

**WEST FORK COMMUNITY SCHOOL DISTRICT
ROCKWELL, IOWA**

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

YEAR ENDED JUNE 30, 2013

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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West Fork Community School District
Rockwell, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Jim Tuttle	President	2013
Mary Ingham	Vice President	2013
Rob Heimbuch	Board Member	2015
Mary Schlichting	Board Member	2013
Mary Beth Sukup	Board Member	2015

School Officials

Darrin Strike	Superintendent	2013
Lacey Weier	District Secretary/Treasurer and Business Manager	2013
Rick Engel	Attorney	2013

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Independent Auditor's Report

To the Board of Education of
West Fork Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The financial statements of West Fork Booster Club have not been audited, and we were not engaged to audit the West Fork Booster Club financial statements as part of our audit of the District's basic financial statements. West Fork Booster Club's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net position and revenues of the District's aggregate discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregated discretely presented component unit for West Fork Community School District as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We

do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Fork Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We did not express an opinion on the West Fork Booster Club, a discretely presented component unit of the West Fork Community District as we did not audit it. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2014 on our consideration of West Fork Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Fork Community School District's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 4, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Fork 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 \$7,707,661 in fiscal 2012 to \$7,707,837 in fiscal 2013, while General Fund expenditures decreased from \$7,349,566 in fiscal 2012 to \$7,048,949 in fiscal 2013. The District's General Fund balance increased from \$1,834,879 in fiscal 2012 to \$2,495,517 in fiscal 2013, a 36.0% increase.
- The decrease in expenditures was due primarily to the District decreasing spending levels from the prior year to improve the financial condition of the District.

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 West Fork Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Fork 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 West Fork Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
West Fork
Community School District
Annual Financial Report

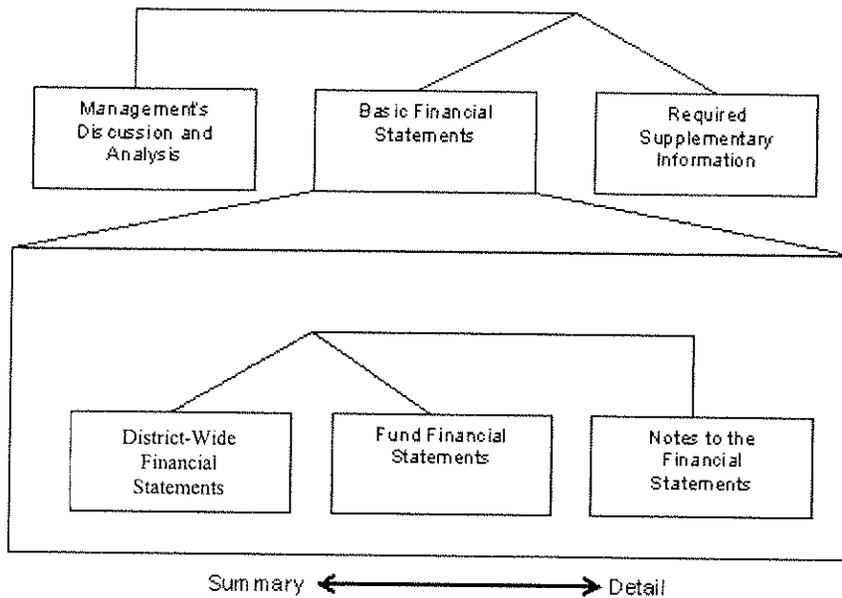


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is 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*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3							
Condensed Statement of Net Position							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 9,252	8,861	21	46	9,273	8,907	4.1%
Capital assets	<u>6,775</u>	<u>6,382</u>	<u>9</u>	<u>13</u>	<u>6,784</u>	<u>6,395</u>	<u>6.1%</u>
Total assets	<u>16,027</u>	<u>15,243</u>	<u>30</u>	<u>59</u>	<u>16,057</u>	<u>15,302</u>	<u>4.9%</u>
Long-term liabilities	1,334	1,838	5	2	1,339	1,840	-27.2%
Other liabilities	<u>3,964</u>	<u>4,085</u>	<u>6</u>	<u>5</u>	<u>3,970</u>	<u>4,090</u>	<u>-2.9%</u>
Total liabilities	<u>5,298</u>	<u>5,923</u>	<u>11</u>	<u>7</u>	<u>5,309</u>	<u>5,930</u>	<u>-10.5%</u>
Net position:							
Net investment in capital assets	5,750	4,921	9	13	5,759	4,934	16.7%
Restricted	2,193	2,495	---	---	2,193	2,495	-12.1%
Unrestricted	<u>2,786</u>	<u>1,904</u>	<u>10</u>	<u>39</u>	<u>2,796</u>	<u>1,943</u>	<u>43.9%</u>
Total net position	<u>\$ 10,729</u>	<u>9,320</u>	<u>19</u>	<u>52</u>	<u>10,748</u>	<u>9,372</u>	<u>14.7%</u>

The District's total net position increased 15% or approximately \$1,376,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$302,000, or 12%, from the prior year. The decrease was primarily a result of the decrease in categorical funding restricted balances and increased expenditures in 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 by debt covenants, enabling legislation or other legal requirements – increased approximately \$853,000, or 44%. This increase in unrestricted net position was primarily a result of a decrease in expenditures.

