food prices verses costs that will be adjusted going into the next fiscal year following recommendations from the USDA food program.

Financial Analysis of the District’s Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$1,748,559.

Governmental Fund Highlights

The General Fund balance increased from \$347,222 in 2011, to \$640,367 in 2012, to \$834,819 in 2013. A concerted effort to reduce staff costs and control other expenditures is always an ongoing priority. Once again the full impact of cross billing and miscellaneous income due to whole grade sharing is beginning to better reveal itself.

The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.

The sales tax account balance increased from \$364,072 in 2012 to \$396,429 in 2013. During fiscal year 2013 sales tax monies were used to complete several smaller general concrete repair projects and grounds issues but no real substantial projects occurred to the grounds or buildings.

The Physical Plant and Equipment account began fiscal year 2012 with a balance of \$215,598 and ended the year in June of 2013 with a positive fund balance of \$318,518.

The Non-major governmental funds include Management and Student Activity Funds. During fiscal year 2013 revenues and expenditures remained steady in that we worked to just cover insurance costs in the Management Fund so as not to raise taxes and the activity funds are shared and always present themselves as a challenge with increase costs and lessened revenues or gate receipts.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$42,491 at June 30, 2011 to \$60,675 at June 30, 2012 to \$32,049 at June 30, 2013. The decrease was due to pricing of the meals and an increase in labor costs. This issue is expected to be rectified with an increase in lunch pricing the next fiscal year.

The Daycare Fund net position balance increased from \$(114) at June 30, 2012 to a \$1,336 at June 30, 2013. Revenues increased due to a more controlled parent payment system and various fund raisers to increase revenue by the staff. Striking a balance of labor to expected daily needs for care is always a challenge.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Ultimately, budgeted amounts were more than actual revenue by \$261,726. Most of this variance is due to increased costs of the physical operation of buildings and labor verses new revenues not afforded to the district through state funding.

The District's budgeted expenditures were \$932,999 more than actual expenditures. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping expenditures in line with revenues as actual revenue accumulates. As a result, the District's certified budget would hopefully exceed the actual expenditures during the coming year. The District's total expenditures were \$5,875,624 and total revenues were \$6,197,349, resulting in a surplus of revenues over expenditures of \$321,725.

Capital Asset and Debt Administration

Capital Assets

By the end of 2012, the District had invested \$2,749,696 net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-5*). This amount represents a net increase of \$148,852 or a 6% increase from last year. The District was able to stay within its means and not accumulate any debt in FY12.

The 2012-2013 school year was once again productive in the way of capital improvements. The physical plant and equipment property tax levy and statewide sales tax proceeds were used make many repairs, improvements and equipment purchases but no real big ticket items other than a piece of playground equipment. These two funds combined make it much easier for the district to repair and replace items that get daily wear and tear without worry of budget constraints. The district may want to look at ways to enhance their buildings going into the future with use of these funds. Energy efficiency would be one key area.

Capital Assets (net of depreciation)										
Figure A-5	Governmental Activities			Business-type Activities			Total School District			Total % Change
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2012-2013
Land	18,889	18,889	18,889	0	0	0	18,889	18,889	18,889	0%
Construction in Progress	18,769	10,500	272,492	0	0	0	18,769	10,500	272,492	2,495%
Buildings. & Improvements	2,371,263	2,440,763	2,378,831	0	0	0	2,371,263	2,440,763	2,378,831	(3%)
Equip. & Furniture	164,097	238,015	173,157	27,826	41,529	36,947	191,923	279,544	210,104	(25%)
TOTAL	2,573,018	2,708,167	2,843,369	27,826	41,529	36,947	2,600,844	2,749,696	2,880,316	5%

Long-Term Debt

At June 30, 2013 the District's only long-term debt was for its early retirement program and net OPEB liability.

Factors Bearing on the District's Future

The District will need to show continued caution financially as they move into their fourth year of Whole Grade Sharing. Budgeting practices such as making sure disbursements do not exceed receipts is our primary focus, however staff needs always need to be tempered so as not to over spend revenues. In FY 14, the District will receive 2% of allowable growth from state money and 2% in cash from the state but it won't be added or be increasing allowable growth. Federal and State coffers have become strained which directly affects Schaller-Crestland. We have experienced a declining enrollment, but not as dramatic as in years past. However, we do know that a swing of five or six students either way does have impact.

