

**WEST CENTRAL VALLEY
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

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Introductory Section

Board of Education and School District Officials

As of June 30, 2013

Name	Title	Term Expires
Board of Education		
Harry Light	President	2015
Jenyse Belden	Vice President	2013
Marty Doud	Board Member	2013
Mick Askren	Board Member	2013
Daniel Wilson	Board Member	2015
Dianne Harwood	Board Member	2015
Nyle Godwin	Board Member	2013
Officials		
Dr. David Arnold	Superintendent	Indefinite
Symantha Crawford	District Secretary/Treasurer	Indefinite

Financial Section

Independent Auditor's Report

Board of Education
West Central Valley Community School District
Stuart, Iowa

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 through 14 and 41 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Central Valley Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information on pages 43 through 49, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 a report dated January 2, 2014 on our consideration of West Central Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



HOGAN - HANSEN

Mason City, Iowa
January 2, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Central Valley 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.

FINANCIAL HIGHLIGHTS

- General Fund revenue decreased from \$9,669,522 in fiscal 2012 to \$9,299,416 in fiscal 2013, and General Fund expenditures decreased from \$9,273,853 in fiscal 2012 to \$9,127,008 in fiscal 2013. This resulted in an increase in the General Fund balance from \$2,411,823 in fiscal 2012 to \$2,584,231 in fiscal 2013, a 6.7% increase.
- The decrease in General Fund revenue was attributable to a decrease in property tax and federal funding revenue in fiscal 2013. The decrease in expenditures was due primarily to instructional expenses in the District.

USING THIS ANNUAL REPORT

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

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

The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of West Central Valley Community School District as a whole and present an overall view of the District's finances.

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

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 and a schedule of funding progress for the retiree health plan.

Supplementary information provides detailed information about the nonmajor governmental funds. In addition, the schedule of expenditures of federal awards provides details of various programs benefiting the District.