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
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 549	451	158	189	707	640	10.5%
Operating grants, contributions and restricted interest	1,149	1,213	164	178	1,313	1,391	-5.6%
Capital grants, contributions and restricted interest	5	---	---	---	5	---	100.0%
General revenues:							
Property tax	3,871	3,450	---	---	3,871	3,450	12.2%
Statewide sales, services and use tax	815	867	---	---	815	867	-6.0%
Income surtax	395	381	---	---	395	381	3.7%
Unrestricted state grants	2,813	3,226	---	---	2,813	3,226	-12.8%
Unrestricted investment earnings	18	31	---	---	18	31	-41.9%
Other	66	27	---	1	66	28	135.7%
Gain (loss) on sale of capital asset	(2)	2	---	---	(2)	2	-200.0%
Total revenues	<u>9,679</u>	<u>9,648</u>	<u>322</u>	<u>368</u>	<u>10,001</u>	<u>10,016</u>	<u>-0.1%</u>
Program expenses:							
Instruction	5,276	5,463	---	---	5,276	5,463	-3.4%
Support services	2,259	2,287	---	---	2,259	2,287	-1.2%
Non-instructional programs	3	---	355	379	358	379	-5.5%
Other expenses	732	580	---	---	732	580	26.2%
Total expenses	<u>8,270</u>	<u>8,330</u>	<u>355</u>	<u>379</u>	<u>8,625</u>	<u>8,709</u>	<u>-1.0%</u>
Increase (decrease) in net position	1,409	1,318	(33)	(11)	1,376	1,307	5.3%
Net position beginning of year	<u>9,320</u>	<u>8,002</u>	<u>52</u>	<u>63</u>	<u>9,372</u>	<u>8,065</u>	<u>16.2%</u>
Net position end of year	<u>\$ 10,729</u>	<u>9,320</u>	<u>19</u>	<u>52</u>	<u>10,748</u>	<u>9,372</u>	<u>14.7%</u>

In fiscal 2013, property tax and unrestricted state grants account for 69.1% of the total governmental activities revenue while charges for service and operating grants account for 99.8% of business type activities revenue. The District's total revenues were approximately \$10 million, of which approximately \$9.7 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.1% decrease in revenues and a 1.0% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$9,679,117 and expenses were \$8,270,487 for the year ended June 30, 2013.

The following table 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
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 5,276	5,463	-3.4%	3,908	4,156	-6.0%
Support services	2,259	2,287	-1.2%	2,225	2,241	-0.7%
Non-instructional program	3	---	100.0%	3	---	100.0%
Other expenses	732	580	26.2%	432	268	61.2%
Total	\$ 8,270	8,330	-0.7%	6,568	6,665	-1.5%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$548,996.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,148,672.
- The net cost of governmental activities was financed with \$5,081,552 in property and other taxes and \$2,813,110 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$322,381, representing a 14.3 decrease from the prior year, while expenses totaled \$355,114, a 6.4% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Fork 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 \$4,914,114, above last year's ending fund balances of \$4,423,944.

Governmental Fund Highlights

- The General Fund balance increased from \$1,834,879 to \$2,495,517, due in part, to a decrease in expenditures.
- The Debt Service Fund balance increased from \$84,044 at the end of fiscal 2012 to \$92,919 at the end of fiscal 2013. Revenues and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund decreased from \$2,267,345 in fiscal 2012 to \$2,020,550 in fiscal 2013, due in part to a decrease in revenues and increases in expenditures for a boiler replacement project.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$52,219 at June 30, 2012 to \$19,486 at June 30, 2013, representing a decrease of approximately 62.7%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$132,779 more than total budgeted revenues, a variance of 1.4%.

Total expenditures were less than budgeted by \$1,322,023, due primarily to the District's budget for the General Fund. The District budgeted expenditures high to cover any unexpected expenditures during the year in the other expenditures functional area. Also the boiler replacement project was budgeted for, but not completed in FY13 along with some other small items.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$6.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 6.1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$455,136.

The original cost of the District's capital assets was approximately \$12.6 million. Governmental funds account for approximately \$12.4 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 118	122	---	---	118	122	-3.3%
Construction in progress	380	---	---	---	380	---	100.0%
Buildings	5,216	5,198	---	---	5,216	5,198	0.3%
Improvements other than buildings	173	133	---	---	173	133	30.1%
Furniture and equipment	<u>888</u>	<u>929</u>	<u>9</u>	<u>13</u>	<u>897</u>	<u>942</u>	<u>-4.7%</u>
Totals	<u>\$ 6,775</u>	<u>6,382</u>	<u>9</u>	<u>13</u>	<u>6,784</u>	<u>6,395</u>	<u>6.1%</u>

Long-Term Debt

At June 30, 2013, the District had \$1,246,612 in long-term debt outstanding. This represents a decrease of approximately 30% (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$26 million.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-2013
General obligation bonds	\$ 750	920	-18.5%
Revenue bonds	275	540	-49.1%
Lease obligation	1	1	0.0%
Early retirement	<u>221</u>	<u>332</u>	<u>-33.4%</u>
Total	<u>\$ 1,247</u>	<u>1,793</u>	<u>-30.5%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The reorganization of the Rockwell-Swaledale and Sheffield Chapin Meservey Thornton School Districts to form the West Fork Community School District took place on July 1, 2011.

We see the biggest issue into the future facing this district is enrollment. During the first year of operation (FY 2012) the district's budget enrollment was 769.3. Since that time, we have experienced significant declines for each budget year (FY 2013-721.6 and FY 2014-709).

As we move into the future, the enrollment for the FY 2015 budget year is 680.1 and as we project into the future we see a possible decline of 20 for FY 2016 to 660 and potential for an additional drop for the FY 2017 budget of 30 students to 630. This loss of an estimated 139 students over five budgets coupled with low allowable growth has created a significant drop in revenue. This enrollment trend is different from an anticipated two year plateau with minimal decline that previous data was reflecting. The loss for FY 2015 and the projected loss for FY 2016 are much more significant.

The district has been able to maintain and build a strong financial position over the past three years due to the efficiencies achieved through the reorganization process. However, we realize that through increased annual cost (estimated at \$230,000 per year for the past two negotiation periods) and reduced revenue (FY 2015 new money \$8,850), we will most likely experience our first year of negative spending during FY 2015.

The district is currently sitting on an estimated \$2.4 million unspent balance which is quite significant for its size. However, this was an intentional practice and it will provide us with a couple of years of time to bring expenses down without placing the district into financial stress.

At this point, the district is exploring elementary grade alignment which would allow savings through attrition with the pending retirement of a staff member. In addition to the savings through attrition, this alignment change would protect the district from having to add additional staff to meet the current programming needs.

Capital Projects

FY 2014 experienced significant cost from large scale projects. (boiler at Rockwell / roof at Sheffield). As we move into FY 2015 the large scale projects we are proposing include the construction of a new fitness center/weight room and improving the parking situation at the Sheffield campus. These projects, coupled with the need to continuously improve district technology and our transportation fleet and some additional smaller scale projects will have the district budgeting approximately \$900,000 in Capital projects funds to complete.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lacey Weier, District Secretary/Treasurer and Business Manager, West Fork Community School District, 210 South 2nd Street, P.O. Box 60, Rockwell, Iowa 50469.