The overall assessed valuation has been increasing over \$12,000,000 per year which helps in stabilizing our tax asking due in part to the wind turbines and increase value of farm land. However, costs outside of the Board's control such as continual increases in health insurance and higher utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability. Funds from PPEL and the SAVE tax will help when making large capital improvements to the district.

Elementary enrollment has the district looking to cautiously maintain or reduce staff at current levels as one section classes have to be analyzed as either potentially one or two sections. Quality of education is a concern but financial viability also comes into play.

The outlook for our District, in reference to rising property valuations, will result in a 5% increase for the 2013-2014 school year.

School financing is highly dependent upon student enrollment. As stated earlier we are at a point of an increase or decrease of 4 or five students as a .5 impact on or Full Time Teacher Equivalency.

There was a 2+2% allowable growth that was assigned by the State legislature for the 2013-2014 school year and increase in land valuations is helping to keep us solvent at this point. The District is expecting allowable growth for 2014-2015 to be 4%.

The Schaller-Crestland District continues to be proactive regarding projects to maintain our buildings and grounds. The District continues to be aggressive with technology needs by equipping all classrooms that have requested to get SMART Boards. Recognition of an increase capacity in the buildings wireless system will be an item of focus going forward.

A \$30,000 accessibility project for the Early building is expected to occur and be completed FY14. These are much needed improvements for our public.

The District will begin the fourth year (2013-2014) of a whole grade sharing agreement involving grades 5-12 with the Galva-Holstein School District. We will also continue the sharing of their superintendent. Supplemental weightings for the District in administrative sharing is important. This will represent a substantial impact on our funding going forward.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dave Kwikkel, Superintendent, Schaller-Crestland Community School District, 300 S. Berwick Street, Schaller, Iowa 51053.

BASIC FINANCIAL STATEMENTS

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	1,863,284	(10,484)	1,852,800
Receivables:			
Property tax:			
Delinquent	33,001	-	33,001
Succeeding year	2,603,586	-	2,603,586
Accounts	3,182	271	3,453
Due from other governments	485,145	12,784	497,929
Inventories	-	3,796	3,796
Capital assets, net of accumulated depreciation	2,843,369	36,947	2,880,316
Total assets	7,831,567	43,314	7,874,881
Liabilities			
Accounts payable	89,668	8,615	98,283
Salaries and benefits payable	350,885	-	350,885
Deferred revenue:			
Succeeding year property tax	2,603,586	-	2,603,586
Other	-	1,314	1,314
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	56,966	-	56,966
Total liabilities	3,101,105	9,929	3,111,034
Net position			
Net investment in capital assets	2,843,369	36,947	2,880,316
Restricted for:			
Categorical funding	124,696	-	124,696
Management levy	152,234	-	152,234
Physical plant and equipment levy	396,718	-	396,718
Student activities	46,559	-	46,559
School infrastructure	396,429	-	396,429
Unrestricted	770,457	(3,562)	766,895
Total net position	4,730,462	33,385	4,763,847

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,682,778	622,588	364,273	-
Special	500,824	117,629	22,804	-
Other	454,988	24,020	52,416	-
	<u>3,638,590</u>	<u>764,237</u>	<u>439,493</u>	<u>-</u>
Support services:				
Student	81,063	-	-	-
Instructional staff	188,744	-	-	-
Administration	468,419	138,631	-	-
Operation and maintenance of plant	348,270	95	-	-
Transportation	343,203	44,780	5,369	-
	<u>1,429,699</u>	<u>183,506</u>	<u>5,369</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	1,494	-	-	-
AEA flowthrough	148,118	-	148,118	-
Depreciation (unallocated)*	159,037	-	-	-
	<u>308,649</u>	<u>-</u>	<u>148,118</u>	<u>-</u>
Total governmental activities	<u>5,376,938</u>	<u>947,743</u>	<u>592,980</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	272,564	100,749	143,160	-
Daycare	66,490	57,106	10,831	-
Total business-type activities	<u>339,054</u>	<u>157,855</u>	<u>153,991</u>	<u>-</u>
Total	<u>5,715,992</u>	<u>1,105,598</u>	<u>746,971</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net position