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

FIGURE A-1

**WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

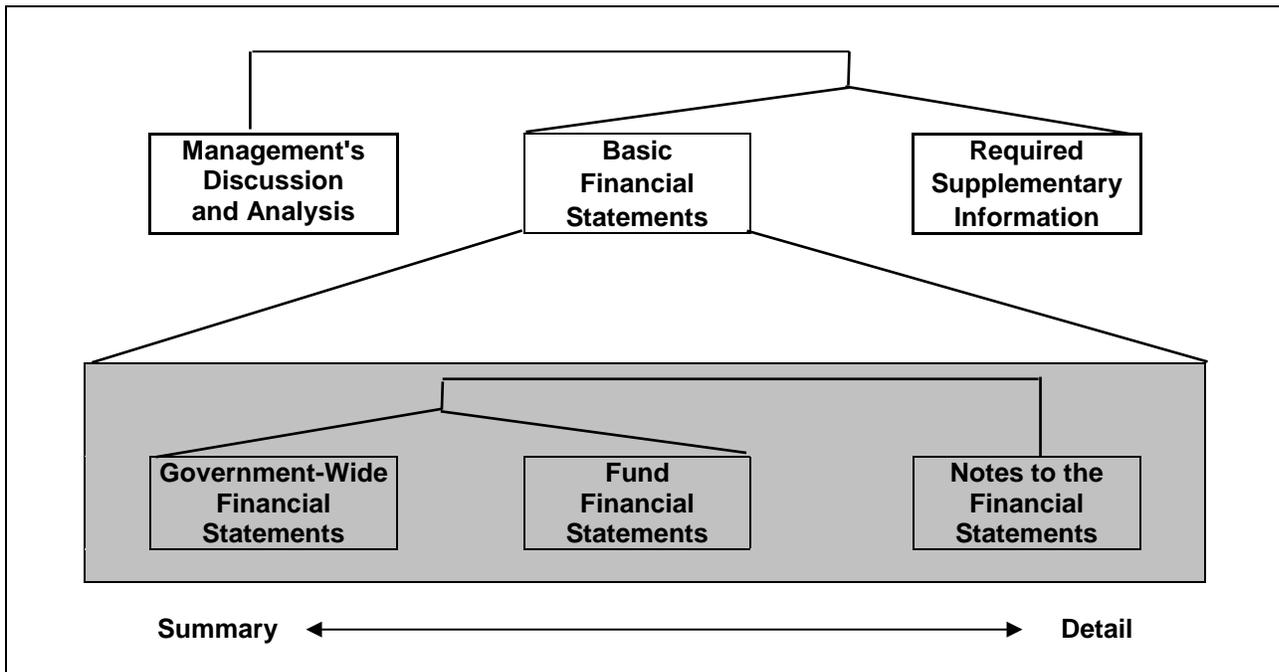


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

FIGURE A-2				
MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	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 revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in 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, 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 revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue 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 and how they have changed. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional nonfinancial 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 School Nutrition Fund 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 or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to demonstrate it is properly using certain revenue, such as federal grants.

The District has three types of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end 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, the Capital Projects Fund and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- *Proprietary Funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund, and has one internal service fund used to account for the District's health plan.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

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

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**FIGURE A-3
CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total School District June 30,		Percentage Change 2012-2013
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 15,479,134	\$ 11,617,833	\$ 44,453	\$ 23,681	\$ 15,523,587	\$ 11,641,514	33.3
Capital assets	<u>22,525,319</u>	<u>18,232,457</u>	<u>41,112</u>	<u>48,638</u>	<u>22,566,431</u>	<u>18,281,095</u>	<u>23.4</u>
Total Assets	<u>38,004,453</u>	<u>29,850,290</u>	<u>85,565</u>	<u>72,319</u>	<u>38,090,018</u>	<u>29,922,609</u>	<u>27.3</u>
Long-term liabilities	19,951,074	16,187,610	1,378	1,378	19,952,452	16,188,988	23.2
Other liabilities	<u>9,248,599</u>	<u>7,332,654</u>	<u>55,275</u>	<u>11,116</u>	<u>9,303,874</u>	<u>7,343,770</u>	<u>26.7</u>
Total Liabilities	<u>29,199,673</u>	<u>23,520,264</u>	<u>56,653</u>	<u>12,494</u>	<u>29,256,326</u>	<u>23,532,758</u>	<u>24.3</u>
Net Position							
Net investment in capital assets	4,544,885	2,384,255	41,112	48,638	4,585,997	2,432,893	88.5
Restricted	4,111,486	1,513,144	—	—	4,111,486	1,513,144	171.7
Unrestricted	<u>148,409</u>	<u>2,432,627</u>	<u>(12,200)</u>	<u>11,187</u>	<u>136,209</u>	<u>2,443,814</u>	<u>(94.4)</u>
Total Net Position	<u>\$ 8,804,780</u>	<u>\$ 6,330,026</u>	<u>\$ 28,912</u>	<u>\$ 59,825</u>	<u>\$ 8,833,692</u>	<u>\$ 6,389,851</u>	<u>38.2</u>

The District's combined net position increased 38.2%, or approximately \$2,400,000, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's total restricted net position increased by approximately \$2,600,000, or 171.7%, over the prior period. The increase was primarily a result of unspent debt proceeds restricted for school infrastructure.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by approximately \$2,300,000, or 94.4%. The decrease was due to using current assets to pay for school construction projects.