Basic Financial Statements

West Fork Community School District
Rockwell, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	Primary Government			Component
	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>	Unit <u>West Fork Booster Club</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 4,789,360	459	4,789,819	24,334
Receivables:				
Property tax:				
Delinquent	35,711	-	35,711	-
Succeeding year	3,746,000	-	3,746,000	-
Accounts	32,354	1,872	34,226	-
Accrued interest				
Due from other governments	607,307	-	607,307	-
Prepaid expenses	28,498	2,021	30,519	-
Inventories	-	16,156	16,156	-
Unamortized bond issuance costs	12,506	-	12,506	-
Capital assets, net of accumulated depreciation	<u>6,775,242</u>	<u>9,562</u>	<u>6,784,804</u>	<u>-</u>
Total assets	<u>16,026,978</u>	<u>30,070</u>	<u>16,057,048</u>	<u>24,334</u>
Liabilities				
Accounts payable	196,670	-	196,670	-
Salaries and benefits payable	7,306	-	7,306	-
Accrued interest payable	9,756	-	9,756	-
Deferred revenue:				
Succeeding year property tax	3,746,000	-	3,746,000	-
Other	-	6,071	6,071	-
Early retirement payable	3,974	-	3,974	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	175,000	-	175,000	-
Revenue bonds	275,000	-	275,000	-
Lease purchase obligation	373	-	373	-
Early retirement	96,719	-	96,719	-
Portion due after one year:				
General obligation bonds	575,000	-	575,000	-
Early retirement	124,520	-	124,520	-
Net OPEB liability	88,003	4,513	92,516	-
Total liabilities	<u>5,298,321</u>	<u>10,584</u>	<u>5,308,905</u>	<u>-</u>

West Fork Community School District
Rockwell, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	Primary Government			Component Unit
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>West Fork Booster Club</u>
Net Position				
Net invested in capital assets	5,749,869	9,562	5,759,431	-
Restricted for:				
Categorical funding	88,065	-	88,065	-
Debt service	475,296	-	475,296	-
Management levy purposes	60,431	-	60,431	-
School infrastructure	1,148,617	-	1,148,617	-
Physical plant and equipment	396,637	-	396,637	-
Student activities	23,458	-	23,458	-
Booster Club purposes	-	-	-	24,334
Unrestricted	2,786,284	9,924	2,796,208	-
Total net position	\$ 10,728,657	19,486	10,748,143	24,334

See notes to financial statements.

West Fork Community School District
 Rockwell, Iowa
 Statement of Activities
 Year ended June 30, 2013

		Program Revenues		
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,237,902	246,986	446,562	-
Special instruction	938,390	42,314	104,778	-
Other instruction	1,099,777	258,371	268,804	-
	5,276,069	547,671	820,144	-
Support services:				
Student	132,783	-	5,519	-
Instructional staff	138,613	-	5,532	-
Administration	941,730	-	10,704	-
Operation and maintenance of plant	534,999	1,325	-	4,775
Transportation	510,728	-	6,386	-
	2,258,853	1,325	28,141	4,775
Non-instructional programs	2,808	-	-	-
Other expenditures:				
Facilities acquisition	188,041	-	-	-
Long-term debt interest	46,801	-	-	-
AEA flowthrough	300,387	-	300,387	-
Depreciation (unallocated)*	197,528	-	-	-
	732,757	-	300,387	-
Total governmental activities	8,270,487	548,996	1,148,672	4,775
Business type activities:				
Non-instructional programs:				
Food service operations	355,114	157,640	164,245	-
Total business type activities	355,114	157,640	164,245	-
Total	\$ 8,625,601	706,636	1,312,917	4,775
Component Unit:				
West Fork Booster Club	\$ 63,570	57,113	4,739	-
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, services and use tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Loss on sale of capital assets				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	West Fork Booster Club
(2,544,354)	-	(2,544,354)	-
(791,298)	-	(791,298)	-
(572,602)	-	(572,602)	-
<u>(3,908,254)</u>	<u>-</u>	<u>(3,908,254)</u>	<u>-</u>
(127,264)	-	(127,264)	-
(133,081)	-	(133,081)	-
(931,026)	-	(931,026)	-
(528,899)	-	(528,899)	-
(504,342)	-	(504,342)	-
<u>(2,224,612)</u>	<u>-</u>	<u>(2,224,612)</u>	<u>-</u>
(2,808)	-	(2,808)	-
(188,041)	-	(188,041)	-
(46,801)	-	(46,801)	-
-	-	-	-
<u>(197,528)</u>	<u>-</u>	<u>(197,528)</u>	<u>-</u>
<u>(432,370)</u>	<u>-</u>	<u>(432,370)</u>	<u>-</u>
<u>(6,568,044)</u>	<u>-</u>	<u>(6,568,044)</u>	<u>-</u>
-	(33,229)	(33,229)	-
-	(33,229)	(33,229)	-
<u>(6,568,044)</u>	<u>(33,229)</u>	<u>(6,601,273)</u>	<u>-</u>
-	-	-	(1,718)
\$ 3,336,439	-	3,336,439	-
212,509	-	212,509	-
322,301	-	322,301	-
815,393	-	815,393	-
394,910	-	394,910	-
2,813,110	-	2,813,110	-
18,220	28	18,248	37
66,140	468	66,608	-
(2,348)	-	(2,348)	-
<u>7,976,674</u>	<u>496</u>	<u>7,977,170</u>	<u>37</u>
1,408,630	(32,733)	1,375,897	(1,681)
<u>9,320,027</u>	<u>52,219</u>	<u>9,372,246</u>	<u>26,015</u>
<u>\$ 10,728,657</u>	<u>19,486</u>	<u>10,748,143</u>	<u>24,334</u>

