

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Southeast Warren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Paul Mead	President	2013
Larrie Williams	Vice President	2015
Ron Miller	Board Member	2013
Bruce Williams	Board Member	2015
Jennifer Mihalovich	Board Member	2015
School Officials		
Delane Galvin	Superintendent	2013
Julie Wilson	Board Secretary and Business Manager	2013
Ahlers & Cooney Law Firm	Attorney	2013

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Southeast Warren 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 Southeast Warren Community School District, Liberty Center, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Warren Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2014 on our consideration of Southeast Warren Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southeast Warren Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,708,346 in fiscal 2012 to \$5,566,289 in fiscal 2013, while General Fund expenditures increased from \$5,438,576 in fiscal 2012 to \$5,659,874 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,188,221 at June 30, 2012 to a balance of \$1,094,636 at June 30, 2013, a 7.88% decrease from the prior year.
- The decrease in General Fund revenues was primarily attributable to a decrease in federal source revenue in fiscal 2013. The increase in expenditures was due primarily to the increase in the instruction functional area.

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 Southeast Warren 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 Southeast Warren 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 Southeast Warren Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

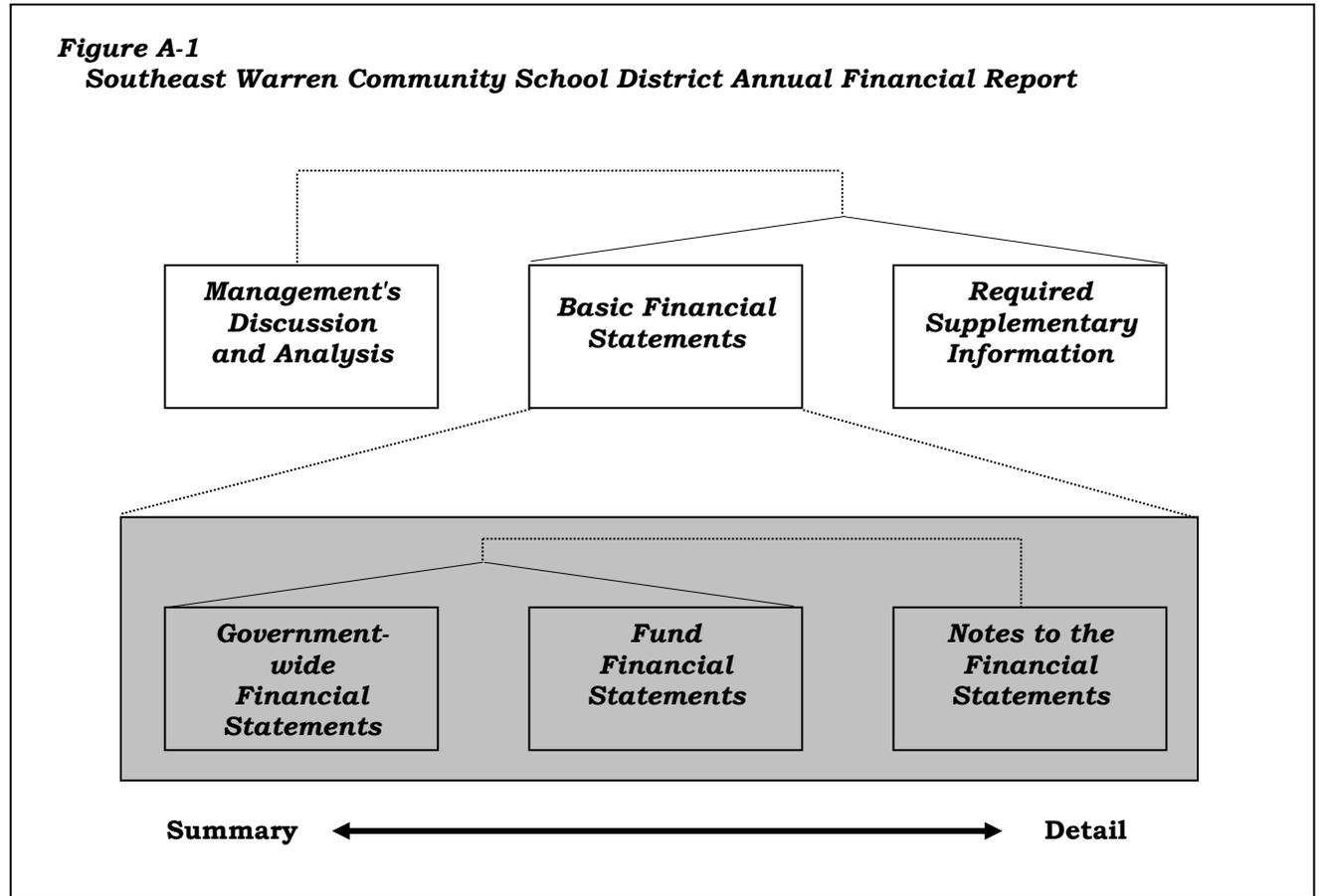


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the 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. This fund is the Agency Fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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 total net position at June 30, 2013 compared June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 5,543,005	5,543,947	211,730	112,621	5,754,735	5,656,568	1.74%
Capital assets	5,956,619	5,907,606	62,440	70,949	6,019,059	5,978,555	0.68%
Total assets	11,499,624	11,451,553	274,170	183,570	11,773,794	11,635,123	1.19%
Long-term obligations	3,076,734	3,356,527	4,179	3,251	3,080,913	3,359,778	-8.30%
Other liabilities	3,157,837	3,034,107	165,765	39,165	3,323,602	3,073,272	8.15%
Total liabilities	6,234,571	6,390,634	169,944	42,416	6,404,515	6,433,050	-0.44%
Net position:							
Invested in capital assets, net of related debt	3,011,619	2,642,606	62,440	70,949	3,074,059	2,713,555	13.29%
Restricted	1,398,854	1,460,073	-	-	1,398,854	1,460,073	-4.19%
Unrestricted	854,580	958,240	41,786	70,205	896,366	1,028,445	-12.84%
Total net position	\$ 5,265,053	5,060,919	104,226	141,154	5,369,279	5,202,073	3.21%

The District’s combined net position increased by 3.21% or \$167,206 compared to the prior year. The largest portion of the District’s net position is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District’s restricted net position decreased \$61,219 or 4.19% over the prior year. The decrease in restricted net position is attributable in part to the decrease in the Capital Projects Accounts fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$132,079 or 12.84%. The decrease in unrestricted net position is attributable to the decrease in fund balance for the General Fund.

