

**SENTRAL COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2013**

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**SENTRAL COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

**(Before September, 2012 Election)**

Ron Dacken	President	2013
David Hurlbert	Vice President	2013
Traci Ries	Board Member	2013
Roy Jensen	Board Member	2015
Cory Culbertson	Board Member	2015

**(After September, 2012 Election)**

Ron Dacken	President	2013
David Hurlbert	Vice President	2013
Traci Ries	Board Member	2013
Roy Jensen	Board Member	2015
Cory Culbertson	Board Member	2015

**SCHOOL OFFICIALS**

Arthur Pixler	Superintendent
Joni Underwood	District Secretary/Treasurer

## **Independent Auditors' Report**

To the Board of Education of the  
Sentral Community School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Sentral Community School District, Fenton, 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 as 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 accounting principles generally accepted in the United States of America; 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Sentral Community School District, Fenton, Iowa, 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 accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and pages 38 through 40 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sentral Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The combining nonmajor fund financial statements are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2013 on our consideration of the Sentral 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 the Sentral Community School District's internal control over financial reporting and compliance.

*Williams + Company, P.C.*

Certified Public Accountants

Spencer, Iowa  
December 11, 2013

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## SENTRAL COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2013 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$2,368,061 in fiscal 2012 to \$2,692,082 in fiscal 2013, while General fund expenditures increased from \$2,384,038 in fiscal 2012 to \$2,994,474 in fiscal 2013. The District's General fund balance decreased from \$567,490 at the end of fiscal 2012 to \$265,098 at the end of fiscal 2013, a 53% decrease.

The increase in General fund revenues was attributable mainly to the 4% increase in allowable growth.

The increase in expenditures was due primarily to annual increases in payroll and benefits and additional travel cost due to whole grade sharing. Discretionary spending continues to be monitored in all areas.

The General fund balance decrease is the result of continued declining enrollment.

Interest earnings in the General Fund alone decreased from \$4,854 in fiscal year 2012 to \$3,819 in fiscal year 2013 due to decreased cash on hand.

The District continues whole grade sharing with the North Kossuth CSD and the Armstrong/Ringsted CSD for grades PK-12 in fiscal year 2013. The District will reorganize with the Armstrong/Ringsted CSD on July 1, 2014.

### USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Sentral Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financials statements report Sentral Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sentral Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