West Fork Community School District
Rockwell, Iowa

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 2,434,375	90,959	1,963,229
Receivables:			
Property tax:			
Delinquent	28,008	1,960	2,973
Succeeding year	2,736,000	214,000	446,000
Accounts	850	-	25,019
Due from other governments	446,996	-	160,311
Prepaid expenses	28,498	-	-
Total assets	<u>\$ 5,674,727</u>	<u>306,919</u>	<u>2,597,532</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 64,738	-	130,982
Salaries and benefits payable	7,306	-	-
Deferred revenue:			
Succeeding year property tax	2,736,000	214,000	446,000
Income surtax	371,166	-	-
Early retirement payable	-	-	-
Total liabilities	<u>3,179,210</u>	<u>214,000</u>	<u>576,982</u>
Fund balances:			
Nonspendable for:			
Prepaid expenditures	28,498	-	-
Restricted for:			
Categorical funding	88,065	-	-
Debt service	-	92,919	475,296
Management levy purposes	-	-	-
Student activities	-	-	-
School infrastructure	-	-	1,148,617
Physical plant and equipment	-	-	396,637
Unassigned	2,378,954	-	-
Total fund balances	<u>2,495,517</u>	<u>92,919</u>	<u>2,020,550</u>
Total liabilities and fund balances	<u>\$ 5,674,727</u>	<u>306,919</u>	<u>2,597,532</u>

See notes to financial statements.

Exhibit C

<u>Nonmajor Special Revenue</u>	<u>Total</u>
300,797	4,789,360
2,770	35,711
350,000	3,746,000
6,485	32,354
-	607,307
-	28,498
<u>660,052</u>	<u>9,239,230</u>
950	196,670
-	7,306
350,000	3,746,000
-	371,166
3,974	3,974
<u>354,924</u>	<u>4,325,116</u>
-	28,498
-	88,065
-	568,215
281,670	281,670
23,458	23,458
-	1,148,617
-	396,637
-	2,378,954
<u>305,128</u>	<u>4,914,114</u>
<u>660,052</u>	<u>9,239,230</u>

West Fork Community School District
Rockwell, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2013

Total fund balances of governmental funds (page 21) \$ 4,914,114

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 6,775,242

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 371,166

Bond issuance costs are capitalized and expensed over the life of the bonds and, therefore, are not reported as assets in the governmental funds. 12,506

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (9,756)

Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,334,615)

Net position of governmental activities (page 17) \$ 10,728,657

See notes to financial statements.

West Fork Community School District
Rockwell, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 3,410,913	212,509	1,137,694	300,262	5,061,378
Tuition	251,443	-	-	-	251,443
Other	84,091	413	43,480	253,928	381,912
State sources	3,795,042	100	152	141	3,795,435
Federal sources	166,348	-	4,775	-	171,123
Total revenues	<u>7,707,837</u>	<u>213,022</u>	<u>1,186,101</u>	<u>554,331</u>	<u>9,661,291</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,066,949	-	-	105,779	3,172,728
Special	945,982	-	-	-	945,982
Other	852,522	-	-	237,758	1,090,280
	<u>4,865,453</u>	<u>-</u>	<u>-</u>	<u>343,537</u>	<u>5,208,990</u>
Support services:					
Student	132,126	-	-	-	132,126
Instructional staff	100,799	-	192,772	23,098	316,669
Administration	781,750	-	75,760	67,727	925,237
Operation and maintenance of plant	423,093	-	371,872	46,149	841,114
Transportation	445,341	-	-	3,560	448,901
	<u>1,883,109</u>	<u>-</u>	<u>640,404</u>	<u>140,534</u>	<u>2,664,047</u>
Non-instructional programs	-	-	-	2,808	2,808
Other expenditures:					
Facilities acquisition	-	-	511,841	-	511,841
Long-term debt:					
Principal	-	435,537	-	-	435,537
Interest and fiscal charges	-	49,262	-	-	49,262
AEA flowthrough	300,387	-	-	-	300,387
	<u>300,387</u>	<u>484,799</u>	<u>511,841</u>	<u>-</u>	<u>1,297,027</u>
Total expenditures	<u>7,048,949</u>	<u>484,799</u>	<u>1,152,245</u>	<u>486,879</u>	<u>9,172,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>658,888</u>	<u>(271,777)</u>	<u>33,856</u>	<u>67,452</u>	<u>488,419</u>
Other financing sources (uses):					
Sale of capital assets	1,750	-	1	-	1,751
Operating transfers in	-	280,652	-	-	280,652
Operating transfers out	-	-	(280,652)	-	(280,652)
Total other financing sources (uses)	<u>1,750</u>	<u>280,652</u>	<u>(280,651)</u>	<u>-</u>	<u>1,751</u>
Change in fund balances	660,638	8,875	(246,795)	67,452	490,170
Fund balances beginning of year	<u>1,834,879</u>	<u>84,044</u>	<u>2,267,345</u>	<u>237,676</u>	<u>4,423,944</u>
Fund balances end of year	<u>\$ 2,495,517</u>	<u>92,919</u>	<u>2,020,550</u>	<u>305,128</u>	<u>4,914,114</u>

See notes to financial statements.

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

Year ended June 30, 2013

Change in fund balances - total governmental funds (page 23) \$ 490,170

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

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

Expenditures for capital assets	\$ 848,628	
Depreciation expense	(451,684)	
Loss on capital assets disposed	<u>(4,099)</u>	392,845

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 20,174

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:

Repaid		435,537
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 5,793

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:

Early retirement	110,526	
Other postemployment benefits	<u>(43,083)</u>	67,443

West Fork Community School District
Rockwell, Iowa

Exhibit F

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

Year ended June 30, 2013

Bond issuance costs are expensed when incurred in the governmental funds, but are capitalized and expensed over the life of the bonds in the Statement of Net Position.

 (3,332)

Change in net position of governmental activities (page 19)

\$ 1,408,630

See notes to financial statements.