Net position beginning of year

Net position end of year

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,695,917)	-	(1,695,917)
(360,391)	-	(360,391)
(378,552)	-	(378,552)
<u>(2,434,860)</u>	<u>-</u>	<u>(2,434,860)</u>
(81,063)	-	(81,063)
(188,744)	-	(188,744)
(329,788)	-	(329,788)
(348,175)	-	(348,175)
(293,054)	-	(293,054)
<u>(1,240,824)</u>	<u>-</u>	<u>(1,240,824)</u>
(1,494)	-	(1,494)
-	-	-
(159,037)	-	(159,037)
<u>(160,531)</u>	<u>-</u>	<u>(160,531)</u>
<u>(3,836,215)</u>	<u>-</u>	<u>(3,836,215)</u>
-	(28,655)	(28,655)
-	1,447	1,447
-	<u>(27,208)</u>	<u>(27,208)</u>
<u>(3,836,215)</u>	<u>(27,208)</u>	<u>(3,863,423)</u>
2,392,716	-	2,392,716
182,572	-	182,572
211,078	-	211,078
314,895	-	314,895
1,260,715	-	1,260,715
10,703	32	10,735
6,194	-	6,194
<u>4,378,873</u>	<u>32</u>	<u>4,378,905</u>
542,658	(27,176)	515,482
<u>4,187,804</u>	<u>60,561</u>	<u>4,248,365</u>
<u>4,730,462</u>	<u>33,385</u>	<u>4,763,847</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,020,609	150,677	645,326	46,672	1,863,284
Receivables:					
Property tax:					
Delinquent	29,105	1,557	2,339	-	33,001
Succeeding year	2,088,849	346,499	168,238	-	2,603,586
Accounts	3,182	-	-	-	3,182
Due from other governments	307,661	-	177,484	-	485,145
Total assets	3,449,406	498,733	993,387	46,672	4,988,198
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	57,553	-	32,002	113	89,668
Salaries and benefits payable	350,885	-	-	-	350,885
Deferred revenue:					
Succeeding year property tax	2,088,849	346,499	168,238	-	2,603,586
Income surtax	117,300	-	78,200	-	195,500
Total liabilities	2,614,587	346,499	278,440	113	3,239,639
Fund balances:					
Restricted for:					
Categorical funding	124,696	-	-	-	124,696
Management levy purposes	-	152,234	-	-	152,234
Student activities	-	-	-	46,559	46,559
School infrastructure	-	-	396,429	-	396,429
Physical plant and equipment	-	-	318,518	-	318,518
Unassigned	710,123	-	-	-	710,123
Total fund balance	834,819	152,234	714,947	46,559	1,748,559
Total liabilities and fund balances	3,449,406	498,733	993,387	46,672	4,988,198

SCHALLER-CRESTLAND 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 (Exhibit C)	1,748,559
<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.	2,843,369
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	195,500
Long-term liabilities, including termination benefits and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(56,966)</u>
Net position of governmental activities (Exhibit A)	<u><u>4,730,462</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2013