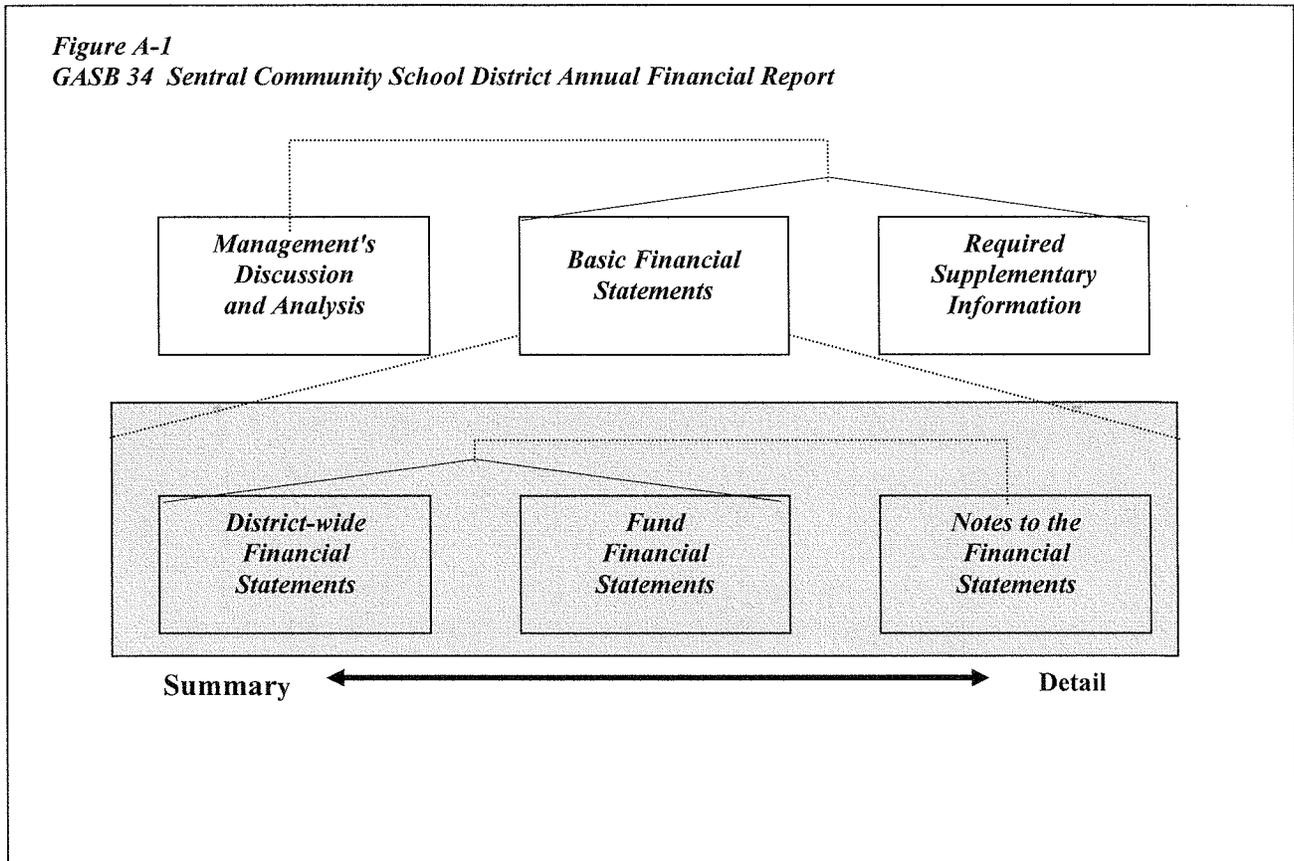


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statement*

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

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

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary fund includes a scholarship fund. The District accounts for outside donations for scholarships for individual students in this fund. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	Governmental Activities		Business-Type Activity		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Current and Other Assets	\$ 2,448,071	\$ 2,236,317	\$ (2,213)	\$ 17,268	\$ 2,445,858	\$ 2,253,585	8.5%
Capital Assets	1,325,747	1,394,485	11,714	-	1,337,461	1,394,485	-4.1%
<b>Total Assets</b>	<b>3,773,818</b>	<b>3,630,802</b>	<b>9,501</b>	<b>17,268</b>	<b>3,783,319</b>	<b>3,648,070</b>	<b>3.7%</b>
Current Liabilities	1,751,010	1,341,539	-	7,091	1,751,010	1,348,630	29.8%
Non-Current Liabilities	343,171	374,854	-	-	343,171	374,854	-8.5%
<b>Total Liabilities</b>	<b>2,094,181</b>	<b>1,716,393</b>	<b>-</b>	<b>7,091</b>	<b>2,094,181</b>	<b>1,723,484</b>	<b>21.5%</b>
Net Position:							
Net Investment in							
Capital Assets	995,747	1,014,485	11,714	-	1,007,461	1,014,485	-0.7%
Restricted	441,959	348,849	-	-	441,959	348,849	26.7%
Unrestricted	241,931	551,075	(2,213)	10,177	239,718	561,252	-57.3%
<b>Total Net Position</b>	<b>\$ 1,679,637</b>	<b>\$ 1,914,409</b>	<b>\$ 9,501</b>	<b>\$ 10,177</b>	<b>\$ 1,689,138</b>	<b>\$ 1,924,586</b>	<b>-12.2%</b>

The District's combined net position decreased 14.4% or approximately \$235,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$93,000 or 27%, over the prior year. The increase was primarily a result of increased fund balances for the PPEL fund and for the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established debt covenants, enabling legislation or other legal requirements – decreased approximately \$309,000, or 57%. This decrease of unrestricted net position was primarily a result of inadequate allowable growth which hampers efforts to balance the General Fund. Allowable growth of 4% or less is insufficient to cover negotiated increases in salaries and benefits, let alone the increased utility and fuel cost.

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

**Figure A-4**

**Changes in Net Position from Operations**

	Governmental		Business-Type		Total District		Total % Change
	Activities		Activity				
	2013	2012	2013	2012	2013	2012	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,181,711	\$ 516,991	\$ 50,134	\$ 44,686	\$ 1,231,845	\$ 561,677	119.32%
Operating Grants and Contributions	281,513	471,805	62,698	69,852	344,211	541,657	-36.45%
General Revenues:							
Property Tax	985,249	1,041,621	-	-	985,249	1,041,621	-5.41%
Income Surtax	184,039	197,875	-	-	184,039	197,875	-6.99%
St. Sales, Services & Use Tax	134,964	135,859	-	-	134,964	135,859	-0.66%
State Grants	294,497	440,083	-	-	294,497	440,083	-33.08%
Interest Income	4,507	4,854	-	-	4,507	4,854	-7.15%
Miscellaneous	30,388	28,292	-	-	30,388	28,292	7.41%
<b>Total Revenues</b>	<b>3,096,868</b>	<b>2,837,380</b>	<b>112,832</b>	<b>114,538</b>	<b>3,209,700</b>	<b>2,951,918</b>	<b>8.73%</b>
Expenses:							
Instruction	2,316,805	1,722,158	-	-	2,316,805	1,722,158	34.53%
Support Services	856,080	739,507	-	-	856,080	739,507	15.76%
Non-Instructional	-	-	132,485	118,481	132,485	118,481	11.82%
Other Expenses	140,952	195,950	-	-	140,952	195,950	-28.07%
<b>Total Expenses</b>	<b>3,313,837</b>	<b>2,657,615</b>	<b>132,485</b>	<b>118,481</b>	<b>3,446,322</b>	<b>2,776,096</b>	<b>24.14%</b>
<b>Change in Net Position</b>	<b>\$ (216,969)</b>	<b>\$ 179,765</b>	<b>\$ (19,653)</b>	<b>\$ (3,943)</b>	<b>\$ (236,622)</b>	<b>\$ 175,822</b>	<b>-234.58%</b>

Property tax and unrestricted state grants account for 41% of the total revenue while charges for services and operating grants and contributions account for 47% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 96% of the total expenses.

The District's total revenues were approximately \$3.2 million, of which \$3.1 million was for governmental activities and \$112 thousand was for business type activities.

As show in Figure A-4, the district as a whole experienced a 8.73% increase in revenues and a 24.14% increase in expenses. The increase in General Fund revenues was due to a 4% allowable growth for fiscal year 2013. The increase in expenditures was due to increases in salary and benefits as well as increased utilities and fuel cost. Expenditures will be closely monitored for fiscal year 2014 ahead of reorganization with the Armstrong/Ringsted CSD on July 1, 2014.

**Governmental Activities**

Revenues for governmental activities for the year ended June 30, 2013 were \$3,096,868 and expenses were \$3,313,837.

Figure A-5 presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

**Figure A-5 - Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2013	2012	% Change	2013	2012	% Change
Instruction	\$ 2,316,805	\$ 1,722,158	34.53%	\$ 930,860	\$ 849,840	9.53%
Support Services	856,080	739,507	15.76%	854,749	698,604	22.35%
Other Expenses	140,952	195,950	-28.07%	65,004	120,375	-46.00%
<b>Total</b>	<b>\$ 3,313,837</b>	<b>\$ 2,657,615</b>	<b>24.69%</b>	<b>\$ 1,850,613</b>	<b>\$ 1,668,819</b>	<b>10.89%</b>

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$1,181,711 in 2013.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$281,513 in 2013.
- The net cost of governmental activities was financed with \$1,304,252 in property taxes and other taxes and \$294,497 in unrestricted state grants.

**Business-Type Activities**

Revenues of the District’s business-type activities (school food and nutrition services) totaled \$112,832 representing an 1.5% increase over the prior year, while expenses totaled \$132,485, a 11.8% increase over the prior year. (Refer to Figure A-4.) The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Increased food costs account for the increase in expenses along with an increase in salary and benefits.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,679,637, a twelve percent decrease over last year’s ending fund balances of \$1,914,409. The reason for decrease was mainly due to the additional staff due to whole grade sharing and the lack of adequate funding and additional government cuts.

### Governmental Fund Highlights

The District attempted to maintain its General Fund balance by cutting staff and expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.

The General Fund balance decreased from \$567,490 to \$265,098 due, in part, to the continued lack of adequate funding and additional government cuts make it nearly impossible to cover the negotiated increases in salary and benefits let alone increased supply cost.

### Proprietary Fund Highlights

The School Nutrition Fund balance decreased from \$29,154 at the end of fiscal year 2012 to \$9,501 at the end of fiscal year 2013. This was due to increased food cost, salaries and benefits.

### Budgetary Highlights

The Sentral Community School District did amend its annual budget during the fiscal year ending June 30, 2013 to reflect the additional expense related to the sharing agreements.

The District's revenues were \$454,910 more than budgeted, primarily due to the FY 2013 budget being already set before a whole grade sharing agreement was made with Armstrong/Ringsted school district.