Figure A-4 shows a summary of the District's 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 Activities June 30,		Business-Type Activities June 30,		Total School District June 30,		Percentage Change 2012-2013
	2013	2012	2013	2012	2013	2012	
Revenue							
Program Revenue							
Charges for service	\$ 215,552	\$ 296,279	\$ 179,729	\$ 185,134	\$ 395,281	\$ 481,413	(17.9)
Operating grants and contributions	1,579,563	1,631,492	247,731	248,562	1,827,294	1,880,054	(2.8)
Capital grants and contributions	692,516	419,900	—	—	692,516	419,900	64.9
General Revenue							
Property tax	5,920,016	6,229,597	—	—	5,920,016	6,229,597	(5.0)
Income surtax	228,773	198,797	—	—	228,773	198,797	15.1
Statewide sales, services and use tax	829,874	722,147	—	—	829,874	722,147	14.9
Unrestricted state grants	3,489,607	3,505,224	—	—	3,489,607	3,505,224	(0.4)
Unrestricted invest- ment earnings	19,536	16,451	1	2	19,537	16,453	18.7
Other	44,026	23,165	—	—	44,026	23,165	90.1
Total Revenue	13,019,463	13,043,052	427,461	433,698	13,446,924	13,476,750	(0.2)
Expenses							
Instruction	6,360,251	6,588,339	—	—	6,360,251	6,588,339	(3.5)
Support services	2,813,766	2,919,822	—	—	2,813,766	2,919,822	(3.6)
Noninstructional programs	—	—	458,374	467,535	458,374	467,535	(2.0)
Other expenditures	1,593,054	1,516,088	—	—	1,593,054	1,516,088	5.1
Total Expenses	10,767,071	11,024,249	458,374	467,535	11,225,445	11,491,784	(2.3)
Change in Net Position	2,252,392	2,018,803	(30,913)	(33,837)	2,221,479	1,984,966	11.9
Net Assets - Beginning of Year	<u>6,552,388</u>	<u>4,533,585</u>	<u>59,825</u>	<u>93,662</u>	<u>6,612,213</u>	<u>4,627,247</u>	<u>42.9</u>
Net Assets - End of Year	\$ 8,804,780	\$ 6,552,388	\$ 28,912	\$ 59,825	\$ 8,833,692	\$ 6,612,213	33.6

In fiscal year 2013, property tax and unrestricted state grants accounted for 72.3% of the governmental activities revenue while charges for service, operating grants and contributions accounted for 100% of business-type activities revenue. The District's expenses primarily relate to instruction and support services, which account for 81.7% of the total expenses.

As shown in Figure A-4, the District as a whole experienced a 0.2% decrease in revenue and a 2.3% decrease in expenses. Property tax decreased \$309,581. The decrease in property tax was offset by increased capital grants and contributions. The decrease in expense is related to decreased expenditures in instruction and support services.

Governmental Activities

Revenue for governmental activities was \$13,019,463 and expenses were \$10,767,071 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, noninstructional programs and other expenses for the year ended June 30, 2013 compared to the year ended June 30, 2012.

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	Total Cost of Services			Net Cost of Services		
	2013	2012	Percentage Change 2012-2013	2013	2012	Percentage Change 2012-2013
Instruction	\$ 6,360,251	\$ 6,692,291	5.0	\$ 4,920,122	\$ 5,113,351	3.8
Support services	2,813,766	2,919,822	3.6	2,813,103	2,918,113	3.6
Other expenses	1,593,054	1,634,498	2.5	546,215	867,476	37.0
Total	<u>\$ 10,767,071</u>	<u>\$ 11,246,611</u>	<u>4.3</u>	<u>\$ 8,279,440</u>	<u>\$ 8,898,940</u>	<u>7.0</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$395,281.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,519,810.
- The net cost of governmental activities was financed with \$5,920,016 in property tax and local other taxes, \$829,874 in statewide sales, services and use tax and \$3,489,607 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2013 was \$427,461, representing a 1.4% decrease over the prior year, while expenses totaled \$458,374, a 2% decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities was comprised of charges for service, federal and state reimbursements and investment income.

The decrease in revenue was due to fewer student meals being served.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Central Valley 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 \$6,878,525 compared to last year's ending fund balances of \$4,149,394. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the excess of bond proceeds over the amount spent on school infrastructure.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Increases in revenue was due to increases in local tax, other local sources and operating grants and contributions received during the year. Expenditures decreased in the other expenditures functions, but increased in the instruction and support services functions. Part of this is due to staffing changes and associated expenses in the District.
- The General Fund reported an increase in its fund balance of \$172,408 to \$2,584,231 as of the end of fiscal year 2013 due to a slight decrease in expenditures.
- The Capital Project Fund includes revenue from sales tax, the physical plant and equipment property tax levy and construction. These three revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects Fund will be used for future capital improvements and equipment purchases.