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

	Figure A-4						
	Changes in Net Position						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
June 30,		June 30,		June 30,		June 30,	
2013		2012		2013		2012-13	
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 506,843	462,581	213,267	216,479	720,110	679,060	6.05%
Operating grants, contributions and restricted interest	368,081	429,033	120,094	118,585	488,175	547,618	-10.85%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	100.00%
General revenues:							
Property tax	2,183,265	2,201,497	-	-	2,183,265	2,201,497	-0.83%
Income surtax	200,200	187,243	-	-	200,200	187,243	6.92%
Statewide sales, services and use tax	457,663	415,983	-	-	457,663	415,983	10.02%
Unrestricted state grants	3,022,468	2,924,438	-	-	3,022,468	2,924,438	3.35%
Nonspecific program federal grants	-	118,101	-	-	-	118,101	-100.00%
Other	25,589	27,095	1,870	1,741	27,459	28,836	-4.78%
Total revenues	6,764,109	6,765,971	335,231	336,805	7,099,340	7,102,776	-0.05%
Program expenses:							
Governmental activities:							
Instruction	4,356,507	4,036,309	-	-	4,356,507	4,036,309	7.93%
Support services	1,711,343	1,660,962	9,806	16,858	1,721,149	1,677,820	2.58%
Non-instructional programs	6,411	5,526	362,353	341,754	368,764	347,280	6.19%
Other expenses	485,714	455,944	-	-	485,714	455,944	6.53%
Total expenses	6,559,975	6,158,741	372,159	358,612	6,932,134	6,517,353	6.36%
Change in net position	204,134	607,230	(36,928)	(21,807)	167,206	585,423	-71.44%
Net position beginning of year	5,060,919	4,453,689	141,154	162,961	5,202,073	4,616,650	12.68%
Net position end of year	\$ 5,265,053	5,060,919	104,226	141,154	5,369,279	5,202,073	3.21%

In fiscal 2013, local tax (property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 86.69% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.44% of the revenue from business type activities.

The District's total revenues were approximately \$7.10 million of which approximately \$6.76 million was for governmental activities and approximately \$0.34 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 0.05% in revenues and a 6.36% increase in expenses. The decrease in revenues can be attributable to the decrease in statewide sales, services and use tax and federal sources of revenues during fiscal 2013.

Governmental Activities

Revenues for governmental activities were \$6,764,109 and expenses were \$6,559,975.

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.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,356,507	4,036,309	7.93%	3,750,468	3,349,664	11.97%
Support services	1,711,343	1,660,962	3.03%	1,642,361	1,655,527	-0.80%
Non-instructional programs	6,411	5,526	16.02%	6,411	5,526	16.02%
Other expenses	485,714	455,944	6.53%	285,811	256,410	11.47%
Totals	\$ 6,559,975	6,158,741	6.51%	5,685,051	5,267,127	7.93%

- The cost financed by users of the District's programs was \$506,843.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$368,081.
- The net cost of governmental activities was financed with \$2,183,265 in property tax, \$200,200 in income surtax, \$457,663 in statewide sales, services and use tax, \$3,022,468 in unrestricted state grants, \$4,166 in interest income and \$21,423 of other general revenues.

Business type Activities

Revenues of the District's business type activities were \$335,231 and expenses were \$372,159. The District's business type activities include the School Nutrition Fund, the Day Care Fund and the Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,193,313, below last year's ending fund balance of \$2,324,339. This decrease was primarily the result of the District finishing work on the gym/wrestling room addition.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues decreased due to decreases in local tax and federal source revenues. The increase in expenses was due to increasing salary and benefit costs.
- The Capital Projects Accounts balance decreased from a balance of \$873,769 at the beginning of the fiscal year 2012 to \$753,803. The decrease in fund balance was a result of the District finishing work on the gym/wrestling room addition.
- The Debt Service Fund balance increased from a balance of \$33,020 at the beginning of the fiscal year 2012 to \$40,245. The increase in fund balance was a result of the transfers from the Capital Projects Fund.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$125,836 at June 30, 2012 to \$81,332 at June 30, 2013, representing a decrease of approximately 35.37%. The Day Care Fund net position increased from \$15,318 at June 30, 2012 to \$22,814 at June 30, 2013, representing an increase of 48.94%. The Student Construction Fund increased from \$0 at June 30, 2012 to \$80 at June 30, 2013, representing an increase of 100.00%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$30,823 less than budgeted revenues, a variance of 0.43%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$6.02 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 amount represents a net increase of 0.68% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$322,779.

The original cost of the District's capital assets was \$10,033,489. Governmental funds account for \$9,797,793 with the remainder of \$235,696 in the Proprietary, School Nutrition Fund and the Proprietary, Day Care Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,691,170 at June 30, 2012 compared to \$0 at June 30, 2013. This was a result of the District finishing work on a gym/wrestling room addition at the high school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 30,174	30,174	-	-	30,174	30,174	0.00%
Construction in progress	-	1,691,170	-	-	-	1,691,170	-100.00%
Buildings	5,231,433	3,584,712	-	-	5,231,433	3,584,712	45.94%
Land improvements	252,754	265,185	-	-	252,754	265,185	-4.69%
Machinery and equipment	442,258	336,365	62,440	70,949	504,698	407,314	23.91%
Total	\$ 5,956,619	5,907,606	62,440	70,949	6,019,059	5,978,555	0.68%

Long-Term Debt

At June 30, 2013, the District had \$3,080,913 in total long-term debt outstanding. This represents a decrease of 8.30% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,535,000 at June 30, 2013.

The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales Services and Use Tax Fund of \$1,410,000 at June 30, 2013.

The District had total outstanding early termination benefits payable from the Management Levy Fund of \$52,866 at June 30, 2013.

The District had total outstanding compensated absences, payable from the General Fund of \$13,047 at June 30, 2013.