Total expenditures were less than budgeted expenses primarily due to close monitoring of expenses.

### CAPITAL AND DEBT ADMINISTRATION

At June 30, 2013, the District had invested \$1.3 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net decrease of 4.93% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$102,652.

The original cost of the District's capital assets was \$2,869,841. Governmental funds account for \$2,835,283 with the remainder of \$34,557 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity was due to normal depreciation on the assets being more than the additions during the fiscal year.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2013	2012	2013	2012	2013	2012	
Land	\$ 78,800	\$ 78,800	\$ -	\$ -	\$ 78,800	\$ 78,800	0.00%
Buildings & Improvements	1,092,721	1,127,001	-	-	1,092,721	1,127,001	-3.04%
Equipment, Furniture & Vehicles	154,226	188,684	11,714	-	165,940	188,684	-12.05%
<b>Total</b>	<b>\$ 1,325,747</b>	<b>\$ 1,394,485</b>	<b>\$ 11,714</b>	<b>\$ -</b>	<b>\$ 1,337,461</b>	<b>\$ 1,394,485</b>	<b>-4.09%</b>

## Long-Term Debt

At year-end, the District had \$393,171 of long-term debt outstanding. This represents a decrease of approximately 7.5% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7 - Long-Term Debt

	Total District		Total %
	2013	2012	Change
Net OPEB liability	\$ 63,171	\$ 44,854	40.84%
General Obligation Bonds	330,000	380,000	-13.16%
<b>Total</b>	<b>\$ 393,171</b>	<b>\$ 424,854</b>	<b>-7.46%</b>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for fiscal 2013 and will continue to be for the next year. Due to previous declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next year.
- The District will continue to be required to comply with unfunded and underfunded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.
- Allowable growth must be set at a level high enough to allow the District to maintain and enhance educational programs with declining enrollment.
- The District has been aware that their financial condition would continue to decline due to declining enrollment and the lack of alternative sources to fund the programs. The District will reorganize with the Armstrong/Ringsted School District on July 1, 2014 and become the North Union Community School District.
- To ensure that the North Union Community School District will be able to maintain a high quality of education, the new district will enter into a whole grade sharing agreement with the North Kossuth Community School District as a cost saving measure.

## 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 information, contact Joni Underwood, Business Manager, Sentral Community School District, PO Box 109, Fenton, IA 50539-0109.

**BASIC FINANCIAL STATEMENTS**

**SENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Primary Government Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Pooled Investments:	\$ 294,191	\$ 1,720	\$ 295,911
Receivables:			
Property Tax	12,386	-	12,386
Property Tax - Succeeding Year	991,278	-	991,278
Income Surtax	158,235	-	158,235
Accounts	7,871	-	7,871
Due from Other Governmental Agencies	973,802	-	973,802
Internal Balances	7,221	(7,221)	-
Inventories	-	3,288	3,288
Prepaid Expenses	3,087	-	3,087
Land	78,800	-	78,800
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,246,947	11,714	1,258,661
Total Assets	<u>3,773,818</u>	<u>9,501</u>	<u>3,783,319</u>
<b>Liabilities</b>			
Excess of Checks Over Bank Balance	11,701	-	11,701
Accounts Payable	470,086	-	470,086
Accrued Wages and Payroll Liabilities	199,561	-	199,561
Accrued Interest Payable	980	-	980
Due to Fiduciary Fund	1,160	-	1,160
Unearned Revenue	26,244	-	26,244
Deferred Revenue - Succeeding Year Taxes	991,278	-	991,278
Long-Term Liabilities:			
Debt Due Within One Year:			
Bonds Payable	50,000	-	50,000
Debt Due in More Than One Year:			
Bonds Payable	280,000	-	280,000
Net OPEB Liability	63,171	-	63,171
Total Liabilities	<u>2,094,181</u>	<u>-</u>	<u>2,094,181</u>
<b>Net Position</b>			
Net Investment in Capital Assets	995,747	11,714	1,007,461
Restricted for:			
Physical Plant and Equipment Levy	63,099	-	63,099
Categorical Funding	117,251	-	117,251
Debt Service	10,191	-	10,191
Student Activities	30,956	-	30,956
School Infrastructure	187,130	-	187,130
Management Levy	33,332	-	33,332
Unrestricted	241,931	(2,213)	239,718
Total Net Position	<u>\$ 1,679,637</u>	<u>\$ 9,501</u>	<u>\$ 1,689,138</u>

See Accompanying Notes to Financial Statements

**SENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 1,622,724	\$ 1,124,717	\$ 162,277	\$ -
Special Instruction	470,927	-	-	-
Other Instruction	223,154	56,994	41,957	-
Support Services:				
Student Services	5,747	-	-	-
Instructional Staff Services	29,235	-	1,331	-
Administration Services	340,028	-	-	-
Operations and Maintenance	293,340	-	-	-
Transportation Services	187,730	-	-	-
Other Expenditures:				
Facilities Acquisition	2,600	-	-	-
Long-term Debt Interest and Fiscal Charges	13,698	-	-	-
AEA Flow-Through	75,948	-	75,948	-
Unallocated Depreciation*	48,706	-	-	-
<b>Total Governmental Activities</b>	<b>3,313,837</b>	<b>1,181,711</b>	<b>281,513</b>	<b>-</b>
<b>Business-Type Activities:</b>				
School Nutrition Fund	132,485	50,134	62,698	-
<b>Total School District</b>	<b>\$ 3,446,322</b>	<b>\$ 1,231,845</b>	<b>\$ 344,211</b>	<b>\$ -</b>

**General Revenues:**

Property Tax Levied For:  
 General Purposes  
 Management Levy  
 Physical Plant and Equipment Levy  
 Debt Service  
 Income Surtax  
 General Purposes  
 Capital Outlay  
 Statewide Sales and Services Tax  
 Unrestricted State Grants  
 Interest on Investments  
 Gain from Disposal of Assets  
 Miscellaneous  
 Total General Revenues