West Fork Community School District
Rockwell, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

School
Nutrition

Assets

Current assets:

Cash, cash equivalents and pooled investments	\$ 459
Accounts receivable	1,872
Inventories	16,156
Prepaid expenses	<u>2,021</u>
Total current assets	<u>20,508</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>9,562</u>
Total noncurrent assets	<u>9,562</u>
Total assets	<u>30,070</u>

Liabilities

Current liabilities:

Deferred revenue	<u>6,071</u>
Total current liabilities	<u>6,071</u>

Noncurrent liabilities:

Net OPEB liability	<u>4,513</u>
Total noncurrent liabilities	<u>4,513</u>
Total liabilities	<u>10,584</u>

Net Position

Invested in capital assets	9,562
Unrestricted	<u>9,924</u>
Total net position	<u>\$ 19,486</u>

See notes to financial statements.

West Fork Community School District
Rockwell, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2013

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 155,159
Miscellaneous	2,949
Total operating revenue	<u>158,108</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	111,036
Benefits	47,981
Purchased services	1,424
Supplies	191,221
Depreciation	3,452
	<u>355,114</u>
Total operating expenses	<u>355,114</u>
Operating loss	<u>(197,006)</u>
Non-operating revenues:	
State sources	3,164
Federal sources	161,081
Interest income	28
Total non-operating revenues	<u>164,273</u>
Decrease in net assets	(32,733)
Net position beginning of year	<u>52,219</u>
Net position end of year	<u>\$ 19,486</u>

See notes to financial statements.

West Fork Community School District
Rockwell, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

School
Nutrition

Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 156,382
Cash received from miscellaneous operating activities	2,949
Cash paid to employees for services	(156,932)
Cash paid to suppliers for goods or services	<u>(172,158)</u>
Net cash used by operating activities	<u>(169,759)</u>
Cash flows from non-capital financing activities:	
State grants received	3,164
Federal grants received	<u>141,074</u>
Net cash provided by non-capital financing activities	<u>144,238</u>
Cash flows from investing activities:	
Interest on investments	<u>28</u>
Net decrease in cash and cash equivalents	(25,493)
Cash and cash equivalents beginning of year	<u>25,952</u>
Cash and cash equivalents end of year	<u>\$ 459</u>

West Fork Community School District
Rockwell, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (197,006)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	20,007
Depreciation	3,452
Decrease in inventories	327
Decrease in accounts receivable	221
Decrease in prepaid expenses	153
Increase in OPEB liability	2,085
Increase in deferred revenue	<u>1,002</u>
Net cash used by operating activities	<u>\$ (169,759)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$20,007 of federal commodities.

See notes to financial statements.

West Fork Community School District
Rockwell, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 4,482
Liabilities	<u> -</u>
Net Position	
Reserved for scholarships	<u>\$ 4,482</u>

See notes to financial statements.

West Fork Community School District
Rockwell, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 16,600
Total additions	<u>16,600</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>17,000</u>
Total deductions	<u>17,000</u>
Change in net position	(400)
Net position beginning of year	<u>4,882</u>
Net position end of year	<u>\$ 4,482</u>

See notes to financial statements.

West Fork Community School District
Rockwell, Iowa

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

West Fork Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Chapin, Meservey, Rockwell, Sheffield, Swaledale and Thornton, Iowa, and the predominate agricultural territory in Cerro Gordo, Franklin, Hancock, and Wright counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Fork Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

The financial statements present the West Fork Community School District and its component unit, the West Fork Booster Club. The component unit, discussed below, is included in the District's reporting entity because of the nature and significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The West Fork Booster Club is a separate nonprofit organization whose purpose is to help defray athletic costs of the West Fork Community School District by helping finance the cost of uniforms and equipment.

West Fork Community School District
Rockwell, Iowa

Notes to Financial Statements

June 30, 2013

The records are maintained on the basis of cash receipts and disbursements. The West Fork Booster Club meets the definition of a component unit which should be discretely presented. The Booster Club's financial statements have not been audited and we do not express an opinion on them.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Cerro Gordo county assessor's conference boards.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 300
Buildings	300
Improvements other than buildings	300
Intangibles	300
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	300

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for hourly employees corresponding to the current school year, which are payable in July, have been accrued as liabilities.

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused sick leave, personal and vacation benefits. Sick leave can only be used for time off for illness or injury. Employees that have accumulated the maximum number of allowable sick days and have used less than half of their yearly allotment and employees that have not used any sick days during the year receive a payment at year end. An accrual for earned but unused sick leave is not recorded in these financial statements because earned amounts have been paid at year end.

Employees may accumulate a limited number of personal days. Personal leave may be used for any purpose at the discretion of the employee with advanced notice to their principal. Employees are allowed to carry over half of their unused days to the next contract year and will be compensated per diem, per day for the other half of their unused personal leave. An accrual for earned but unused personal leave is not recorded in these financial statements because earned amounts have been paid at year end and any remaining personal leave will not be paid if the employee leaves during the year.

Vacation leave is earned by administration and office personnel and custodians. Office personnel may take their unused vacation in pay or carry it to the next year. Other employees may carry over half of their unused vacation. An accrual for earned but unused vacation leave is not recorded in these financial statements because amounts have been paid at year end and the remaining vacation leave will not be paid if the employee leaves during the next year.

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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:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets 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 exceed the amounts budgeted.

(2) Cash, Cash Equivalents, and Pooled Investments

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

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$27,201 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.

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>280,652</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

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(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 122,322	---	(4,099)	118,223
Construction in progress	<u>---</u>	<u>380,220</u>	<u>---</u>	<u>380,220</u>
Total capital assets not being depreciated	<u>122,322</u>	<u>380,220</u>	<u>(4,099)</u>	<u>498,443</u>
Capital assets being depreciated:				
Buildings	8,601,644	184,542	---	8,786,186
Improvements other than buildings	530,980	55,708	---	586,688
Furniture and equipment	<u>2,302,020</u>	<u>228,158</u>	<u>(42,357)</u>	<u>2,487,821</u>
Total capital assets being depreciated	<u>11,434,644</u>	<u>468,408</u>	<u>(42,357)</u>	<u>11,860,695</u>
Less accumulated depreciation for:				
Buildings	3,403,993	165,882	---	3,569,875
Improvements other than buildings	398,058	16,053	---	414,111
Furniture and equipment	<u>1,372,518</u>	<u>269,749</u>	<u>(42,357)</u>	<u>1,599,910</u>
Total accumulated depreciation	<u>5,174,569</u>	<u>451,684</u>	<u>(42,357)</u>	<u>5,583,896</u>
Total capital assets being depreciated, net	<u>6,260,075</u>	<u>16,724</u>	<u>---</u>	<u>6,276,799</u>
Governmental activities capital assets, net	<u>\$ 6,382,397</u>	<u>396,944</u>	<u>(4,099)</u>	<u>6,775,242</u>
Business type activities:				
Furniture and equipment	\$ 229,349	---	---	229,349
Less accumulated depreciation	<u>216,335</u>	<u>3,452</u>	<u>---</u>	<u>219,787</u>
Business type activities capital assets, net	<u>\$ 13,014</u>	<u>(3,452)</u>	<u>---</u>	<u>9,562</u>