	General	Management Levy	Capital Projects	Nonmajor School Activity	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,390,467	121,496	556,843	-	3,068,806
Tuition	704,900	-	-	-	704,900
Other	224,444	4,752	4,575	24,299	258,070
State sources	1,721,067	-	-	-	1,721,067
Federal sources	132,628	-	-	-	132,628
Total revenues	<u>5,173,506</u>	<u>126,248</u>	<u>561,418</u>	<u>24,299</u>	<u>5,885,471</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,606,459	51,963	44,932	-	2,703,354
Special	497,958	-	-	-	497,958
Other	438,217	-	-	15,395	453,612
	<u>3,542,634</u>	<u>51,963</u>	<u>44,932</u>	<u>15,395</u>	<u>3,654,924</u>
Support services:					
Student	80,323	-	-	262	80,585
Instructional staff	175,569	10,787	-	-	186,356
Administration	444,238	4,954	16,542	-	465,734
Operation and maintenance of plant	296,015	46,344	-	-	342,359
Transportation	293,827	-	4,076	-	297,903
	<u>1,289,972</u>	<u>62,085</u>	<u>20,618</u>	<u>262</u>	<u>1,372,937</u>
Other expenditures:					
Facilities acquisition	-	-	360,591	-	360,591
AEA flowthrough	148,118	-	-	-	148,118
	<u>148,118</u>	<u>-</u>	<u>360,591</u>	<u>-</u>	<u>508,709</u>
Total expenditures	<u>4,980,724</u>	<u>114,048</u>	<u>426,141</u>	<u>15,657</u>	<u>5,536,570</u>
Excess (deficiency) of revenues over (under) expenditures	192,782	12,200	135,277	8,642	348,901
Other financing sources (uses):					
Sales of materials and equipment	1,670	-	-	-	1,670
Change in fund balances	194,452	12,200	135,277	8,642	350,571
Fund balances beginning of year	640,367	140,034	579,670	37,917	1,397,988
Fund balances end of year	<u>834,819</u>	<u>152,234</u>	<u>714,947</u>	<u>46,559</u>	<u>1,748,559</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		350,571
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	359,097	
Depreciation expense	<u>(223,895)</u>	135,202
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		32,455
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	43,060	
Other postemployment benefits	<u>(18,630)</u>	<u>24,430</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>542,658</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	(10,484)
Accounts receivable	271
Due from other governments	12,784
Inventories	3,796
Total current assets	<u>6,367</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>36,947</u>
Total assets	<u>43,314</u>
Liabilities	
Current liabilities:	
Accounts payable	8,615
Deferred revenue	1,314
Total current liabilities	<u>9,929</u>
Net position	
Investment in capital assets	36,947
Unrestricted	<u>(3,562)</u>
Total net position	<u><u>33,385</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2013

	Nonmajor Enterprise Funds <u> </u> \$
Operating revenues:	
Local sources:	
Charges for service	<u>157,855</u>
Operating expenses:	
Salaries	155,245
Benefits	24,952
Purchased services	2,661
Supplies	150,174
Depreciation	<u>6,022</u>
Total operating expenses	<u>339,054</u>
Operating income (loss)	<u>(181,199)</u>
Non-operating revenues:	
State sources	4,877
Federal sources	144,290
Donations	4,824
Interest income	<u>32</u>
Total non-operating revenues	<u>154,023</u>
Change in net position	(27,176)
Net position beginning of year	<u>60,561</u>
Net position end of year	<u><u>33,385</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	101,288
Cash received from daycare services	60,064
Cash payments to employees for services	(180,197)
Cash payments to suppliers for goods or services	<u>(133,673)</u>
Net cash used by operating activities	<u>(152,518)</u>
Cash flows from non-capital financing activities:	
Loan from (repaid to) General Fund	(3,108)
Donations	4,824
State grants received	4,877
Federal grants received	<u>127,421</u>
Net cash provided by non-capital financing activities	<u>134,014</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,440)</u>
Cash flows from investing activities:	
Interest on investments	<u>32</u>
Net increase (decrease) in cash and cash equivalents	(19,912)
Cash and cash equivalents at beginning of year	<u>9,428</u>
Cash and cash equivalents at end of year	<u><u>(10,484)</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(181,199)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	13,627
Depreciation	6,022
Decrease (increase) in inventories	2,411
Decrease (increase) in accounts receivable	3,435
(Decrease) increase in accounts payable	3,124
(Decrease) increase in deferred revenue	<u>62</u>
Net cash used by operating activities	<u><u>(152,518)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$13,627 of federal commodities.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

Schaller-Crestland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Schaller, Iowa and the predominately agricultural territory in a portion of Sac and Ida 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, Schaller-Crestland 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 Schaller-Crestland 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 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 the following categories:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The District's proprietary funds include the Enterprise, School Nutrition Fund used to account for the food service operations of the District and the Daycare Fund.