**Change in Net Position**

**Net Position - Beginning**  
**Prior Period Adjustment**  
**Net Position - Beginning, as Restated**  
  
**Net Position - Ending**

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

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (335,730)		\$ (335,730)
(470,927)		(470,927)
(124,203)		(124,203)
(5,747)		(5,747)
(27,904)		(27,904)
(340,028)		(340,028)
(293,340)		(293,340)
(187,730)		(187,730)
(2,600)		(2,600)
(13,698)		(13,698)
-		-
(48,706)		(48,706)
<u>(1,850,613)</u>		<u>(1,850,613)</u>
-	\$ (19,653)	(19,653)
<u>(1,850,613)</u>	<u>(19,653)</u>	<u>(1,870,266)</u>
855,642	-	855,642
30,034	-	30,034
35,825	-	35,825
63,748	-	63,748
105,875	-	105,875
78,164	-	78,164
134,964	-	134,964
294,497	-	294,497
4,507	-	4,507
551	-	551
29,837	-	29,837
<u>1,633,644</u>	<u>-</u>	<u>1,633,644</u>
(216,969)	(19,653)	(236,622)
1,914,409	10,177	1,924,586
(17,803)	18,977	1,174
<u>1,896,606</u>	<u>29,154</u>	<u>1,925,760</u>
<u>\$ 1,679,637</u>	<u>\$ 9,501</u>	<u>\$ 1,689,138</u>

See Accompanying Notes to Financial Statements

**SENTRAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and Pooled Investments	\$ 23,323	\$ 270,868	\$ 294,191
Receivables:			
Property Taxes	10,756	1,630	12,386
Property Taxes - Succeeding Year	836,347	154,931	991,278
Income Surtax	89,007	69,228	158,235
Other Accounts Receivable	-	7,871	7,871
Due from Other Governmental Agencies	952,069	21,733	973,802
Due from Other Funds	7,221	42,343	49,564
Prepaid Expenses	3,087	-	3,087
<b>Total Assets</b>	<u>1,921,810</u>	<u>568,604</u>	<u>2,490,414</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Excess of Checks Over Bank Balance	11,701	-	11,701
Accounts Payable	450,349	19,737	470,086
Accrued Wages and Payroll Liabilities	199,561	-	199,561
Due to Other Funds	42,343	-	42,343
Due to Fiduciary Fund	1,160	-	1,160
Deferred Revenue	26,244	-	26,244
Succeeding Year Property Taxes	836,347	154,931	991,278
Succeeding Year Income Surtax	89,007	69,228	158,235
<b>Total Liabilities</b>	<u>1,656,712</u>	<u>243,896</u>	<u>1,900,608</u>
<b>Fund Balances</b>			
Restricted for:			
Categorical Funding	117,251	-	117,251
Debt Service	-	10,191	10,191
Student Activities	-	30,956	30,956
Management Levy	-	33,332	33,332
School Infrastructure	-	187,130	187,130
Physical Plant and Equipment	-	63,099	63,099
Unassigned	147,847	-	147,847
<b>Total Fund Balances</b>	<u>265,098</u>	<u>324,708</u>	<u>589,806</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,921,810</u>	<u>\$ 568,604</u>	<u>\$ 2,490,414</u>

See Accompanying Notes to Financial Statements

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

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 16)	\$	589,806
Income surtax receivable at June 30, 2013 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Position.		158,235
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,325,747
Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(980)
Long-term liabilities, including bonds and notes payable and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(393,171)</u>
Total Net Position - Governmental Activities (page 13)	\$	<u><u>1,679,637</u></u>

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local Sources:			
Local Tax	\$ 960,080	\$ 337,677	\$ 1,297,757
Tuition	1,115,659	-	1,115,659
Other	40,376	60,570	100,946
State Sources	496,543	44	496,587
Federal Sources	79,424	-	79,424
<b>Total Revenues</b>	<u>2,692,082</u>	<u>398,291</u>	<u>3,090,373</u>
<b>Expenditures</b>			
Instruction:			
Regular Instruction	1,601,185	-	1,601,185
Special Instruction	470,927	-	470,927
Other Instruction	182,768	40,386	223,154
Support Services:			
Student Services	5,747	-	5,747
Instructional Staff Services	29,235	-	29,235
Administration Services	284,178	62,396	346,574
Operations and Maintenance	188,143	127,871	316,014
Transportation Services	156,343	-	156,343
Other Expenditures:			
Facilities Acquisition	-	2,600	2,600
Long-Term Debt:			
Principal	-	50,000	50,000
Interest and Fiscal Charges	-	13,818	13,818
AEA Flow-Through	75,948	-	75,948
<b>Total Expenditures</b>	<u>2,994,474</u>	<u>297,071</u>	<u>3,291,545</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(302,392)	101,220	(201,172)
<b>Fund Balances at Beginning of Year</b>	564,185	229,953	794,138
<b>Prior Period Adjustment</b>	3,305	(6,465)	(3,160)
<b>Fund Balances - Beginning of Year, Restated</b>	<u>567,490</u>	<u>223,488</u>	<u>790,978</u>
<b>Fund Balances at End of Year</b>	<u>\$ 265,098</u>	<u>\$ 324,708</u>	<u>\$ 589,806</u>

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

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

Net Change in Fund Balances - Total Governmental funds (page 18)	\$	(201,172)
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Income surtaxes 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. This represents the change in income surtax receivable from the prior year.		6,495
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	48,557		
Depreciation expense	(102,652)		(54,095)

Accrued interest expense that does not require current financial resources.		120
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting net position. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		50,000
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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:		
Other Postemployment Benefits		(18,317)

Change in Net Position of Governmental Activities (page 15)	\$	<u>(216,969)</u>
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**SENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013**

	School Nutrition Fund
<b>Assets</b>	
Current Assets:	
Cash and Pooled Investments	\$ 1,720
Inventories	3,288
Total Current Assets	5,008
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,714
<b>Total Assets</b>	16,722
 <b>Liabilities</b>	
Due to Other Funds	7,221
<b>Total Liabilities</b>	7,221
 <b>Net Position</b>	
Net Investment in Capital Assets	11,714
Unrestricted	(2,213)
<b>Total Net Position</b>	\$ 9,501

See Accompanying Notes to Financial Statements

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

	School Nutrition Fund
<b>Operating Revenues:</b>	
Charges for Services	\$ 50,134
Total Operating Revenue	50,134
<b>Operating Expenses:</b>	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	44,632
Benefits	21,289
Food	58,445
Supplies	3,254
Other Expense	1,936
Depreciation	2,929
Total Operating Expenses	132,485
<b>Operating (Loss)</b>	(82,351)
<b>Non-Operating Revenue:</b>	
State Lunch Reimbursements	1,235
National School Lunch Program	55,771
Federal Food Commodities Received	5,692
Total Non-Operating Revenue	62,698
<b>Change in Net Position</b>	(19,653)
<b>Net Position - Beginning of Year</b>	10,177
<b>Prior Period Adjustment</b>	18,977
<b>Net Position - Beginning of Year, Restated</b>	29,154
<b>Net Position - Ending</b>	\$ 9,501