The District had a net OPEB liability of \$65,821 in the governmental activities and \$4,179 in the business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General Obligation Bonds	\$ 1,535,000	1,790,000	-	-	1,535,000	1,790,000	-14.25%
Revenue Bonds	1,410,000	1,475,000	-	-	1,410,000	1,475,000	-4.41%
Termination Benefits	52,866	34,363	-	-	52,866	34,363	100.00%
Compensated Absences	13,047	7,802	-	-	13,047	7,802	67.23%
Net OPEB Liability	65,821	49,362	4,179	3,251	70,000	52,613	33.05%
Total	\$ 3,076,734	3,356,527	4,179	3,251	3,080,913	3,359,778	-8.30%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment fluctuations are negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- On July 1, 2013 the IPERS employer's contribution rate increased to 8.93%. This will increase the Southeast Warren Community School's employer benefit costs over the next year.
- The daycare and preschool programs that the District has are definite assets to drawing more students to the District and increasing revenues. Hopefully, this trend will continue to help maintain the health of the District.

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 Julie Wilson, District Business Manager, Southeast Warren Community School District, 16331 Tyler Street, Liberty Center, Iowa, 50145.

BASIC FINANCIAL STATEMENTS

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,597,477	80,317	2,677,794
Receivables:			
Property tax:			
Delinquent	38,978	-	38,978
Succeeding year	2,183,436	-	2,183,436
Income surtax	200,841	-	200,841
Accounts	16,103	322	16,425
Due from other funds	124,000	-	124,000
Due from other governments	382,170	438	382,608
Inventories	-	130,653	130,653
Capital assets, net of accumulated depreciation	5,956,619	62,440	6,019,059
Total assets	11,499,624	274,170	11,773,794
Liabilities			
Due to other funds	-	124,000	124,000
Accounts payable	378,472	3,838	382,310
Salaries and benefits payable	586,097	33,979	620,076
Interest payable	8,986	-	8,986
Deferred revenue:			
Succeeding year property tax	2,183,436	-	2,183,436
Other	846	-	846
Unearned revenue	-	3,948	3,948
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	265,000	-	265,000
Revenue bonds	70,000	-	70,000
Termination benefits	52,866	-	52,866
Compensated absences	13,047	-	13,047
Portion due after one year:			
General obligation bonds	1,270,000	-	1,270,000
Revenue bonds	1,340,000	-	1,340,000
Net OPEB liability	65,821	4,179	70,000
Total liabilities	6,234,571	169,944	6,404,515
Net Position			
Invested in capital assets, net of related debt	3,011,619	62,440	3,074,059
Restricted for:			
Categorical funding	362,029	-	362,029
School infrastructure	555,259	-	555,259
Physical plant and equipment	72,544	-	72,544
Debt service	157,259	-	157,259
Management levy purposes	196,925	-	196,925
Student activities	54,838	-	54,838
Unrestricted	854,580	41,786	896,366
Total net position	\$ 5,265,053	104,226	5,369,279

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,558,915	194,192	70,074	(2,294,649)	-	(2,294,649)
Special	940,897	81,951	27,470	(831,476)	-	(831,476)
Other	856,695	161,718	70,634	(624,343)	-	(624,343)
	<u>4,356,507</u>	<u>437,861</u>	<u>168,178</u>	<u>(3,750,468)</u>	<u>-</u>	<u>(3,750,468)</u>
Support services:						
Student	134,989	-	-	(134,989)	-	(134,989)
Instructional staff	149,840	-	-	(149,840)	-	(149,840)
Administration	527,177	67,650	-	(459,527)	-	(459,527)
Operation and maintenance of plant	530,653	-	-	(530,653)	-	(530,653)
Transportation	368,684	1,332	-	(367,352)	-	(367,352)
	<u>1,711,343</u>	<u>68,982</u>	<u>-</u>	<u>(1,642,361)</u>	<u>-</u>	<u>(1,642,361)</u>
Non-instructional programs:						
Food service operations	2,449	-	-	(2,449)	-	(2,449)
Other enterprise operations	3,962	-	-	(3,962)	-	(3,962)
	<u>6,411</u>	<u>-</u>	<u>-</u>	<u>(6,411)</u>	<u>-</u>	<u>(6,411)</u>
Long-term debt interest	117,404	-	-	(117,404)	-	(117,404)
Other expenses:						
AEA flowthrough	199,903	-	199,903	-	-	-
Depreciation(unallocated)*	168,407	-	-	(168,407)	-	(168,407)
	<u>368,310</u>	<u>-</u>	<u>199,903</u>	<u>(168,407)</u>	<u>-</u>	<u>(168,407)</u>
Total governmental activities	6,559,975	506,843	368,081	(5,685,051)	-	(5,685,051)
Business type activities:						
Support services:						
Administration	1,675	-	-	-	(1,675)	(1,675)
Operation and maintenance of plant	8,131	-	-	-	(8,131)	(8,131)
	<u>9,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,806)</u>	<u>(9,806)</u>
Non-instructional programs:						
Food service operations	292,741	137,080	115,257	-	(40,404)	(40,404)
Day care operations	69,612	76,187	4,837	-	11,412	11,412
	<u>362,353</u>	<u>213,267</u>	<u>120,094</u>	<u>-</u>	<u>(28,992)</u>	<u>(28,992)</u>
Total business type activities	372,159	213,267	120,094	-	(38,798)	(38,798)
Total	\$ 6,932,134	720,110	488,175	(5,685,051)	(38,798)	(5,723,849)
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,828,664	-	1,828,664
Capital outlay				42,474	-	42,474
Debt service				312,127	-	312,127
Income surtax				200,200	-	200,200
Statewide sales, services and use tax				457,663	-	457,663
Unrestricted state grants				3,022,468	-	3,022,468
Unrestricted investment earnings				4,166	115	4,281
Other				21,423	1,755	23,178
Total general revenues				<u>5,889,185</u>	<u>1,870</u>	<u>5,891,055</u>
Change in net position				204,134	(36,928)	167,206
Net position beginning of year				5,060,919	141,154	5,202,073
Net position end of year				<u>\$ 5,265,053</u>	<u>104,226</u>	<u>5,369,279</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,688,347	486,455	123,435	299,240	2,597,477
Receivables:					
Property tax:					
Delinquent	29,078	758	5,572	3,570	38,978
Succeeding year	1,687,063	43,954	319,419	133,000	2,183,436
Income surtax	200,841	-	-	-	200,841
Accounts	11,770	-	-	4,333	16,103
Due from other funds	124,000	-	5,278	-	129,278
Due from other governments	91,562	290,608	-	-	382,170
Total assets	\$ 3,832,661	821,775	453,704	440,143	5,548,283
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ -	5,278	-	-	5,278
Accounts payable	263,178	18,740	94,040	2,514	378,472
Salaries and benefits payable	586,097	-	-	-	586,097
Deferred revenue:					
Succeeding year property tax	1,687,063	43,954	319,419	133,000	2,183,436
Income surtax	200,841	-	-	-	200,841
Other	846	-	-	-	846
Total liabilities	2,738,025	67,972	413,459	135,514	3,354,970
Fund balances:					
Restricted for:					
Categorical funding	362,029	-	-	-	362,029
School infrastructure	-	555,259	-	-	555,259
Physical plant and equipment	-	72,544	-	-	72,544
Debt service	-	126,000	40,245	-	166,245
Management levy purposes	-	-	-	249,791	249,791
Student activities	-	-	-	54,838	54,838
Unassigned	732,607	-	-	-	732,607
Total fund balances	1,094,636	753,803	40,245	304,629	2,193,313
Total liabilities and fund balances	\$ 3,832,661	821,775	453,704	440,143	5,548,283