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Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 144,212
Special		91
Other		2,937
Support services:		
Instructional staff		9,022
Administration		25,730
Operation and maintenance of plant		10,992
Transportation		<u>61,172</u>
		254,156
Unallocated		<u>197,528</u>
Total depreciation expense – governmental activities		<u>\$ 451,684</u>
Business type activities:		
Food service operations		<u>\$ 3,452</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 920,000	---	170,000	750,000	175,000
Revenue bonds	540,000	---	265,000	275,000	275,000
Lease obligation	910	---	537	373	373
Early retirement	331,765	1,509	112,035	221,239	96,719
Net OPEB liability	<u>44,920</u>	<u>43,083</u>	<u>---</u>	<u>88,003</u>	<u>---</u>
 Total	 <u>\$ 1,837,595</u>	 <u>44,592</u>	 <u>547,572</u>	 <u>1,334,615</u>	 <u>547,092</u>
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 2,428	2,085	---	4,513	---
	<u>2,428</u>	<u>2,085</u>	<u>---</u>	<u>4,513</u>	<u>---</u>

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Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District and one of its predecessor Districts. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement benefits paid to retirees of the former Meservey-Thornton Community School District were equal to a percentage, based on age at the time of retirement, of the employee's base salary calculated by using the current year regular salary, less any additional pay.

Early retirement benefits paid to retirees of the former Sheffield-Chapin Community School District were based on a percentage of annual health insurance benefits paid at the time of retirement.

Early retirement benefits paid to employees retiring in fiscal year 2008 of the former Sheffield Chapin Meservey Thornton Community School District are equal to a percentage of present health insurance costs based on two times the years employed with the district until they are eligible for Medicare.

Early retirement benefits paid to fiscal year 2009, 2010, and 2011 retirees of the former Sheffield Chapin Meservey Thornton Community School District are equal to the employee's monthly single health insurance premium at the time of retirement, for a period not to exceed five years or until eligible for Medicare, whichever is less.

Early retirement benefits paid to retirees of the former Rockwell-Swaledale Community School District were based on 40% of their current salary to be paid in the following year plus an amount equal to the monthly insurance premium at the time of their retirement paid over 60 months.

At June 30, 2013, the District has obligations to 15 participants with a total liability of \$221,239. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$110,313.

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General Obligation Bonds

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

Refunding Bond Issue of April 2007

Year Ending				
<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.625%	\$ 175,000	27,526	202,526
2015	3.65%	185,000	21,183	206,183
2016	3.70%	190,000	14,430	204,430
2017	3.70%	<u>200,000</u>	<u>7,400</u>	<u>207,400</u>
Total		\$ <u>750,000</u>	<u>70,539</u>	<u>820,539</u>

During the year ended June 30, 2013, the District made principal and interest payments totaling \$203,646 under the agreement.

Revenue Bonds

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

Bond Issue of November 2004

Year Ending				
<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.75%	\$ <u>275,000</u>	<u>5,156</u>	<u>280,156</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in November 2004. The bonds were issued for the purpose of financing a portion of the costs of remodeling the school buildings and industrial tech building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 34 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$280,156. For the current year

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June 30, 2013

principal and interest of \$280,083 were paid on the bonds and total statewide sales, services and use tax revenues were \$815,393.

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

- a) The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) Bonds maturing after July 1, 2011 may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- c) \$195,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- d) Proceeds from the statewide sales, services and use tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a quarter may be used for any lawful purpose. The sinking fund is part of the Capital Projects Fund.

Capital Lease Purchase Obligations

In March 2009, the District entered into a capital lease-purchase agreement with Iowa Office Supply Inc. to finance the purchase of a printer totaling \$2,378. The lease is financed for five years at an interest rate of 5%. The following is a schedule of the future minimum lease payments, including interest per annum, and the present value of net minimum lease payments under the agreement at June 30, 2013:

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<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 380
Less amount representing interest	<u>(7)</u>
Present value of net minimum lease payments	\$ <u>373</u>

Payments under the agreement totaled \$570 for the year ended June 30, 2013.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, and 2012 were \$380,071 and \$360,714, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 78 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 120,457
Interest on net OPEB obligation	1,184
Adjustment to annual required contributions	<u>(3,629)</u>
Annual OPEB cost	118,012
Contributions made	<u>(72,844)</u>
Increase in net OPEB obligation	45,168
Net OPEB obligation beginning of year	<u>47,348</u>
Net OPEB obligation end of year	\$ <u>92,516</u>

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

For the year ended June 30, 2013, the District contributed \$72,844 to the medical plan. Plan members eligible for benefits contributed \$30,943, or 29.8% of the premium costs.

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

Year Ended <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2012	\$ 115,019	58.8%	\$ 47,348
2013	120,457	61.7	92,516

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Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$507,137, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$507,137. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,445,000 and the ratio of the UAAL to covered payroll was 14.7%. As of June 30, 2013, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$331 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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(8) Risk Management

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

(9) 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 \$300,387 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.

(10) Lease Commitments

The District entered into an operating lease with Fiala Office Products, Ltd. for the rental of four copiers and five multi-functional printers on October 10, 2011 for a period of 48 months. The monthly payment amount is \$910 plus a charge for copies. The amount paid for the fiscal year ended June 30, 2013 was \$16,753. The fixed future rentals are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payment</u>
2014	\$ 10,920
2015	10,920
2016	<u>5,460</u>
Total	\$ <u>27,300</u>

(11) Construction Commitment

The District has entered into a contract totaling \$751,497 for a boiler replacement project. As of June 30, 2013, costs of \$334,635 had been incurred against the contract. The balance of \$416,862 remaining at June 30, 2013 will be paid as work on the project progresses.