See Accompanying Notes to Financial Statements

**SENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	School Nutrition Fund
<hr/>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 54,467
Cash Payments for Salaries and Benefits	(65,921)
Cash Payments for Goods and Services	(62,721)
Net Cash (Used) by Operating Activities	<u>(74,175)</u>
 <b>Cash Flows from Non-Capital Financing Activities</b>	
Federal Appropriations Received	55,771
State Appropriations Received	1,235
Cash Received from General Fund	7,221
Net Cash Provided by Non-Capital Financing Activities	<u>64,227</u>
 <b>Net (Decrease) in Cash and Cash Equivalents</b>	 (9,948)
 <b>Cash and Cash Equivalents at Beginning of Year</b>	 <u>11,668</u>
 <b>Cash and Cash Equivalents at End of Year</b>	 <u>\$ 1,720</u>
 <b>Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:</b>	
Operating (Loss)	\$ (82,351)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	2,929
Commodities Used	5,692
Change in Assets and Liabilities:	
Increase Due to Prior Period Adjustment	4,333
Decrease in Inventory	2,313
Decrease in Accounts Payable	(7,091)
<b>Net Cash (Used) by Operating Activities</b>	<u>\$ (74,175)</u>
 <b>Supplemental Schedule of Noncash Noncapital Financial Activities:</b>	
Federal Food Commodities Received	<u>\$ 5,692</u>

See Accompanying Notes to Financial Statements

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

	Private Purpose Trust Scholarship
<b>Assets</b>	
Investments	\$ 150,582
Due from General Fund	1,160
<b>Total Assets</b>	<b>151,742</b>
 <b>Net Position</b>	
Restricted for Scholarships	151,742
<b>Total Net Position</b>	<b>\$ 151,742</b>

**SENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013**

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Local Sources:	
Interest on Investments	\$ 1,812
Miscellaneous Income	200
<b>Total Additions</b>	<b>2,012</b>
 <b>Deductions</b>	
Support Services	
Scholarships Awarded	1,304
<b>Total Deductions</b>	<b>1,304</b>
 <b>Change in Net Position</b>	 708
 <b>Net Position Beginning of the Year</b>	 151,034
 <b>Net Position End of Year</b>	 \$ 151,742

See Accompanying Notes to Financial Statements

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sentral Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the Cities of Lone Rock and Fenton, Iowa, and agricultural area in Kossuth and Palo Alto Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District is currently engaged in a three way sharing agreement with the North Kossuth Community School District and Armstrong-Ringsted Community School District for grades six through twelve.

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, Sentral Community School District has included all funds, organizations, account groups, 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 Sentral Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Kossuth County Assessor Conference Boards.

**B. Basis of Presentation**

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

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

- ***Net Investment in Capital Assets*** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Position*** result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position*** consist of net position not meeting the definition of the two preceding categories. Unrestricted Net Position often have constraints on resources that are imposed 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 particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary 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,

**SENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from 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.

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments – The cash balances of most District funds are pooled and invested, while all other funds have separate accounts. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for 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, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Land	\$ 1,000
Buildings	\$ 10,000
Improvements other than Buildings	\$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 500
Other Furniture and Equipment	\$ 2,500

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

Buildings	50 years
Improvements other than Buildings	20 years
Furniture and Equipment	5 – 15 years

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

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

**Note 2 – CASH AND POOLED INVESTMENTS**

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

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

**Custodial Credit Risk** – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$23,333 pursuant to Rule 2a-7 under the Investment Company act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 3 – CAPITAL ASSETS**

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

	<b>Balance July 1, 2012</b>	<b>Prior Period Adjustment</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
<b>Governmental Activities:</b>					
Capital Assets Not Being Depreciated:					
Land	\$ 78,800	\$ -	\$ -	\$ -	\$ 78,800
Total Assets Not Being Depreciated	<u>78,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,800</u>
Capital Assets Being Depreciated					
Buildings and Improvements	2,160,728	-	15,457	-	2,176,185
Furniture and Equipment	578,698	(20,500)	33,100	11,000	580,298
Total Capital Assets Being Depreciation	<u>2,739,426</u>	<u>(20,500)</u>	<u>48,557</u>	<u>11,000</u>	<u>2,756,483</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,033,727	-	49,737	-	1,083,464
Furniture and Equipment	390,014	(5,857)	52,915	11,000	426,072
Total Accumulated Depreciation	<u>1,423,741</u>	<u>(5,857)</u>	<u>102,652</u>	<u>11,000</u>	<u>1,509,536</u>
Total Capital Assets Being Depreciated, Net	<u>1,315,685</u>	<u>(14,643)</u>	<u>(54,095)</u>	<u>-</u>	<u>1,246,947</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,394,485</u>	<u>\$(14,643)</u>	<u>\$(54,095)</u>	<u>\$ -</u>	<u>\$ 1,325,747</u>
<b>Business-type Activity:</b>					
Furniture and Equipment	\$ 14,057	\$ 20,500	\$ -	\$ -	\$ 34,557
Less Accumulated Depreciation	14,057	5,857	2,929	-	22,843
Business-Type Activity Capital Assets, Net	<u>\$ -</u>	<u>\$ 14,643</u>	<u>\$(2,929)</u>	<u>\$ -</u>	<u>\$ 11,714</u>

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
Transportation Services	\$ 31,387
Administration	1,309
Regular Instruction	18,216
Operation and Maintenance	3,033
Unallocated	48,707
Total depreciation expense - governmental activities	<u>\$ 102,652</u>
<b>Business-type Activities:</b>	
Food Service Operations	<u>\$ 2,929</u>

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Note 3 – **CAPITAL ASSETS (Continued)**

**Reconciliation of Investment in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business-type Activity</b>
Land	\$ 78,800	\$ -
Capital Assets (net of accumulated depreciation)	1,246,947	11,714
Less:		
Bonds Payable	(330,000)	-
Investment in Capital Assets, Net of Related Debt	\$ 995,747	\$ 11,714

Note 4 – **LONG-TERM LIABILITIES**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 380,000	\$ -	\$ 50,000	\$ 330,000	\$ 50,000
Net OPEB Liability	45,374	17,797	-	63,171	-
Long-Term Liabilities	\$ 425,374	\$ 17,797	\$ 50,000	\$ 393,171	\$ 50,000

**General Obligation Bonds**

The District adopted a resolution, on September 15, 2009, providing for the issuance of \$525,000 in General Obligation School Refunding Bonds, Series 2009. Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

	<b>Year Ending June 30</b>	<b>Interest Rates</b>	<b>Principal</b>	<b>Interest</b>
	2014	2.90%	\$ 50,000	\$ 11,755
	2015	2.90	50,000	10,305
	2016	3.85	55,000	8,855
	2017	3.85	55,000	6,738
	2018	3.85	60,000	4,620
	2019	3.85	60,000	2,310
	Total		\$ 330,000	\$ 44,583

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 5 – INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2013, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Nutrition Fund	\$ 7,221
Non-Major Governmental - Management Fund	General Fund	32,954
Non-Major Governmental - Debt Service Fund	General Fund	9,389
		<u>\$ 49,564</u>

The purpose of the interfund balance from the Nutrition Fund to the General Fund is reimbursement for salaries and benefits that was paid out of the General Fund that is related to the Nutrition Fund. The purpose of the interfund balance from the General Fund to the Management and Debt Service Fund is due to the overdrawn bank balance of a pooled account. The General Fund owes each of these funds because the General Fund is the fund creating the overdrawn balance.