The Physical Plant and Equipment Levy account balance increased from \$0 as of June 30, 2012 to \$1,296 as of June 30, 2013.

The Statewide Sale, Services and Use Tax account balance increased from (\$70,395) as of June 30, 2012 to \$2,911,193 as of June 30, 2013. Included in the fund balance at year end is a required reserve of \$499,025 as part of the issuance of the sales tax revenue bonds.

The Construction account balance increased from \$20,439 at June 30, 2012 to \$189,132 as of June 30, 2013.

- The Debt Service Fund balance decreased from \$1,495,493 to \$936,246.

Proprietary Funds Highlights

The School Nutrition Fund balance decreased from \$59,825 as of June 30, 2012 to \$28,912 as of June 30, 2013. The decrease is due in part to a decrease in sale of lunches.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Central Valley Community School District did not amend its budget.

The District's total revenue was \$784,653 more than total budgeted revenue, while expenditures were \$4,250,217 over budget.

Total expenditures were more than budgeted, due primarily to the District spending approximately \$4.6 million on construction projects. The \$4.6 million was not budgeted and paid for mainly by bond proceeds.

The certified budget was exceeded in the instruction, noninstructional programs and other expenditures functional areas due to the timing of expenditures at year end without the certified budget being amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the District had invested \$22,566,431, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of \$4,285,336 from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$514,133.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total School District June 30,		Percentage Change 2012-2013
	2013	2012	2013	2012	2013	2012	
Land	\$ 135,991	\$ 135,991	\$ —	\$ —	\$ 135,991	\$ 135,991	0.0
Construction in progress	3,654,946	980,566	—	—	3,654,946	980,566	272.7
Buildings	18,439,106	16,855,970	—	—	18,439,106	16,855,970	9.4
Equipment and furniture	295,276	259,930	41,112	48,638	336,388	308,568	9.0
Total	<u>\$ 22,525,319</u>	<u>\$ 18,232,457</u>	<u>\$ 41,112</u>	<u>\$ 48,638</u>	<u>\$ 22,566,431</u>	<u>\$ 18,281,095</u>	<u>23.4</u>

Long-Term Debt

As of June 30, 2013, the District had \$20,725,128 in total long-term debt outstanding. This represents an increase of approximately 29.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$31 million.

**FIGURE A-6
OUTSTANDING LONG-TERM OBLIGATIONS**

	Total District June 30,		Total Change June 30, 2012-2013
	2013	2012	
Governmental Activities			
General obligation bonds	\$ 13,990,000	\$ 14,590,000	(4.1)%
Revenue bonds	6,580,000	1,235,000	432.8
Capital leases	11,734	23,202	(49.4)
Compensated absences	22,080	22,773	(3.0)
Net OPEB liability	119,936	90,936	31.9
Total	<u>\$ 20,723,750</u>	<u>\$ 15,961,911</u>	<u>29.8%</u>
Business-Type Activities			
Net OPEB Liability	<u>\$ 1,378</u>	<u>\$ 1,378</u>	<u>0.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced stable enrollment for a few years; there was a one student increase in the October, 2013 enrollment count. The stable trend seen in the past is expected to continue in the future.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period, which began in fiscal year 2005.
- Low allowable growth over several years and enrollment stability is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued increases in insurance and health premiums, along with price increases for utilities, gas and other everyday expenditures allows a concern for the District as it tries to control spending in the individual funds.

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 Symantha Crawford, Business Manager, West Central Valley Community School District, 3299 White Pole Road, Stuart, IA 50250