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments - 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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	30,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	2-20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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 did not exceed the amounts budgeted. It appears that the District has exceeded its General Fund spending authority as of June 30, 2013.

2. Cash, Cash Equivalents 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statements No. 3 as amended by No. 40.

3. 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	18,889	-	-	18,889
Construction in progress	10,500	272,492	10,500	272,492
	<u>29,389</u>	<u>272,492</u>	<u>10,500</u>	<u>291,381</u>
Capital assets being depreciated:				
Buildings	5,517,544	-	(51,248)	5,568,792
Improvements other than buildings	710,205	51,248	5,675	755,778
Furniture and equipment	920,320	-	-	920,320
Total capital assets being deprec.	<u>7,148,069</u>	<u>51,248</u>	<u>(45,573)</u>	<u>7,244,890</u>
Less accumulated depreciation for:				
Buildings	3,429,997	130,881	-	3,560,878
Improvements other than buildings	356,989	28,156	284	384,861
Furniture and equipment	682,305	64,858	-	747,163
Total accumulated depreciation	<u>4,469,291</u>	<u>223,895</u>	<u>284</u>	<u>4,692,902</u>
Total capital assets being depreciated, net	<u>2,678,778</u>	<u>(172,647)</u>	<u>(45,857)</u>	<u>2,551,988</u>
Governmental activities capital assets, net	<u>2,708,167</u>	<u>99,845</u>	<u>(35,357)</u>	<u>2,843,369</u>
Business type activities:				
Furniture and equipment	130,188	1,440	-	131,628
Less accumulated depreciation	<u>88,659</u>	<u>6,022</u>	<u>-</u>	<u>94,681</u>
Business type activities capital assets, net	<u>41,529</u>	<u>(4,582)</u>	<u>-</u>	<u>36,947</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular instruction	12,452
Other instruction	421
Support services:	
Administration	1,252
Operation and maintenance of plant services	5,433
Transportation	45,300
	<u>64,858</u>
Unallocated depreciation	<u>159,037</u>
Total depreciation expense – governmental activities	<u>223,895</u>
Business type activities:	
Food services	<u>6,022</u>

4. 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:					
Termination benefits	43,060	-	43,060	-	-
Net OPEB liability	<u>38,336</u>	<u>18,630</u>	<u>-</u>	<u>56,966</u>	<u>-</u>
Total	<u>81,396</u>	<u>18,630</u>	<u>43,060</u>	<u>56,966</u>	<u>-</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal years 2008, 2009 and 2010. Eligible employees must have completed at least fifteen years of full-time service to the District and must be at least age 55 on or before June 30 in the calendar year in which early retirement commences. The application for early retirement was subject to approval by the Board of Education.

At June 30, 2013, the District has an obligation to no participants and no liability. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$43,060.

5. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$218,221, \$194,413, and \$154,642 respectively, equal to the required contributions for each year.

6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 39 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

	\$
Annual required contribution	23,660
Interest on net OPEB obligation	958
Adjustment to annual required contribution	<u>(2,559)</u>
Annual OPEB cost	22,059
Contributions made	<u>(3,429)</u>
Increase in net OPEB obligation	18,630
Net OPEB obligation beginning of year	<u>38,336</u>
Net OPEB obligation end of year	<u>56,966</u>

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

For the year ended June 30, 2013, the District contributed \$3,429 to the medical plan. Plan members eligible for benefits contributed \$16,068, or 100% of the premium costs.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
June 30, 2010	18,174	27.9%	13,110
June 30, 2011	18,397	35.4%	24,977
June 30, 2012	19,869	32.8%	38,336
June 30, 2013	22,059	15.5%	56,966

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$182,972, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$182,972. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,983,000, and the ratio of the UAAL to covered payroll was 9.2%. As of June 30, 2013, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan

members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

7. Risk Management

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

8. 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 \$148,118 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.

9. Lease Commitments

The District has leased copy machines and a vehicle using operating leases. The following minimum lease payments will be made over the lives of the leases:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
	\$
2014	17,723
2015	2,040
2016	2,040
2017	2,040
2018	2,040
Total	<u>25,883</u>

10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
	\$
Home school assistance program	4,817
Returning dropout and dropout prevention program	4,181
Gifted and talented	42,920
Teacher salary supplement	40,805
Educator quality, professional development	18,365
Core curriculum	13,608
	<u>124,696</u>

11. Deficit Fund Balances

At June 30, 2013 the District had a \$4,898 unrestricted deficit balance in the Enterprise, School Nutrition Fund.