**Note 6 – PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$116,476, \$89,310, and \$72,967, respectively, equal to the required contributions for each year.

**Note 7 – OTHER POSTEMPLOYMENT BENEFITS**

During fiscal 2010, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer.

Accordingly, a prospective liability is recorded at June 30, 2013 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

*Plan Description.* An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

*Funding Policy.* The District currently finances the retiree benefit plan on a pay-as-you-go basis.

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Annual OPEB Cost and NET OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 thirty years.

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

Annual required contribution	\$	22,363
Interest on net OPEB obligation		1,134
Adjustment to annual required contribution		(3,091)
Annual OPEB cost (Expense)		20,406
Contributions made		(2,609)
Increase in net OPEB obligation		17,797
Net OPEB obligation - beginning of year		45,374
Net OPEB obligation - end of year	\$	63,171

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 15,807	20.60%	\$ 12,557
2011	16,089	6.50	27,598
2012	17,833	0.30	45,374
2013	\$ 20,406	12.79%	\$ 63,171

*Funded Status and Funding Progress.* The funded status of the plan as of December 31, 2009 was as follows:

Actuarial accrued liability (AAL)	\$	137,002
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	137,002
Covered payroll (active members)	\$	1,325,161
UAAL as a percentage of covered payroll		10.3%

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into

the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan 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 and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Note 8 – OPERATING LEASES**

The District has leased a copier. The lease has been classified as an operating lease, and accordingly, all rents are expensed as incurred. The lease will expire in 2018 and require various minimum annual rentals.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013:

<b>Year Ending June 30,</b>	<b>Amount</b>
2014	\$ 2,556
2015	2,556
2016	2,556
2017	2,556
2018	213
	<u>\$ 10,437</u>

Rents for the year ended June 30, 2013 for the operating lease totaled \$2,343.

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 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 \$75,948 for the year ended June 30, 2013, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 9 – RISK MANAGEMENT**

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

**Note 10 – REORGANIZATION**

The voters of the Sentral and Armstrong-Ringsted School Districts have approved a reorganization of the districts effective July 1, 2014.

**Note 11 – DEFICIT BALANCE**

The Nutrition Fund had a deficit fund balance as of June 30, 2013 of (\$2,213). This deficit will be financed through future revenues of the fund.

**Note 12- CATEGORICAL FUNDING**

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

<b>Program</b>	<b>Amount</b>
Gifted and Talented	\$ 47,341
Teacher Salary Supplement	31,111
Educator Quality	5,076
Professional Development	30,995
Market Factor	2,728
Total	<u>\$ 117,251</u>

**SENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 13 – PRIOR PERIOD ADJUSTMENTS**

In the financial statements for prior years, errors were made in accounting for various transactions within the District’s books. These errors have been corrected and have the following effect on the beginning fund balances during fiscal year June 30, 2013:

**Governmental Fund Financial Statements**

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Beginning Fund Balance, As Previously Reported	\$ 564,185	\$ 229,953
Prior Period Adjustment	3,305	(6,465)
Beginning Fund Balance, As Restated	<u>\$ 567,490</u>	<u>\$ 223,488</u>

- General Fund: A receivable in the amount of \$9,401 was incorrectly recorded in fiscal year 2013 instead of fiscal year 2012. There was also a \$6,096 Special Ed payment amount that was incorrectly recorded in fiscal year 2013 instead of fiscal year 2012.
- Other Governmental Funds: In the Statewide Sales, Services and Use Tax Fund \$14,995 of expense was incorrectly recorded in fiscal year 2012 instead of fiscal year 2013. In the PPEL Fund \$21,460 of revenue was incorrectly recorded in a prior year and needed to be removed.

**Government-Wide Financial Statements**

	<u>Statement of Activities</u>
Beginning Fund Balance, As Previously Reported	\$ 1,914,409
Prior Period Adjustment	(17,803)
Beginning Fund Balance, As Restated	<u>\$ 1,896,606</u>

- Statement of Activities: Along with the adjustments described above, an additional \$14,643 was needed to correct the beginning balances of the Capital Assets, due to transferring part of the cost of a piece of equipment from the Governmental Funds to the Proprietary Fund.

**Proprietary Fund Financial Statements**

	<u>Nutrition Fund</u>
Beginning Fund Balance, As Previously Reported	\$ 10,177
Prior Period Adjustment	18,977
Beginning Fund Balance, As Restated	<u>\$ 29,154</u>

- Nutrition Fund: A piece of equipment was transferred to the Nutrition Fund from a Governmental Fund which resulted in an additional \$14,643 to correct the beginning balance of the Nutrition Fund’s Capital Assets. A \$4,269 ISJIT transfer was needed to increase the fund balance and a miscellaneous amount of \$65 was needed to get the beginning fund balance to the correct amount.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**SENTRAL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Receipts</b>						
Local Sources:						
Local Taxes	\$ 1,297,757	\$ -	\$ 1,297,757	\$ 1,130,854	\$ 1,130,854	\$ 166,903
Tuition	1,115,659	-	1,115,659	405,000	405,000	710,659
Other	100,946	50,134	151,080	385,880	385,880	(234,800)
State Sources	496,587	1,235	497,822	637,561	637,561	(139,739)
Federal Sources	79,424	61,463	140,887	189,000	189,000	(48,113)
Total Receipts	<u>3,090,373</u>	<u>112,832</u>	<u>3,203,205</u>	<u>2,748,295</u>	<u>2,748,295</u>	<u>454,910</u>
<b>Expenditures</b>						
Instruction	2,295,266	-	2,295,266	1,612,050	2,412,050	116,784
Support Services	853,913	-	853,913	1,279,027	2,079,027	1,225,114
Non-Instructional Programs	-	132,485	132,485	127,000	177,000	44,515
Other Expenditures	142,366	-	142,366	146,518	196,518	54,152
Total Expenditures	<u>3,291,545</u>	<u>132,485</u>	<u>3,424,030</u>	<u>3,164,595</u>	<u>4,864,595</u>	<u>1,440,565</u>
<b>Change in Fund Balance</b>	(201,172)	(19,653)	(220,825)	(416,300)	(2,116,300)	1,895,475
<b>Fund Balance at Beginning of Year</b>	794,138	10,177	804,315	804,315	804,315	-
<b>Prior Period Adjustment</b>	(3,160)	18,977	15,817	-	-	-
<b>Fund Balance - Beginning of Year, Restated</b>	<u>790,978</u>	<u>29,154</u>	<u>820,132</u>	<u>804,315</u>	<u>804,315</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 589,806</u>	<u>\$ 9,501</u>	<u>\$ 599,307</u>	<u>\$ 388,015</u>	<u>\$ (1,311,985)</u>	<u>\$ 1,895,475</u>

**SENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2013**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted on budget amendment, increasing budgeted expenditures by \$1,700,000.