Basic Financial Statements

Statement of Net Position

As of June 30, 2013

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments ..	\$ 8,909,171	\$ 40,239	\$ 8,949,410
Receivables			
Property Tax			
Delinquent	54,686	—	54,686
Succeeding year	5,546,017	—	5,546,017
Internal balances	49,956	(49,956)	—
Due from other governments	665,998	—	665,998
Inventories	—	4,214	4,214
Bond issue costs	253,306	—	253,306
Capital assets, net of accumulated depreciation ...	<u>22,525,319</u>	<u>41,112</u>	<u>22,566,431</u>
Total Assets	<u>\$ 38,004,453</u>	<u>\$ 35,609</u>	<u>\$ 38,040,062</u>
Liabilities			
Accounts payable	\$ 1,382,721	\$ —	\$ 1,382,721
Salaries and benefits payable	869,211	—	869,211
Due to other governments	144,195	—	144,195
Accrued interest	322,641	—	322,641
Deferred Revenue			
Succeeding year property tax	5,546,017	—	5,546,017
Other	—	5,319	5,319
Long-Term Liabilities			
Portion Due or Payable Within One Year			
General obligation bonds	625,000	—	625,000
Revenue bonds	225,000	—	225,000
Capital leases	11,734	—	11,734
Compensated absences	22,080	—	22,080
Portion Due or Payable After One Year			
General obligation bonds	13,365,000	—	13,365,000
Revenue bonds	6,355,000	—	6,355,000
Bond premium	211,138	—	211,138
Net OPEB liability	<u>119,936</u>	<u>1,378</u>	<u>121,314</u>
Total Liabilities	<u>29,199,673</u>	<u>6,697</u>	<u>29,206,370</u>
Net Position			
Net investment in capital assets	4,544,885	41,112	4,585,997
Restricted for			
Categorical funding	139,833	—	139,833
Management levy purposes	226,675	—	226,675
School infrastructure	2,601,300	—	2,601,300
Student activities	29,752	—	29,752
Debt service	1,112,630	—	1,112,630
Physical plant and equipment	1,296	—	1,296
Unrestricted	<u>148,409</u>	<u>(12,200)</u>	<u>136,209</u>
Total Net Position	<u>8,804,780</u>	<u>28,912</u>	<u>8,833,692</u>
Total Liabilities and Net Position	<u>\$ 38,004,453</u>	<u>\$ 35,609</u>	<u>\$ 38,040,062</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular instruction	\$ 4,793,027	\$ 144,404	\$ 928,125	\$ —	\$ (3,720,498)	\$ —	\$ (3,720,498)
Special instruction	979,238	—	219,873	—	(759,365)	—	(759,365)
Other instruction	<u>587,986</u>	<u>70,485</u>	<u>77,242</u>	<u>—</u>	<u>(440,259)</u>	<u>—</u>	<u>(440,259)</u>
Total Instruction	<u>6,360,251</u>	<u>214,889</u>	<u>1,225,240</u>	<u>—</u>	<u>(4,920,122)</u>	<u>—</u>	<u>(4,920,122)</u>
Support Services							
Student services	134,924	—	—	—	(134,924)	—	(134,924)
Instructional staff services	202,398	—	—	—	(202,398)	—	(202,398)
Administration services	892,275	663	—	—	(891,612)	—	(891,612)
Operation and maintenance of plant services	1,047,315	—	—	—	(1,047,315)	—	(1,047,315)
Transportation services	<u>536,854</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(536,854)</u>	<u>—</u>	<u>(536,854)</u>
Total Support Services	<u>2,813,766</u>	<u>663</u>	<u>—</u>	<u>—</u>	<u>(2,813,103)</u>	<u>—</u>	<u>(2,813,103)</u>
Other Expenses							
Facilities acquisition	—	—	—	692,516	692,516	—	692,516
Long-term debt interest and fiscal charges	836,664	—	5,164	—	(831,500)	—	(831,500)
AEA flowthrough	349,159	—	349,159	—	—	—	—
Depreciation (unallocated)*	<u>407,231</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(407,231)</u>	<u>—</u>	<u>(407,231)</u>
Total Other Expenses	<u>1,593,054</u>	<u>—</u>	<u>354,323</u>	<u>692,516</u>	<u>(546,215)</u>	<u>—</u>	<u>(546,215)</u>
Total Governmental Activities	<u>10,767,071</u>	<u>215,552</u>	<u>1,579,563</u>	<u>692,516</u>	<u>(8,279,440)</u>	<u>—</u>	<u>(8,279,440)</u>
Business-Type Activities							
Noninstructional Programs							
Food service operations	<u>458,374</u>	<u>179,729</u>	<u>247,731</u>	<u>—</u>	<u>—</u>	<u>(30,914)</u>	<u>(30,914)</u>
Total	<u>\$ 11,225,445</u>	<u>\$ 395,281</u>	<u>\$ 1,827,294</u>	<u>\$ 692,516</u>	<u>(8,279,440)</u>	<u>(30,914)</u>	<u>(8,310,354)</u>
General Revenue							
Property Tax, Levied for							
General purposes					4,066,896	—	4,066,896
Debt service					1,642,983	—	1,642,983
Capital outlay					210,137	—	210,137
Income surtax					228,773	—	228,773
Statewide sales, services and use tax					829,874	—	829,874
Unrestricted state grants					3,489,607	—	3,489,607
Unrestricted investment earnings					19,536	1	19,537
Other					<u>44,026</u>	<u>—</u>	<u>44,026</u>
Total General Revenue					<u>10,531,832</u>	<u>1</u>	<u>10,531,833</u>
Change in Net Position					<u>2,252,392</u>	<u>(30,913)</u>	<u>2,221,479</u>
Net Position - Beginning of Year, as Restated (Note 14)					<u>6,552,388</u>	<u>59,825</u>	<u>6,612,213</u>
Net Position - End of Year					<u>\$ 8,804,780</u>	<u>\$ 28,912</u>	<u>\$ 8,833,692</u>