REQUIRED SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,031,776	162,711	4,194,487	3,996,994	3,996,994	197,493
State sources	1,721,067	4,877	1,725,944	2,057,081	2,057,081	(331,137)
Federal sources	132,628	144,290	276,918	405,000	405,000	(128,082)
Total revenues	<u>5,885,471</u>	<u>311,878</u>	<u>6,197,349</u>	<u>6,459,075</u>	<u>6,459,075</u>	<u>(261,726)</u>
Expenditures/Expenses:						
Instruction	3,654,924	-	3,654,924	3,743,123	3,743,123	88,199
Support services	1,372,937	-	1,372,937	2,141,000	2,141,000	768,063
Non-instructional programs	-	339,054	339,054	359,764	359,764	20,710
Other expenditures	508,709	-	508,709	564,736	564,736	56,027
Total expenditures/expenses	<u>5,536,570</u>	<u>339,054</u>	<u>5,875,624</u>	<u>6,808,623</u>	<u>6,808,623</u>	<u>932,999</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	348,901	(27,176)	321,725	(349,548)	(349,548)	671,273
Other financing sources net	<u>1,670</u>	<u>-</u>	<u>1,670</u>	<u>-</u>	<u>-</u>	<u>1,670</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	350,571	(27,176)	323,395	(349,548)	(349,548)	672,943
Balance beginning of year	<u>1,397,988</u>	<u>60,561</u>	<u>1,458,549</u>	<u>349,548</u>	<u>349,548</u>	<u>1,109,001</u>
Balance end of year	<u><u>1,748,559</u></u>	<u><u>33,385</u></u>	<u><u>1,781,944</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,781,944</u></u>

SCHALLER-CRESTLAND 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 Internal Service, 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 function 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. The District did not amend the budget during the year.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

SCHALLER-CRESTLAND 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) %
2010	July 1, 2009	-	169,443	169,443	0.0%	2,144,000	7.9%
2011	July 1, 2009	-	167,196	167,196	0.0%	1,822,000	9.2%
2012	July 1, 2009	-	163,958	163,958	0.0%	1,945,000	8.4%
2013	July 1, 2012	-	182,972	182,972	0.0%	1,983,000	9.2%

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

SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2013

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	(9,590)	(894)	(10,484)
Accounts receivable	264	7	271
Due from other governments	8,995	3,789	12,784
Inventories	3,796	-	3,796
Capital assets, net of accumulated depreciation	36,947	-	36,947
Total assets	<u>40,412</u>	<u>2,902</u>	<u>43,314</u>
Liabilities			
Accounts payable	7,049	1,566	8,615
Deferred revenue	1,314	-	1,314
Total liabilities	<u>8,363</u>	<u>1,566</u>	<u>9,929</u>
Net position			
Invested in capital assets	36,947	-	36,947
Unrestricted	(4,898)	1,336	(3,562)
Total net position	<u>32,049</u>	<u>1,336</u>	<u>33,385</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenses and Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	100,749	57,106	157,855
Operating expenses:			
Salaries	105,653	49,592	155,245
Benefits	16,948	8,004	24,952
Purchased services	1,251	1,410	2,661
Supplies	142,690	7,484	150,174
Depreciation	6,022	-	6,022
Total operating expenses	272,564	66,490	339,054
Operating income (loss)	(171,815)	(9,384)	(181,199)
Non-operating revenues:			
State sources	3,633	1,244	4,877
Federal sources	139,527	4,763	144,290
Donations	-	4,824	4,824
Interest income	29	3	32
Total non-operating revenues	143,189	10,834	154,023
Change in net position	(28,626)	1,450	(27,176)
Net position beginning of year	60,675	(114)	60,561
Net position end of year	32,049	1,336	33,385