During the year ended June 30, 2013, expenditures did not exceeded the amounts budgeted and the District did exceed its General Fund unspent authorized budget.

**SENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
YEAR ENDED JUNE 30, 2013**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	\$ -	\$ 113,000	\$ 113,000	0%	\$ 1,052,000	10.7%
2011	7/1/2009	\$ -	\$ 112,000	\$ 112,000	0%	\$ 1,121,000	10.0%
2012	7/1/2009	\$ -	\$ 111,000	\$ 111,000	0%	\$ 1,157,000	9.6%
2013	7/1/2012	\$ -	\$ 137,002	\$ 137,002	0%	\$ 1,325,161	10.3%

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

**OTHER SUPPLEMENTARY  
INFORMATION**

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

**SCHEDULE 1**

	Special Revenue Funds		Capital Projects Funds		Debt Service Fund		Total
	Student Activity	Management	Physical Plant and Equipment Levy	Statewide Sales Service and Use Tax	Debt Service		
<b>Assets</b>							
Cash and Pooled Investments	\$ 30,956	\$ -	\$ 68,243	\$ 171,669	\$ -		\$ 270,868
Receivables:							
Property Tax	-	378	450	-	802		1,630
Succeeding Year Property Tax	-	49,550	43,126	-	62,255		154,931
Income Surtax	-	-	69,228	-	-		69,228
Due from Other Governmental Agencies	-	-	-	21,733	-		21,733
Due from Other Funds	-	32,954	-	-	9,389		42,343
Other	-	-	7,871	-	-		7,871
<b>Total Assets</b>	<u>30,956</u>	<u>82,882</u>	<u>188,918</u>	<u>193,402</u>	<u>72,446</u>		<u>568,604</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	-	-	13,465	6,272	-		19,737
Deferred Revenue - Succeeding Year Taxes	-	49,550	43,126	-	62,255		154,931
Deferred Revenue - Income Surtax	-	-	69,228	-	-		69,228
<b>Total Liabilities</b>	<u>-</u>	<u>49,550</u>	<u>125,819</u>	<u>6,272</u>	<u>62,255</u>		<u>243,896</u>
<b>Fund Balances</b>							
Restricted for:							
Student Activities	30,956	-	-	-	-		30,956
Management	-	33,332	-	-	-		33,332
Physical Plant and Equipment Levy	-	-	63,099	-	-		63,099
Statewide Sales, Service, and Use Tax	-	-	-	187,130	-		187,130
Debt Service	-	-	-	-	10,191		10,191
<b>Total Fund Balances</b>	<u>30,956</u>	<u>33,332</u>	<u>63,099</u>	<u>187,130</u>	<u>10,191</u>		<u>324,708</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 30,956</u>	<u>\$ 82,882</u>	<u>\$ 188,918</u>	<u>\$ 193,402</u>	<u>\$ 72,446</u>		<u>\$ 568,604</u>

**SENTRAL COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**SCHEDULE 2**

	Special Revenue Funds		Capital Projects Funds		Debt Service Fund	Total
	Student Activity	Management	Physical Plant and Equipment Levy	Statewide Sales Service and Use Tax	Debt Service	
<b>Revenues</b>						
Local Sources						
Local Tax	\$ -	\$ 30,034	\$ 108,931	\$ 134,964	\$ 63,748	\$ 337,677
Other	56,995	1,567	86	601	1,321	60,570
State Revenues	-	-	15	-	29	44
<b>Total Revenues</b>	<u>56,995</u>	<u>31,601</u>	<u>109,032</u>	<u>135,565</u>	<u>65,098</u>	<u>398,291</u>
<b>Expenditures</b>						
Instruction:						
Other Instruction	40,386	-	-	-	-	40,386
Support Services:						
Administration Services	-	-	62,396	-	-	62,396
Operations & Maintenance	-	43,943	2,345	81,583	-	127,871
Other Expenditures:						
Facilities Acquisition	-	-	-	2,600	-	2,600
Long-Term Debt						
Principal	-	-	-	-	50,000	50,000
Interest and Fiscal Charges	-	-	-	-	13,818	13,818
<b>Total Expenditures</b>	<u>40,386</u>	<u>43,943</u>	<u>64,741</u>	<u>84,183</u>	<u>63,818</u>	<u>297,071</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	16,609	(12,342)	44,291	51,382	1,280	101,220
<b>Fund Balances at Beginning of Year</b>	14,347	45,674	40,268	120,753	8,911	229,953
<b>Prior Period Adjustment</b>	-	-	(21,460)	14,995	-	(6,465)
<b>Fund Balances - Beginning of Year, Restated</b>	<u>14,347</u>	<u>45,674</u>	<u>18,808</u>	<u>135,748</u>	<u>8,911</u>	<u>223,488</u>
<b>Fund Balances at End of Year</b>	<u>\$ 30,956</u>	<u>\$ 33,332</u>	<u>\$ 63,099</u>	<u>\$ 187,130</u>	<u>\$ 10,191</u>	<u>\$ 324,708</u>

**SENTRAL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**SCHEDULE 3**

	Balance June 30, 2012	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2013
Drama	\$ 656	\$ -	\$ 656	\$ -
Speech	66	-	66	-
Vocal	137	142	137	142
Band	76	-	76	-
Band Resale	-	947	947	-
Athletic	1,133	10,991	7,809	4,315
Athletic Resale	68	-	68	-
Volleyball	129	-	129	-
High School Activity	20	-	20	-
Science Club	16	-	16	-
Annual	563	-	425	138
Student Council	3,692	2,145	1,527	4,310
National Honor Society	271	-	271	-
Athletic Vending	553	-	553	-
School Front	59	-	28	31
Library Fair	985	6,146	5,589	1,542
Athletic Deposits	463	-	463	-
Sentral Boosters	2,002	60	-	2,062
FFA	3,422	-	3,422	-
Elementary	36	42,716	24,337	18,415
Total for Activity Funds	<u>\$ 14,347</u>	<u>\$ 63,147</u>	<u>\$ 46,538</u>	<u>\$ 30,956</u>