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

Balance Sheet - Governmental Funds

As of June 30, 2013

	General	Debt Service	Capital Projects	All Other Nonmajor	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 3,456,673	\$ 920,360	\$ 4,090,044	\$ 257,373	\$ 8,724,450
Receivables					
Property Tax, Net					
Current year delinquent.....	35,893	15,886	1,294	1,613	54,686
Succeeding year	3,470,251	1,688,211	137,558	249,997	5,546,017
Interfund receivable	49,956	—	—	—	49,956
Due from other governments.....	323,345	—	342,653	—	665,998
Total Assets	\$ 7,336,118	\$ 2,624,457	\$ 4,571,549	\$ 508,983	\$ 15,041,107
Liabilities and Fund Balances					
Liabilities					
Accounts payable.....	\$ 48,799	\$ —	\$ 1,332,370	\$ 1,552	\$ 1,382,721
Salaries and benefits payable.....	868,204	—	—	1,007	869,211
Due to other governments	144,195	—	—	—	144,195
Deferred Revenue					
Succeeding year property tax.....	3,470,251	1,688,211	137,558	249,997	5,546,017
Income surtax	220,438	—	—	—	220,438
Total Liabilities	4,751,887	1,688,211	1,469,928	252,556	8,162,582
Fund Balances					
Restricted for					
Categorical funding	139,833	—	—	—	139,833
Debt service.....	—	936,246	499,025	—	1,435,271
Management levy purposes	—	—	—	226,675	226,675
Student activities	—	—	—	29,752	29,752
School infrastructure	—	—	2,601,300	—	2,601,300
Physical plant and equipment	—	—	1,296	—	1,296
Committed for					
Technology.....	64,592	—	—	—	64,592
Transportation	96,340	—	—	—	96,340
Playground	29,862	—	—	—	29,862
Unassigned.....	2,253,604	—	—	—	2,253,604
Total Fund Balances	2,584,231	936,246	3,101,621	256,427	6,878,525
Total Liabilities and Fund Balances	\$ 7,336,118	\$ 2,624,457	\$ 4,571,549	\$ 508,983	\$ 15,041,107

See accompanying notes to the financial statements.