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	101,288	-	101,288
Cash received from daycare services	-	60,064	60,064
Cash payments to employees for services	(122,601)	(57,596)	(180,197)
Cash payments to suppliers for goods or services	(126,189)	(7,484)	(133,673)
Net cash used by operating activities	<u>(147,502)</u>	<u>(5,016)</u>	<u>(152,518)</u>
Cash flows from non-capital financing activities:			
Loan from (repaid to) General Fund	-	(3,108)	(3,108)
Donations	-	4,824	4,824
State grants received	3,633	1,244	4,877
Federal grants received	126,262	1,159	127,421
Net cash provided by non-capital financing activities	<u>129,895</u>	<u>4,119</u>	<u>134,014</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,440)</u>	<u>-</u>	<u>(1,440)</u>
Cash flows from investing activities:			
Interest on investments	<u>29</u>	<u>3</u>	<u>32</u>
Net increase (decrease) in cash and cash equivalents	(19,018)	(894)	(19,912)
Cash and cash equivalents at beginning of year	<u>9,428</u>	<u>-</u>	<u>9,428</u>
Cash and cash equivalents at end of year	<u>(9,590)</u>	<u>(894)</u>	<u>(10,484)</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(171,815)	(9,384)	(181,199)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	13,627	-	13,627
Depreciation	6,022	-	6,022
Decrease (increase) in inventories	2,411	-	2,411
Decrease (increase) in accounts receivable	477	2,958	3,435
(Decrease) increase in accounts payable	1,714	1,410	3,124
(Decrease) increase in deferred revenue	62	-	62
Net cash used by operating activities	<u>(147,502)</u>	<u>(5,016)</u>	<u>(152,518)</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	312,463	332,863	645,326
Receivables:			
Property tax:			
Delinquent	-	2,339	2,339
Succeeding year	-	168,238	168,238
Due from other governments	99,284	78,200	177,484
Total assets	<u>411,747</u>	<u>581,640</u>	<u>993,387</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	15,318	16,684	32,002
Deferred revenue:			
Succeeding year property tax	-	168,238	168,238
Income surtax	-	78,200	78,200
Total liabilities	<u>15,318</u>	<u>263,122</u>	<u>278,440</u>
Fund balances:			
Restricted for:			
School infrastructure	396,429	-	396,429
Physical plant and equipment	-	318,518	318,518
Total fund balances	<u>396,429</u>	<u>318,518</u>	<u>714,947</u>
Total liabilities and fund balances	<u>411,747</u>	<u>581,640</u>	<u>993,387</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	314,895	241,948	556,843
Other	2,359	2,216	4,575
Total revenues	<u>317,254</u>	<u>244,164</u>	<u>561,418</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	44,932	-	44,932
Support services:			
Administration services	-	16,542	16,542
Transportation services	-	4,076	4,076
Other expenditures:			
Facilities acquisition	239,965	120,626	360,591
Total expenditures	<u>284,897</u>	<u>141,244</u>	<u>426,141</u>
Change in fund balance	32,357	102,920	135,277
Fund balances beginning of year	<u>364,072</u>	<u>215,598</u>	<u>579,670</u>
Fund balance end of year	<u><u>396,429</u></u>	<u><u>318,518</u></u>	<u><u>714,947</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
SCCS students	814	279	199	894
Concession stand	2,278	7,431	5,704	4,005
Band resale	-	1,467	1,467	-
Football	2,385	-	-	2,385
Volleyball	855	1,274	1,268	861
Class of 2011	1,959	-	-	1,959
Class of 2013	966	-	-	966
Reducing raptors club	4,078	280	261	4,097
FFA club	8	-	-	8
Middle school student council	2,938	4,732	5,138	2,532
Peerhelpers	745	-	-	745
Teacher soda club school improvement	179	50	229	-
Annual	8,189	-	-	8,189
Tatu	5,519	3,063	-	8,582
Dance squad	1,148	-	-	1,148
K-8 activity	5,856	358	1,026	5,188
Lego league	-	247	122	125
Snyder betterment	-	4,875	-	4,875
Shop resale	-	243	243	-
	<u>37,917</u>	<u>24,299</u>	<u>15,657</u>	<u>46,559</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,068,806	2,877,500	2,691,484	2,542,636	2,404,839	2,108,773	2,003,439	1,894,671	1,909,613	1,846,569
Tuition	704,900	732,837	660,360	49,141	58,821	107,730	115,352	76,040	63,905	116,029
Other	258,070	218,397	198,388	164,695	162,369	217,772	218,215	205,049	185,614	158,845
Intermediate sources	-	-	-	-	15,000	-	-	-	7,243	-
State sources	1,721,067	1,701,065	1,611,456	1,394,092	1,787,233	1,955,362	2,103,656	2,013,357	1,853,769	1,687,932
Federal sources	132,628	197,720	225,795	410,510	147,036	139,130	150,331	161,885	172,295	177,364
Total revenues	<u>5,885,471</u>	<u>5,727,519</u>	<u>5,387,483</u>	<u>4,561,074</u>	<u>4,575,298</u>	<u>4,528,767</u>	<u>4,590,993</u>	<u>4,351,002</u>	<u>4,192,439</u>	<u>3,986,739</u>
Expenditures:										
Instruction:										
Regular	2,703,354	2,727,090	2,399,561	2,045,353	2,066,279	1,999,387	1,952,829	1,775,981	1,712,439	1,754,881
Special	497,958	518,520	465,085	349,002	392,626	350,382	345,346	346,354	342,119	446,301
Other	453,612	402,832	476,219	620,725	556,286	431,628	449,753	424,603	443,700	341,820
Support services:										
Student	80,585	61,807	72,272	44,291	44,471	86,669	76,667	92,231	89,577	77,294
Instructional staff	186,356	169,183	161,526	155,061	149,084	126,342	104,547	114,593	84,785	36,097
Administration	465,734	468,460	440,571	480,326	447,824	446,237	442,108	429,347	404,567	509,014
Operation and maintenance	342,359	274,560	287,224	309,559	306,937	326,191	330,410	328,591	343,063	350,241
Transportation	297,903	416,111	286,392	238,315	227,415	235,217	240,616	299,100	203,743	145,031
Other expenditures:										
Facilities acquisition	360,591	348,628	243,444	415,877	186,140	298,670	295,589	175,334	262,146	194,971
AEA flowthrough	148,118	146,032	164,682	163,420	150,332	147,520	147,082	142,346	140,942	144,357
Total expenditures	<u>5,536,570</u>	<u>5,533,223</u>	<u>4,996,976</u>	<u>4,821,929</u>	<u>4,527,394</u>	<u>4,448,243</u>	<u>4,384,947</u>	<u>4,128,480</u>	<u>4,027,081</u>	<u>4,000,007</u>