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 2,193,313
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,956,619
Accrued interest payable in the long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(8,986)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	200,841
Long-term liabilities, including bonds payable, termination benefits payable, other postemployment benefits payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,076,734)</u>
Net position of governmental activities(page 18)	<u><u>\$ 5,265,053</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,823,942	237,293	312,127	199,950	2,573,312
Tuition	246,995	-	-	-	246,995
Other	121,788	21	2,512	177,821	302,142
State sources	3,232,608	262,873	214	137	3,495,832
Federal sources	140,856	-	-	-	140,856
TOTAL REVENUES	5,566,189	500,187	314,853	377,908	6,759,137
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,427,246	1,400	-	7,664	2,436,310
Special	937,839	-	-	-	937,839
Other	647,034	-	-	190,770	837,804
	4,012,119	1,400	-	198,434	4,211,953
Support services:					
Student	135,055	-	-	-	135,055
Instructional staff	135,611	29,449	-	-	165,060
Administration	507,774	-	2,000	45,069	554,843
Operation and maintenance of plant	425,511	18,903	-	33,399	477,813
Transportation	243,901	183,764	-	19,295	446,960
	1,447,852	232,116	2,000	97,763	1,779,731
Non-instructional programs:					
Food service operations	-	-	-	3,962	3,962
Other enterprise operations	-	-	-	2,449	2,449
	-	-	-	6,411	6,411
Capital outlay	-	253,479	-	-	253,479
Long-term debt:					
Principal	-	-	320,000	-	320,000
Interest and fiscal charges	-	-	118,786	-	118,786
	-	-	438,786	-	438,786
Other expenditures:					
AEA flowthrough	199,903	-	-	-	199,903
TOTAL EXPENDITURES	5,659,874	486,995	440,786	302,608	6,890,263
Excess(Deficiency) of revenues over(under) expenditures	(93,685)	13,192	(125,933)	75,300	(131,126)
Other financing sources(uses):					
Sale of equipment	100	-	-	-	100
Transfer in	-	-	133,158	-	133,158
Transfer out	-	(133,158)	-	-	(133,158)
Total other financing sources(uses)	100	(133,158)	133,158	-	100
Change in fund balances	(93,585)	(119,966)	7,225	75,300	(131,026)
Fund balance beginning of year	1,188,221	873,769	33,020	229,329	2,324,339
Fund balance end of year	\$ 1,094,636	753,803	40,245	304,629	2,193,313

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ (131,026)

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

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

Capital outlays	\$ 361,287	
Depreciation expense	<u>(312,274)</u>	49,013

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. 320,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,382

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 4,972

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Termination benefits	(18,503)	
Compensated absences	(5,245)	
Other postemployment benefits	<u>(16,459)</u>	<u>(40,207)</u>

Change in net position of governmental activities(page 19) \$ 204,134

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Student Construction	Total
Assets				
Cash and pooled investments	\$ 49,655	26,688	3,974	80,317
Accounts receivable	322	-	-	322
Due from other governments	-	438	-	438
Inventories	7,824	-	122,829	130,653
Capital assets, net of accumulated depreciation	61,079	1,361	-	62,440
Total assets	118,880	28,487	126,803	274,170
Liabilities				
Due to other funds	-	-	124,000	124,000
Accounts payable	770	345	2,723	3,838
Salaries and benefits payable	28,651	5,328	-	33,979
Unearned revenues	3,948	-	-	3,948
Net OPEB liability	4,179	-	-	4,179
Total liabilities	37,548	5,673	126,723	169,944
Net Position				
Invested in capital assets	61,079	1,361	-	62,440
Unrestricted	20,253	21,453	80	41,786
Total net position	\$ 81,332	22,814	80	104,226