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

Modified Accrual Basis of Accounting

	2013	2012	2011	2010	2009
<b>Revenues:</b>					
Local Sources:					
Local Tax	\$ 1,297,757	\$ 1,306,045	\$ 1,310,064	\$ 1,407,575	\$ 1,569,247
Tuition	1,115,659	507,447	388,168	321,654	281,848
Other	100,946	129,068	85,444	85,522	80,433
State Sources	496,587	699,972	613,968	492,437	665,988
Federal Sources	79,424	125,538	185,081	217,598	124,494
	<u>\$ 3,090,373</u>	<u>\$ 2,768,070</u>	<u>\$ 2,582,725</u>	<u>\$ 2,524,786</u>	<u>\$ 2,722,010</u>
<b>Expenditures:</b>					
Instruction:	\$ 2,295,266	\$ 1,704,902	\$ 1,574,152	\$ 1,540,144	\$ 1,539,644
Support Services:					
Student Services	5,747	1,208	8,872	1,432	3,199
Instructional Staff Services	29,235	15,791	105,990	71,174	82,659
Administration Services	346,574	327,279	292,322	273,427	266,005
Operations and Maintenance	316,014	377,373	446,142	487,499	392,796
Transportation Services	156,343	151,587	150,641	135,294	132,868
Non-Instructional Programs	-	-	-	-	-
Other Expenditures:					
Facilities Acquisition	2,600	6,200	-	-	-
Long-term Debt:					
Principal	50,000	50,000	45,000	50,000	35,000
Interest and Other Charges	13,818	14,705	15,413	32,059	30,555
AEA Flowthrough	75,948	75,575	84,547	83,591	79,390
	<u>\$ 3,291,545</u>	<u>\$ 2,724,620</u>	<u>\$ 2,723,079</u>	<u>\$ 2,674,620</u>	<u>\$ 2,562,116</u>

SCHEDULE 4

2008	2007	2006	2005	2004
\$ 1,815,653	\$ 1,862,048	\$ 1,410,953	\$ 1,349,511	\$ 1,400,524
324,394	281,223	245,337	265,316	271,238
156,265	211,957	187,767	177,995	218,525
820,434	769,169	883,955	858,307	682,421
65,957	118,679	151,152	172,681	97,639
<u>\$ 3,182,703</u>	<u>\$ 3,243,076</u>	<u>\$ 2,879,164</u>	<u>\$ 2,823,810</u>	<u>\$ 2,670,347</u>
\$ 1,753,475	\$ 1,696,300	\$ 1,893,077	\$ 2,096,484	\$ 1,838,098
1,688	30,099	52,264	90,394	90,937
83,057	86,254	99,947	53,341	42,342
332,679	346,911	336,874	329,491	308,448
363,850	264,890	371,063	249,203	320,824
122,601	117,504	113,950	136,974	91,692
-	-	12,763	26,141	79
186,755	7,476	-	89,378	1,250
35,000	35,000	30,000	30,000	30,000
32,375	34,195	35,755	37,315	38,775
79,045	77,056	76,210	76,215	76,653
<u>\$ 2,990,525</u>	<u>\$ 2,695,685</u>	<u>\$ 3,021,903</u>	<u>\$ 3,214,936</u>	<u>\$ 2,839,098</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Sentral Community School District, Fenton 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, and have issued our report thereon dated December 11, 2013.

**Internal Control Over Financial Reporting**

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

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

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 in internal control described in Part II of the accompanying Schedule of Findings as item 13-II-A and 13-II-B to be material weaknesses.

### **Compliance and Other Matters**

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

### **Sentral Community School District's Response to Findings**

Sentral Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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 Sentral 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.

*Williams + Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
December 11, 2013

**SENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

- (A) An unmodified opinion was issued on the financial statements.
- (B) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**MATERIAL WEAKNESSES:**

**13-II-A Financial Reporting**

Observation – During our audit, we identified material amounts of succeeding year property tax receivables, income surtax receivables, and capital assets along with immaterial amounts of cash, inventory, prepaid health insurance, accounts receivable, accrued liabilities, fund balances, and expenses not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all cash, receivables, inventory, capital asset additions, payables, accrued liabilities, fund balances, expenses are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any of the above mentioned transactions and verify all expenses have been recorded properly.

Conclusion – Response accepted.

**13-II-B Segregation of Duties**

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements. While performing our review, it was determined that incompatible duties in the cash receipts and revenue area, such as the person making up the deposit, recording the deposit in the accounting software and depositing it into the bank are being performed by the same person. In the same manner, all areas of payroll are being performed by the same employee.

**SENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)**

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures for cash receipts and payroll and see if other employees could review or perform some of the tasks performed by the same employee to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

13-III-A: Certified Budget – The District exceeded its General Fund unspent authorized budget for the year ended June 30 , 2013 by approximately \$151,000.

Recommendation – The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response – We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion – Response accepted.

13-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

13-III-C: Travel Expense – No expenditures of Sentral Community School District were for travel expenses of spouses of District officials or employees.

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ronald Dacken, Board Member Owner of Dacken and Associates	Property Insurance	\$ 43,943

In accordance with the Code of Iowa, the above transaction may represent conflict of interest since the total received during the fiscal year is greater then \$2,500. This transaction may represent a conflict of interest and the District should contact legal council for determination.

**SENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING  
(CONTINUED)**

- 13-III-E: Bond Coverage - Surety bond coverage of Sentral Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 13-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 13-III-G: Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 13-III-H: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 13-III-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 13-III-J: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.
- 13-III-K: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 13-III-L: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

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

**SENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING  
(CONTINUED)**

Beginning Balance		\$ 120,753
Prior Period Adjustment		<u>14,995</u>
Beginning Balance - Restated		135,748
Statewide Sales and Services Tax Revenue	134,964	
Other	601	<u>135,565</u>
		<u>271,313</u>
Expenditures/Transfers Out:		
School Infrastructure:		
Facilities Acquisition	2,600	
Other Improvements	81,583	<u>84,183</u>
Ending Balance		<u><u>\$ 187,130</u></u>

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

13-III-M: Deficit Balances – The Nutrition Fund had a deficit balance at June 30, 2013.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit.

Response – The District is aware of this situation and future revenues will eliminate this deficit by June 30, 2014.

Conclusion – Response accepted.

13-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District’s education program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.