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(12) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 10,216
Professional development – core curriculum	18,678
Professional development	3,057
Gifted and Talented	12,082
Dropout prevention program	<u>44,032</u>
Total	<u>\$ 88,065</u>

(13) Subsequent Event

Subsequent events have been evaluated through March 4, 2014, which is the date the financial statements were available to be issued.

Required Supplementary Information

West Fork Community School District
Rockwell, Iowa

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 5,694,733	158,136
State sources	3,795,435	3,164
Federal sources	<u>171,123</u>	<u>161,081</u>
Total revenues	<u>9,661,291</u>	<u>322,381</u>
Expenditures/Expenses:		
Instruction	5,208,990	-
Support services	2,664,047	-
Non-instructional programs	2,808	355,114
Other expenditures	<u>1,297,027</u>	<u>-</u>
Total expenditures/expenses	<u>9,172,872</u>	<u>355,114</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	488,419	(32,733)
Other financing sources, net	<u>1,751</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	490,170	(32,733)
Balances beginning of year	<u>4,423,944</u>	<u>52,219</u>
Balances end of year	<u>\$ 4,914,114</u>	<u>19,486</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
5,852,869	5,613,620	5,613,620	239,249
3,798,599	3,827,755	3,827,755	(29,156)
332,204	409,518	409,518	(77,314)
<u>9,983,672</u>	<u>9,850,893</u>	<u>9,850,893</u>	<u>132,779</u>
5,208,990	5,680,000	5,680,000	471,010
2,664,047	2,810,000	2,810,000	145,953
357,922	372,000	372,000	14,078
<u>1,297,027</u>	<u>1,988,009</u>	<u>1,988,009</u>	<u>690,982</u>
<u>9,527,986</u>	<u>10,850,009</u>	<u>10,850,009</u>	<u>1,322,023</u>
455,686	(999,116)	(999,116)	1,454,802
<u>1,751</u>	<u>-</u>	<u>-</u>	<u>1,751</u>
457,437	(999,116)	(999,116)	1,456,553
<u>4,476,163</u>	<u>3,288,030</u>	<u>3,288,030</u>	<u>1,188,133</u>
<u>4,933,600</u>	<u>2,288,914</u>	<u>2,288,914</u>	<u>2,644,686</u>

West Fork Community School District
Rockwell, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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

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

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

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

West Fork Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	-	569,919	569,919	0.0%	3,646,000	15.6%
2013	July 1, 2011	-	507,137	507,137	0.0%	3,445,000	14.7%

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.

See accompanying independent auditor's report.

Supplementary Information

West Fork Community School District
Rockwell, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 282,874	17,923	300,797
Receivables:			
Property tax:			
Delinquent	2,770	-	2,770
Succeeding year	350,000	-	350,000
Accounts	-	6,485	6,485
Total assets	\$ 635,644	24,408	660,052
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	950	950
Deferred revenue:			
Succeeding year property tax	350,000	-	350,000
Early retirement payable	3,974	-	3,974
Total liabilities	353,974	950	354,924
Fund balances:			
Restricted for:			
Management levy purposes	281,670	-	281,670
Student activities	-	23,458	23,458
Total fund balances	281,670	23,458	305,128
Total liabilities and fund balances	\$ 635,644	24,408	660,052

See accompanying independent auditor's report.

West Fork Community School District
Rockwell, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2013

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 300,262	-	300,262
Other	1,017	252,911	253,928
State sources	141	-	141
Total revenues	301,420	252,911	554,331
Expenditures:			
Current:			
Instruction:			
Regular	105,779	-	105,779
Other	-	237,758	237,758
Support services:			
Instructional staff	23,098	-	23,098
Administration	67,727	-	67,727
Operation and maintenance of plant	46,149	-	46,149
Transportation	3,560	-	3,560
Non-instructional programs	2,808	-	2,808
Total expenditures	249,121	237,758	486,879
Excess of revenues over expenditures	52,299	15,153	67,452
Fund balances beginning of year	229,371	8,305	237,676
Fund balances end of year	\$ 281,670	23,458	305,128

See accompanying independent auditor's report.

West Fork Community School District
Rockwell, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Annual - High School	\$ (4,228)	8,310	8,277	-	(4,195)
Annual - Middle School	1,073	2,080	2,543	-	610
Athletics - High School	(36,201)	130,398	123,568	(927)	(30,298)
Athletics - Middle School	(4,492)	4,812	3,509	-	(3,189)
Band Club	1,506	6,058	2,255	-	5,309
Cheerleaders	939	7,768	8,543	1,000	1,164
Class of 2013	6,718	796	7,769	-	(255)
Class of 2014	1,375	17,479	11,195	-	7,659
Class of 2015	-	1,105	941	-	164
Class of 2016	-	103	-	-	103
Concessions - Middle School	1,619	3,308	2,806	-	2,121
Dance team	605	1,343	1,842	-	106
Drama	4,944	403	324	-	5,023
FFA	11,240	35,527	31,982	-	14,785
Interest - High School	44	29	-	(73)	-
Music - Middle School	282	-	-	-	282
National Honor Society	1,319	262	405	-	1,176
Speech	-	-	242	-	(242)
Student Council - Elementary	17,953	28,989	25,820	-	21,122
Student Council - Middle School	873	1,231	1,105	-	999
Student Council - High School	2,736	2,910	4,632	-	1,014
Total	<u>\$ 8,305</u>	<u>252,911</u>	<u>237,758</u>	<u>-</u>	<u>23,458</u>

See accompanying independent auditor's report.