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Student Construction	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 137,080	76,187	-	213,267
Miscellaneous	1,755	-	-	1,755
TOTAL OPERATING REVENUES	<u>138,835</u>	<u>76,187</u>	<u>-</u>	<u>215,022</u>
OPERATING EXPENSES:				
Support services:				
Administration:				
Services	45	-	-	45
Supplies	24	-	-	24
Other	1,606	-	-	1,606
	<u>1,675</u>	<u>-</u>	<u>-</u>	<u>1,675</u>
Operation and maintenance of plant:				
Services	4,182	1,110	-	5,292
Supplies	-	2,839	-	2,839
	<u>4,182</u>	<u>3,949</u>	<u>-</u>	<u>8,131</u>
Total support services	<u>5,857</u>	<u>3,949</u>	<u>-</u>	<u>9,806</u>
Non-instructional programs:				
Food service operations:				
Salaries	88,513	-	-	88,513
Benefits	35,256	-	-	35,256
Services	967	-	-	967
Supplies	157,622	-	-	157,622
Other	200	-	-	200
Depreciation	10,183	-	-	10,183
	<u>292,741</u>	<u>-</u>	<u>-</u>	<u>292,741</u>
Other enterprise operations:				
Salaries	-	51,287	-	51,287
Benefits	-	7,913	-	7,913
Supplies	-	10,090	-	10,090
Depreciation	-	322	-	322
	<u>-</u>	<u>69,612</u>	<u>-</u>	<u>69,612</u>
Total non-instructional programs	<u>292,741</u>	<u>69,612</u>	<u>-</u>	<u>362,353</u>
TOTAL OPERATING EXPENSES	<u>298,598</u>	<u>73,561</u>	<u>-</u>	<u>372,159</u>
OPERATING INCOME (LOSS)	<u>(159,763)</u>	<u>2,626</u>	<u>-</u>	<u>(157,137)</u>
NON-OPERATING REVENUES:				
State sources	2,263	-	-	2,263
Federal sources	112,994	4,837	-	117,831
Interest income	2	33	80	115
TOTAL NON-OPERATING REVENUES	<u>115,259</u>	<u>4,870</u>	<u>80</u>	<u>120,209</u>
Change in net position	(44,504)	7,496	80	(36,928)
Net position beginning of year	<u>125,836</u>	<u>15,318</u>	<u>-</u>	<u>141,154</u>
Net position end of year	<u>\$ 81,332</u>	<u>22,814</u>	<u>80</u>	<u>104,226</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Student Construction	Total
Cash flows from operating activities:				
Cash received from operating activities*	\$ 138,317	76,187	-	214,504
Cash received from miscellaneous operating activities	1,755	-	-	1,755
Cash payments to employees for services	(120,778)	(59,667)	-	(180,445)
Cash payments to suppliers for goods or services	(146,625)	(17,566)	(120,106)	(284,297)
Net cash used by operating activities	(127,331)	(1,046)	(120,106)	(248,483)
Cash flows from non-capital financing activities:				
Borrowings from General Fund	-	-	124,000	124,000
State grants received	2,263	-	-	2,263
Federal grants received	104,765	4,898	-	109,663
Net cash provided by non-capital financing activities	107,028	4,898	124,000	235,926
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,996)	-	-	(1,996)
Cash flows from investing activities:				
Interest on investments	2	33	80	115
Net increase(decrease) in cash and cash equivalents	(22,297)	3,885	3,974	(14,438)
Cash and cash equivalents at beginning of year	71,952	22,803	-	94,755
Cash and cash equivalents at end of year	\$ 49,655	26,688	3,974	80,317
Reconciliation of operating income(loss) to net cash used by operating activities:				
Operating income(loss)	\$ (159,763)	2,626	-	(157,137)
Adjustments to reconcile operating income(loss) to net cash used by operating activities:				
Commodities used	18,044	-	-	18,044
Depreciation	10,183	322	-	10,505
Increase in inventories	(658)	-	(122,829)	(123,487)
Decrease in accounts receivable	64	-	-	64
Increase(Decrease) in accounts payable	635	(3,527)	2,723	(169)
Increase(Decrease) in salaries and benefits payable	1,727	(131)	-	1,596
Increase in unearned revenue	1,173	-	-	1,173
Increase(Decrease) in other postemployment benefits	1,264	(336)	-	928
Net cash used by operating activities	\$ (127,331)	(1,046)	(120,106)	(248,483)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

* Cash received from operating activities is comprised of cash received from the sale of lunches and breakfasts in the School Nutrition Fund and fees charged by the District to users of the District provided daycare program.

During the year ended June 30, 2013, the District received Federal commodities valued at \$18,044.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 4,549
Accounts receivable	3,908
Total assets	<u>\$ 8,457</u>
Liabilities	
Accounts payable	\$ 4,762
Due to other groups	3,695
Total liabilities	<u>\$ 8,457</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The Southeast Warren Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Warren and Lucas 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, Southeast Warren 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 Southeast Warren Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Warren and Lucas Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is used 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 District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, the Day Care Fund and the Student Construction Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for childcare services provided by the District to employees and other families in the community. The Student Construction Fund is used to account for the costs associated with the building trades class projects.

The District reports the following fiduciary fund:

The District's fiduciary fund is the Agency Fund. The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

Due to Other Governments - Due to other governments represents amounts due to the State of Iowa, local educational agencies, and other governments.

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

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

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

At June 30, 2013 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,078,123 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 133,158</u>

A transfer of \$10,078 was needed from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund for general obligation bond debt relief in accordance with the revenue purpose statement for Lucas County. The remaining transfer of \$123,080 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

(4) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects: Statewide Sales Services and Use Tax	\$ 5,278
General	Student Construction	<u>124,000</u>
		<u>\$ 129,278</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the Debt Service Fund for Lucas County sales, services and use tax for the months of July and August that is intended for general obligation bond debt relief according to the revenue purpose statement.

The Student Construction Fund is repaying the General Fund for cash borrowed to fund the construction of the project house by students of the buildings and trades class.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,174	-	-	30,174
Construction in progress	1,691,170	105,730	1,796,900	-
Total capital assets not being depreciated	<u>1,721,344</u>	<u>105,730</u>	<u>1,796,900</u>	<u>30,174</u>
Capital assets being depreciated:				
Buildings	5,797,156	1,796,900	-	7,594,056
Improvements other than buildings	376,945	5,797	-	382,742
Machinery and equipment	1,541,061	249,760	-	1,790,821
Total capital assets being depreciated	<u>7,715,162</u>	<u>2,052,457</u>	<u>-</u>	<u>9,767,619</u>
Less accumulated depreciation for:				
Buildings	2,212,444	150,179	-	2,362,623
Improvements other than buildings	111,760	18,228	-	129,988
Machinery and equipment	1,204,696	143,867	-	1,348,563
Total accumulated depreciation	<u>3,528,900</u>	<u>312,274</u>	<u>-</u>	<u>3,841,174</u>
Total capital assets being depreciated, net	<u>4,186,262</u>	<u>1,740,183</u>	<u>-</u>	<u>5,926,445</u>
Governmental activities capital assets, net	<u>\$ 5,907,606</u>	<u>1,845,913</u>	<u>1,796,900</u>	<u>5,956,619</u>
Business type activities:				
Machinery and equipment	\$ 233,700	1,996	-	235,696
Less accumulated depreciation	162,751	10,505	-	173,256
Business type activities capital assets, net	<u>\$ 70,949</u>	<u>(8,509)</u>	<u>-</u>	<u>62,440</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,995
Other	17,178
Support services:	
Instructional staff	4,787
Administration	940
Operation and maintenance of plant	22,084
Transportation	95,883
	<u>143,867</u>
Unallocated depreciation	<u>168,407</u>
Total governmental activities depreciation expense	<u>\$ 312,274</u>
Business type activities:	
Food services	\$ 10,183
Day care	322
Total business type activities depreciation expense	<u>\$ 10,505</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 1,790,000	-	255,000	1,535,000	265,000
Revenue Bonds	1,475,000	-	65,000	1,410,000	70,000
Termination Benefits	34,363	52,866	34,363	52,866	52,866
Compensated Absences	7,802	13,047	7,802	13,047	13,047
Net OPEB Liability	49,362	16,459	-	65,821	-
Total	\$ 3,356,527	82,372	362,165	3,076,734	400,913
Business type Activities:					
Net OPEB liability	\$ 3,251	928	-	4,179	-