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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
Schaller-Crestland Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District and 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 June 12, 2014..

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Schaller-Crestland Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Schaller-Crestland Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Schaller-Crestland Community School District's Internal Control.

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

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

Compliance and Other Matters

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

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

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.

Schaller-Crestland Community School District's Responses to Findings

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

Purpose of this Report

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

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

June 12, 2014

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal control deficiencies:

13-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

13-I-B Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices or payroll data, issue the command to print checks and to receive the checks from the printer. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

13-I-C Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements (continued):

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, may have exceeded the General Fund spending authority.

Recommendation: The District should monitor General Fund expenditures to ensure they do not exceed the spending authority.

District Response: Future General Fund expenditures will be watched closely to avoid exceeding the General Fund spending authority.

Conclusion: Response accepted.

13-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

13-II-C Travel Expenses: 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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>
Scott Currie, board member, President and owner of local bank	School Banking

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500. The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

13-II-E 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.

13-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

13-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

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

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting (continued):

- 13-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 13-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 13-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 13-II-L 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		364,072
Revenues/transfers in:		
Statewide sales, services and use tax revenue	314,895	
Interest	<u>2,359</u>	317,254
Expenditures/transfers out:		
School infrastructure construction	239,965	
Equipment	<u>44,932</u>	<u>284,897</u>
Ending balance		<u><u>396,429</u></u>

- 13-II-M Deficit Balances: The District has an unrestricted net deficit balance in the School Nutrition Fund as of June 30, 2013.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.