West Fork Community School District
Rockwell, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,593,629	369,600	1,963,229
Receivables:			
Property tax:			
Delinquent	-	2,973	2,973
Succeeding year	-	446,000	446,000
Accounts	-	25,019	25,019
Due from other governments	160,311	-	160,311
Total assets	1,753,940	843,592	2,597,532
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	130,027	955	130,982
Deferred revenue:			
Succeeding year property tax	-	446,000	446,000
Total liabilities	130,027	446,955	576,982
Fund balances:			
Restricted for:			
Debt service	475,296	-	475,296
School infrastructure	1,148,617	-	1,148,617
Physical plant and equipment	-	396,637	396,637
Total fund balances	1,623,913	396,637	2,020,550
Total liabilities and fund balances	\$ 1,753,940	843,592	2,597,532

See accompanying independent auditor's report.

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 815,393	322,301	1,137,694
Other	16,174	27,306	43,480
State sources	-	152	152
Federal sources	4,775	-	4,775
Total revenues	836,342	349,759	1,186,101
Expenditures:			
Support services:			
Instructional staff	192,772	-	192,772
Administration	6,165	69,595	75,760
Operation and maintenance of plant	328,363	43,509	371,872
Other expenditures:			
Facilities acquisition	189,296	322,545	511,841
Total expenditures	716,596	435,649	1,152,245
Excess (deficiency) of revenues over (under) expenditures	119,746	(85,890)	33,856
Other financing sources (uses):			
Sale of capital assets	-	1	1
Transfer out	(280,082)	(570)	(280,652)
Total other financing sources (uses)	(280,082)	(569)	(280,651)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(160,336)	(86,459)	(246,795)
Fund balances beginning of year	1,784,249	483,096	2,267,345
Fund balances end of year	\$ 1,623,913	396,637	2,020,550

See accompanying independent auditor's report.

West Fork Community School District
Rockwell, Iowa

Schedule 6

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

For the Last Two Years

	Modified Accrual Basis	
	2013	2012
Revenues:		
Local sources:		
Local tax	\$ 5,061,378	4,802,085
Tuition	251,443	191,229
Other	381,912	318,516
State sources	3,795,435	4,190,700
Federal sources	171,123	248,174
Total	\$ 9,661,291	9,750,704
Expenditures:		
Instruction:		
Regular	\$ 3,172,728	3,618,087
Special	945,982	925,017
Other	1,090,280	1,013,409
Support services:		
Student	132,126	189,531
Instructional staff	316,669	295,084
Administration	925,237	1,044,757
Operation and maintenance of plant	841,114	537,488
Transportation	448,901	442,713
Non-instructional programs	2,808	283
Other expenditures:		
Facilities acquisition	511,841	165,637
Long-term debt:		
Principal	435,537	415,511
Interest and other charges	49,262	64,249
AEA flowthrough	300,387	311,991
Total	\$ 9,172,872	9,023,757

See accompanying independent auditor's report.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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

To the Board of Education of
West Fork Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Fork Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2014. Our report expressed unqualified opinions on the financial statements except for the component unit, West Fork Booster Club, which was not audited.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control 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 described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

Compliance and Other Matters

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

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

West Fork Community School District's Responses to Findings

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

Purpose of this Report

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

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

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 4, 2014

West Fork Community School District
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes. We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-13 Preparation of Financial Statements – The District does not have an internal control system designed to provide for preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to West Fork Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

West Fork Community School District
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2013

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

West Fork Community School District
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2013

Part II: Other Findings Related To Required Statutory Reporting:

II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 did not exceed the amounts budgeted.

II-B-13 Questionable Expenditures – We noted during our testing of expenditures in the Special Revenue, Student Activity Fund, a donation to a family raised in a benefit. This does not appear to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

Recommendation – Expenditures in this “gray” area should be evaluated and determined through the criteria of “public purpose” and the Board should document the public purpose served including how the public benefits through the expenditure of public funds for the particular purpose. The District should consider adopting an official public purpose policy.

Response – This was a onetime occurrence but we will consider establishing a public purpose policy.

Conclusion – Response accepted. Documentation should be in the Board minutes and/or through established Board policy. The decision and documentation should be in place prior to spending the public funds.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mary Schlichting, Board Member, Owns Country Designs	Flowers	\$ 765

West Fork Community School District
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2013

Lacey Weier, Board Secretary,	Lawn care services	
Father owns Weier's Lawn Service		\$ 4,258
Jack Amble, Teacher	Services	
Owns Amble Home Inspections		\$ 340

The transaction with Board Member, Schlichting, does not appear to violate Chapter 279.7A as the transaction is less than \$2,500 in a fiscal year. In accordance with an Attorney General's opinion dated November 9, 1976, the transaction with the Board Secretary's father, does not appear to represent a conflict of interest. The transaction with employee, Amble does not violate Chapter 301.28.

- II-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-13 Board Minutes – No transactions requiring board approval that had not been approved by the Board were noted.
- II-G-13 Certified Enrollment – One variance in the basic enrollment data certified to the Department of Education was noted. The District did not count one student that was attending the District.

Recommendation – The District should develop procedures to ensure accurate counts are taken and accurate enrollment data is certified to the Iowa Department of Education.

Response – In the future, the school will review student counts to ensure all students attending the District are properly included in the enrollment data certified to the Iowa Department of Education.

Conclusion – Response accepted.

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

West Fork Community School District
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2013

II-I-13 Deposits and Investments –No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District’s investment policy were noted. However, one instance of non-compliance with Chapter 12C was noted. The District exceeded its approved maximum depository amount stated in its depository resolution.

Recommendation - The District should review for sufficiency the maximum amount to be deposited at its depositories and increase the amount if needed.

Response - We have reviewed and increased the maximum amount stated in the depository resolution.

Conclusion-Response accepted.

II-J-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

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

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

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

West Fork Community School District
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2013

Beginning balance		\$ 1,784,249	
Revenues/transfers in:			
Sales tax revenues	\$ 815,393		
Other local revenues	16,174		
Federal revenues	<u>4,775</u>	<u>836,342</u>	
			2,620,591
Expenditures/transfers out:			
School infrastructure construction	\$ 106,772		
Equipment	525,799		
Other	84,025		
Transfers to debt service fund	<u>280,082</u>	<u>996,678</u>	
Ending balance			\$ <u>1,623,913</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.

II-M-13 Deficit Balances – Five student activity accounts had deficit balances at June 30, 2013.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

II-N-13 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.