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 27, 2009				
	Interest Rates	Principal	Interest	Total	
2014	3.25	% \$ 265,000	53,919	318,919	
2015	3.25	275,000	45,306	320,306	
2016	3.38	280,000	36,025	316,025	
2017	3.50	295,000	26,225	321,225	
2018	3.70	300,000	15,900	315,900	
2019	4.00	120,000	4,800	124,800	
Total		\$ 1,535,000	182,175	1,717,175	

Revenue Bonds

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

Year Ending June 30,	Bond Issue of April 1, 2011				
	Interest Rates	Principal	Interest	Total	
2014	2.25	% \$ 70,000	55,280	125,280	
2015	2.25	70,000	53,705	123,705	
2016	2.75	70,000	52,130	122,130	
2017	3.00	75,000	50,205	125,205	
2018	3.00	75,000	47,955	122,955	
2019-2023	3.00-4.00	420,000	199,925	619,925	
2024-2028	4.00-5.00	510,000	105,275	615,275	
2029	5.00	120,000	6,000	126,000	
Total		\$ 1,410,000	570,475	1,980,475	

The District has pledged future statewide sales, services and use tax revenues to repay \$1,500,000 of bonds issued in April 2011. The bonds were issued for the purpose of financing future school infrastructure projects in the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt

limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 27 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,980,475. For the current year, \$65,000 in principal and \$56,580 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$457,663.

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

- a) \$126,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits(Early Retirement)

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to fifty percent of the employee's base salary. Payment will be made in one lump sum in September. Early retirement benefits paid during the year ended June 30, 2013 totaled \$34,363.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$286,924, \$258,010, and \$213,913, respectively, equal to the required contributions for each year.

(8) **Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 91 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield and dental benefits are provided by Delta Dental. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's 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	\$ 61,000
Interest on net OPEB obligation	2,367
Adjustment to annual required contribution	(1,980)
Annual OPEB cost	<u>61,387</u>
Contributions made	<u>(44,000)</u>
Increase in net OPEB obligation	17,387
Net OPEB obligation beginning of year	<u>52,613</u>
Net OPEB obligation end of year	<u>\$ 70,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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 \$44,000 to the medical plan. Plan members eligible for benefits contributed \$47,000, or 51.65% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 48,218	63.63%	\$ 35,318
2012	47,976	63.95%	52,613
2013	61,387	71.68%	70,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$555,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$555,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,386,465, and the ratio of the UAAL to covered payroll was 16.39%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the Alternative Measurement Method, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.50% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical and dental plan for retirees under age 65 are illustrated per month in the following

table.

	100	200	500	750	1,000
\$	978	\$ 950	\$ 893	\$ 839	\$ 796

The salary increase rate was assumed to be 3.50% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$199,903 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

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

Programs	Amount
Home school assistance	\$ 1,800
Professional development	4,257
Talented and gifted	36,829
Professional development for model core curriculum	31,980
Teacher salary supplement	13,074
Four-year-old preschool	135,117
Early intervention	43,465
Weighted at-risk programs	62,133
Returning dropouts and dropout prevention programs	33,374
Total	<u>\$ 362,029</u>

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES,
 EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,122,449	215,137	3,337,586	3,343,334	3,343,334	(5,748)
State sources	3,495,832	2,263	3,498,095	3,518,757	3,518,757	(20,662)
Federal sources	140,856	117,831	258,687	263,100	263,100	(4,413)
Total revenues	6,759,137	335,231	7,094,368	7,125,191	7,125,191	(30,823)
Expenditures/Expenses:						
Instruction	4,211,953	-	4,211,953	4,950,795	4,950,795	738,842
Support services	1,779,731	9,806	1,789,537	2,236,042	2,236,042	446,505
Non-instructional programs	6,411	362,353	368,764	523,015	523,015	154,251
Other expenditures	892,168	-	892,168	1,383,670	1,383,670	491,502
Total expenditures/expenses	6,890,263	372,159	7,262,422	9,093,522	9,093,522	1,831,100
Excess(Deficiency) of revenues over(under) expenditures/expenses	(131,126)	(36,928)	(168,054)	(1,968,331)	(1,968,331)	1,800,277
Other financing sources, net	100	-	100	1,500	1,500	(1,400)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(131,026)	(36,928)	(167,954)	(1,966,831)	(1,966,831)	1,798,877
Balance beginning of year	2,324,339	141,154	2,465,493	2,048,566	2,048,566	416,927
Balance end of year	\$ 2,193,313	104,226	2,297,539	81,735	81,735	2,215,804

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 430,673	\$ 430,673	0.00%	\$ 2,933,775	14.68%
2011	July 1, 2009	-	430,673	430,673	0.00%	2,952,877	14.58%
2012	July 1, 2009	-	430,673	430,673	0.00%	3,197,155	13.47%
2013	July 1, 2012	-	555,000	555,000	0.00%	3,386,465	16.39%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 246,221	53,019	299,240
Receivables:			
Property tax:			
Delinquent	3,570	-	3,570
Succeeding year	133,000	-	133,000
Accounts	-	4,333	4,333
Total assets	\$ 382,791	57,352	440,143
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	2,514	2,514
Deferred revenue:			
Succeeding year property tax	133,000	-	133,000
Total liabilities	133,000	2,514	135,514
Fund balances:			
Restricted for:			
Management levy purposes	249,791	-	249,791
Student activities	-	54,838	54,838
Total fund balances	249,791	54,838	304,629
Total liabilities and fund balances	\$ 382,791	57,352	440,143

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 199,950	-	199,950
Other	2,705	175,116	177,821
State sources	137	-	137
TOTAL REVENUES	<u>202,792</u>	<u>175,116</u>	<u>377,908</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	7,664	-	7,664
Other	-	190,770	190,770
Support services:			
Administration	45,069	-	45,069
Operation and maintenance of plant	32,310	1,089	33,399
Transportation	19,295	-	19,295
Non-instructional programs:			
Food service operations	3,962	-	3,962
Other enterprise operations	2,449	-	2,449
TOTAL EXPENDITURES	<u>110,749</u>	<u>191,859</u>	<u>302,608</u>
Change in fund balances	92,043	(16,743)	75,300
Fund balance beginning of year	<u>157,748</u>	<u>71,581</u>	<u>229,329</u>
Fund balance end of year	<u>\$ 249,791</u>	<u>54,838</u>	<u>304,629</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 411,252	75,203	486,455
Receivables:			
Property tax:			
Delinquent	-	758	758
Succeeding year	-	43,954	43,954
Due from other governments	290,608	-	290,608
Total assets	\$ 701,860	119,915	821,775
Liabilities and fund balances			
Liabilities:			
Due to other funds	\$ 5,278	-	5,278
Accounts payable	15,323	3,417	18,740
Deferred revenue			
Succeeding year property tax	-	43,954	43,954
Total liabilities	20,601	47,371	67,972
Fund balances:			
Restricted for:			
School infrastructure	555,259	-	555,259
Debt service	126,000	-	126,000
Physical plant and equipment	-	72,544	72,544
Total fund balances	681,259	72,544	753,803
Total liabilities and fund balances	\$ 701,860	119,915	821,775

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 194,819	42,474	237,293
Other	16	5	21
State sources	262,844	29	262,873
TOTAL REVENUES	457,679	42,508	500,187
EXPENDITURES:			
Current:			
Instruction:			
Regular	1,400	-	1,400
Support services:			
Instructional staff	29,449	-	29,449
Operation and maintenance of plant	10,568	8,335	18,903
Transportation	171,784	11,980	183,764
Capital outlay	180,154	73,325	253,479
TOTAL EXPENDITURES	393,355	93,640	486,995
Excess(Deficiency) of revenues over(under) expenditures	64,324	(51,132)	13,192
Other financing uses:			
Transfer out	(133,158)	-	(133,158)
Change in fund balances	(68,834)	(51,132)	(119,966)
Fund balances beginning of year	750,093	123,676	873,769
Fund balances end of year	\$ 681,259	72,544	753,803

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JR High Sports Fundraiser	\$ 1,145	2,204	1,407	1,942
Drama	1,679	1,696	2,227	1,148
Speech	-	1,445	1,445	-
Vocal Music	-	564	562	2
Vocal Trip	1,364	14,282	14,811	835
Instrumental Music	-	788	788	-
Band Trip-HS	52	1,135	809	378
Band Trip-JH	3	857	728	132
Colorguard	73	-	-	73
Cheerleaders	608	-	608	-
JH Cheerleading	583	-	-	583
Dance Team	10,826	22,919	28,966	4,779
JR High Dance	504	433	58	879
Athletic Gates	330	22,979	23,309	-
Tournaments	1,054	173	714	513
Uniforms	2,774	5,133	1,970	5,937
Basketball-Boys	3,459	1,498	1,869	3,088
Basketball-Girls	2,131	528	2,179	480
Volleyball	-	2,312	2,312	-
Weightlifting	1,201	-	-	1,201
Track	30	3,680	3,603	107
Cross Country	-	2,122	621	1,501
Golf	147	-	49	98
Football	5,250	9,110	10,997	3,363
Baseball	-	3,791	3,791	-
Wrestling	3,164	4,417	5,741	1,840
Wrestling Mat	3,835	5,893	9,728	-
Softball	1,467	3,047	4,514	-
Class of 2011	1,140	-	-	1,140
Class of 2012	414	1,000	-	1,414
Class of 2012 Trip	279	-	279	-
Class of 2013	368	680	401	647
Class of 2014	262	4,163	4,106	319
Class of 2015	1	-	-	1
Class of 2016	-	4,708	2,105	2,603
Class of 2018	-	214	174	40
Academic Bowl	15	-	15	-
Science Club	100	-	-	100
FBLA	17	4,581	4,240	358
FFA	14,871	17,237	26,863	5,245
FFA Trap	479	2,622	3,001	100
FCCLA	57	4,377	4,335	99
Nat. Honor Society	-	333	256	77
Spanish Club	85	-	-	85
Yearbook	-	5,122	5,122	-
SH Student Council	-	1,201	594	607
Angel Treet	997	870	455	1,412
JH Student Council	54	-	-	54
ELP Trips	804	-	-	804
JR-SR High Activities	-	3,116	1,896	1,220
High School Fundraiser	6,012	9,051	10,358	4,705
Rock Stars	513	372	348	537
Elem Yearbook	2,167	1,558	1,609	2,116
Primary Center	755	-	-	755
Intermed. Center	510	666	54	1,122
Intermed. Band	2	2,041	1,644	399
Utility	-	9	9	-
Interest Income	-	189	189	-
Total	\$ 71,581	175,116	191,859	54,838

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 4,409	52,135	51,995	4,549
Accounts receivable	759	3,908	759	3,908
Total assets	\$ 5,168	56,043	52,754	8,457
Liabilities				
Accounts payable	\$ 2,511	4,762	2,511	4,762
Due to other groups	2,657	51,281	50,243	3,695
Total liabilities	\$ 5,168	56,043	52,754	8,457

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,573,312	2,818,392	2,777,759	2,580,083	2,405,131	2,254,898	2,292,590	2,216,414	2,184,579	1,935,298
Tuition	246,995	182,272	189,092	240,287	212,240	179,254	188,992	196,436	192,380	150,073
Other	302,142	316,224	221,961	270,382	335,985	265,637	313,790	296,544	232,777	246,347
Intermediate sources	-	-	-	-	-	2,833	3,406	-	-	-
State sources	3,495,832	3,207,963	3,196,556	2,758,557	3,319,237	3,270,365	2,983,104	2,814,914	2,724,681	2,605,662
Federal sources	140,856	254,789	256,143	498,933	135,322	140,719	129,633	163,051	163,066	180,250
Total	<u>\$ 6,759,137</u>	<u>6,779,640</u>	<u>6,641,511</u>	<u>6,348,242</u>	<u>6,407,915</u>	<u>6,113,706</u>	<u>5,911,515</u>	<u>5,687,359</u>	<u>5,497,483</u>	<u>5,117,630</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,436,310	2,306,815	2,290,466	2,192,182	2,241,793	2,295,864	2,063,809	1,914,385	1,824,019	1,896,490
Special	937,839	912,690	865,689	898,350	938,870	906,039	953,522	900,548	811,582	751,279
Other	837,804	792,329	812,953	691,771	577,490	592,087	548,885	578,639	523,212	442,153
Support services:										
Student	135,055	112,036	109,422	165,429	141,964	167,076	146,860	149,252	146,397	89,499
Instructional staff	165,060	109,535	119,983	136,850	195,754	191,217	211,074	166,824	169,643	143,206
Administration	554,843	555,394	518,382	513,316	521,191	519,584	507,387	509,590	461,651	441,472
Operation and maintenance of plant	477,813	425,290	477,478	411,757	435,655	446,675	442,698	458,116	404,320	403,734
Transportation	446,960	289,281	352,040	395,598	371,303	421,353	261,682	289,579	191,592	214,966
Non-instructional programs:										
Food service operations	3,962	3,254	3,159	3,013	-	-	-	-	-	-
Other enterprise operations	2,449	2,272	2,621	4,700	-	-	-	-	-	-
Capital outlay	253,479	1,444,654	425,386	94,249	127,396	371,858	93,361	85,882	184,592	6,069
Long-term debt:										
Principal	320,000	270,000	240,000	240,000	195,000	190,000	180,000	213,705	160,000	155,000
Interest and fiscal charges	118,786	143,519	77,969	79,574	133,868	134,115	143,115	158,693	159,615	167,265
Other expenditures:										
AEA flow-through	199,903	199,534	222,470	218,424	202,817	195,233	184,399	171,073	167,064	165,576
Total	<u>\$ 6,890,263</u>	<u>7,566,603</u>	<u>6,518,018</u>	<u>6,045,213</u>	<u>6,083,101</u>	<u>6,431,101</u>	<u>5,736,792</u>	<u>5,596,286</u>	<u>5,203,687</u>	<u>4,876,709</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the Southeast Warren Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southeast Warren Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Southeast Warren Community School District's Responses to Findings

Southeast Warren Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Southeast Warren 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 Southeast Warren Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2014
Newton, Iowa

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will continue to review our procedures and implement additional controls when possible.

Conclusion - Response accepted.

I-B-13 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - In the future non-certified staff coaches will be required to complete time sheets.

Conclusion - Response accepted.

OTHER MATTERS:

I-C-13 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - In the future the State of Iowa price guide will be used to calculate all values at the end of the year.

Conclusion - Response accepted.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceed the amount budgeted.

II-B-13 Questionable Disbursements - We noted during our audit that the District purchased iTunes gift cards for teachers to purchase computer applications for District owned IPADS. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gift cards. The District should review purchasing procedures it has in place with employees and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - The District will refrain from purchasing gift cards. Employees are required to submit itemized receipts for all purchases.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Tina Schneider, Teacher Spouse performed concrete work	Services	\$5,797
Julene Ripperger, Bus Driver/Custodian Spouse performed snow removal services	Services	\$3,700

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses of employees do not appear to represent a conflict of interest.

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

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

- II-H-13 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 750,093
Revenues:		
Sales tax revenues	\$ 194,819	
Other local revenues	16	
State revenues	<u>262,844</u>	<u>457,679</u>
		1,207,772
Expenditures/transfers out:		
School infrastructure construction	\$ 180,154	
Other	213,201	
Transfers to other funds:		
Debt service fund	<u>133,158</u>	<u>526,513</u>
Ending balance		<u><u>\$ 681,259</u></u>

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

	<u>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Debt service levy	<u>\$ 0.07828</u>	<u>\$ 10,078</u>

- II-M-13 Checks Outstanding - We noted during our audit that the District had checks outstanding for over a year included in the bank reconciliations of the Nutrition Fund.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will monitor outstanding checks closely to ensure there are no checks outstanding for over a year.

Conclusion - Response accepted.

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

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - In the future all contracts will be signed by the Board President.

Conclusion - Response accepted.

II-O-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Graduated Class Accounts: We noted during our audit that the Student Activity Fund has a 2011 and 2012 class accounts.

Recommendation - Upon graduation, the remaining balance in the graduated class accounts should be redistributed to other individual activity fund accounts with board approval, used as startup funds for the next incoming class or used for purposes outlined by class officers before graduating, provided the expenditures meet District compliance.

Response - The District will monitor graduating class accounts to ensure that remaining balances are redistributed to other activity fund accounts with board approval, used as startup funds for the next incoming class or used for purposes outlined by class officers before graduating.

Conclusion - Response accepted.

Box Tops: We noted during our audit Box Top donations are receipted in the Intermediate Center account in the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers, or playground equipment. Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

Response - The District will deposit Box Top donations in the General Fund.

Conclusion - Response accepted.

II-P-13 Field Trip Fees - We noted during our audit that the District charged students fees to go on a field trip that was counted as part of the 180 days instruction for students. According to the August 14th, 2008 Iowa Department of Education Declaratory Order, "Costs associated with field trips may not be passed along to students if the field trip is part of a class, whether or not attendance is mandatory. When a field trip is part of a class, the activity is part of the instruction, therefore falls under tuition, not an allowable fee. Therefore, there may be no charge passed along to students for any activity that is even more clearly a part of a class activity, such as attending a play for 10th grade English."

Recommendation - The District should evaluate what is allowable when it comes to planning field trips. Issues concerning the nature of the trip and required attendance should be considered when determining if fees may be charged. The District could use fundraising to subsidize such school field trips in the future.

Response - The District will refrain from charging students to attend field trips being counted in the 180 days of instruction; field trip expenses will be paid from donation money or fundraisers.

Conclusion - Response accepted.