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

As of June 30, 2013

Total Fund Balances for Governmental Funds (Page 17)....		\$ 6,878,525
 <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.....		22,525,319
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.....		220,438
Bond issuance costs are reported as an asset in the statement of net position and are amortized over the life of the bonds.		253,306
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.....		(322,641)
An internal service fund is used by the District's management to charge the cost of the health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		184,721
Long-term liabilities, including bonds payable, bond premium, capital leases, termination benefits, compensated absences and other post-employment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Bonds payable	\$ 20,570,000	
Bond premium.....	211,138	
Capital leases.....	11,734	
Compensated absences.....	22,080	
Other post-employment benefits.....	<u>119,936</u>	<u>(20,934,888)</u>
 Net Position of Governmental Activities (Page 15)		 <u>\$ 8,804,780</u>

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2013

	General	Debt Service	Capital Projects	All Other Nonmajor	Total
Revenue					
Local Sources					
Local tax	\$ 4,095,477	\$ 1,642,983	\$ 963,747	\$ 174,910	\$ 6,877,117
Tuition	108,151	—	—	—	108,151
Other	85,622	5,165	11,348	161,069	263,204
State sources	4,623,541	—	81,355	—	4,704,896
Federal sources	386,625	—	610,161	—	996,786
Total Revenue	<u>9,299,416</u>	<u>1,648,148</u>	<u>1,666,611</u>	<u>335,979</u>	<u>12,950,154</u>
Expenditures					
Instruction					
Regular	4,688,010	—	—	112,117	4,800,127
Special	981,340	—	—	—	981,340
Other	438,645	—	—	150,390	589,035
Total Instruction	<u>6,107,995</u>	<u>—</u>	<u>—</u>	<u>262,507</u>	<u>6,370,502</u>
Support Services					
Student	135,069	—	—	—	135,069
Instructional staff	202,588	—	—	—	202,588
Administration	883,797	—	—	—	883,797
Operation and maintenance of plant	878,087	—	3,098	89,948	971,133
Transportation	570,313	—	—	19,131	589,444
Total Support Services	<u>2,669,854</u>	<u>—</u>	<u>3,098</u>	<u>109,079</u>	<u>2,782,031</u>
Other Expenditures					
Facilities acquisition	—	—	4,746,111	—	4,746,111
Long-Term Debt					
Principal	—	1,853,961	—	—	1,853,961
Interest and fiscal charges	—	719,862	96,301	—	816,163
AEA flowthrough	349,159	—	—	—	349,159
Total Other Expenditures	<u>349,159</u>	<u>2,573,823</u>	<u>4,842,412</u>	<u>—</u>	<u>7,765,394</u>
Total Expenditures	<u>9,127,008</u>	<u>2,573,823</u>	<u>4,845,510</u>	<u>371,586</u>	<u>16,917,927</u>
Revenue Over (Under) Expenditures	<u>172,408</u>	<u>(925,675)</u>	<u>(3,178,899)</u>	<u>(35,607)</u>	<u>(3,967,773)</u>
Other Financing Sources (Uses)					
Revenue bond issued	—	—	6,645,404	—	6,645,404
Sales of materials and equipment	—	—	51,500	—	51,500
Operating transfers in	—	366,428	—	—	366,428
Operating transfers out	—	—	(366,428)	—	(366,428)
Total Other Financing Sources (Uses)	<u>—</u>	<u>366,428</u>	<u>6,330,476</u>	<u>—</u>	<u>6,696,904</u>
Net Change in Fund Balances	172,408	(559,247)	3,151,577	(35,607)	2,729,131
Fund Balances - Beginning of Year, as Restated (Note 14)	<u>2,411,823</u>	<u>1,495,493</u>	<u>(49,956)</u>	<u>292,034</u>	<u>4,149,394</u>
Fund Balances - End of Year	<u>\$ 2,584,231</u>	<u>\$ 936,246</u>	<u>\$ 3,101,621</u>	<u>\$ 256,427</u>	<u>\$ 6,878,525</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, 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 19) \$ 2,729,131

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

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

Capital outlays.....	\$ 4,804,418	
Depreciation expense.....	(504,082)	
Net book value of assets sold.....	<u>(7,474)</u>	4,292,862

Income surtax not collected for several months after the District's fiscal year ends are not considered "available" revenue and are deferred in the governmental funds.		25,283
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Bond issue costs are reported as an expense when incurred in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.....		(17,469)
--	--	----------

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 assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Current year issues exceeded repayments, as follows:

Revenue bonds issued.....	\$ (6,580,000)	
General obligation bonds repaid.....	600,000	
Revenue bonds repaid	1,235,000	
Capital leases repaid.....	<u>11,468</u>	(4,733,532)

Bond premiums are reported as income in the governmental funds, but are amortized over the life of the bonds in the government-wide financial statements.		14,561
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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 interest accrues, regardless of when it is due.		(75,504)
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Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2013

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:

Compensated absences.....	\$ 693	
Other post-employment benefits.....	<u>(29,000)</u>	\$ (28,307)

An internal service fund is used by the District's management to charge the costs of the health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

45,367

Change in Net Position of Governmental Activities (Page 16)

\$ 2,252,392

Statement of Net Position - Proprietary Funds

Year Ended June 30, 2013

	Business-Type Activities - <u>Enterprise Fund</u> School Nutrition	<u>Internal Service Fund</u> Self-Insurance Fund
Assets		
Current Assets		
Cash, cash equivalents and pooled investments	\$ 40,239	\$ 184,721
Inventories.....	<u>4,214</u>	<u>—</u>
Total Current Assets	<u>44,453</u>	<u>184,721</u>
Capital Assets		
Capital assets, net of accumulated depreciation.....	<u>41,112</u>	<u>—</u>
Total Assets	<u>\$ 85,565</u>	<u>\$ 184,721</u>
Liabilities		
Current Liabilities		
Interfund payable.....	\$ 49,956	\$ —
Deferred revenue	<u>5,319</u>	<u>—</u>
Total Current Liabilities	<u>55,275</u>	<u>—</u>
Net OPEB Liability	<u>1,378</u>	<u>—</u>
Net Position		
Investment in capital assets.....	41,112	—
Unrestricted.....	<u>(12,200)</u>	<u>184,721</u>
Total Net Position	<u>28,912</u>	<u>184,721</u>
Total Liabilities and Net Position	<u>\$ 85,565</u>	<u>\$ 184,721</u>

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2013

	Business-Type Activities - <u>Enterprise Fund</u> School Nutrition	<u>Internal Service Fund</u> Self-Insurance Fund
Operating Revenue		
Local Sources		
Charges for service.....	<u>\$ 179,729</u>	<u>\$ 610,281</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries	158,957	—
Benefits	30,974	—
Purchased services	2,243	—
Supplies	251,774	—
Depreciation	10,051	—
Other	4,375	—
Self-insurance claims and fees.....	—	564,914
Total Operating Expenses	<u>458,374</u>	<u>564,914</u>
Income (Loss) From Operations.....	<u>(278,645)</u>	<u>45,367</u>
Nonoperating Revenue		
State sources	3,994	—
Federal sources.....	243,737	—
Interest income.....	1	—
Total Nonoperating Revenue.....	<u>247,732</u>	<u>—</u>
Change in Net Position	(30,913)	45,367
Net Position - Beginning of Year.....	<u>59,825</u>	<u>139,354</u>
Net Position - End of Year.....	<u>\$ 28,912</u>	<u>\$ 184,721</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2013

	Business-Type Activities - Enterprise Fund School Nutrition	Internal Service Fund Self-Insurance Fund
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 179,729	\$ —
Cash received from services provided to other funds	—	610,281
Cash payments to employees for services	(188,519)	—
Cash payments to suppliers for goods and services	<u>(235,410)</u>	<u>(564,914)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(244,200)</u>	<u>45,367</u>
Cash Flows Provided by Noncapital Financing Activities		
State grants received.....	3,994	—
Federal grants received.....	<u>225,725</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>229,719</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets.....	<u>(2,525)</u>	<u>—</u>
Cash Flows From Investing Activities		
Interest on investments	<u>1</u>	<u>—</u>
Net Increase (Decrease) in Cash and Cash Equivalents...	(17,005)	45,367
Cash and Cash Equivalents at Beginning of Year	<u>57,244</u>	<u>139,354</u>
Cash and Cash Equivalents at End of Year	<u>\$ 40,239</u>	<u>\$ 184,721</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations.....	\$ (278,645)	\$ 45,367
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Used in Operating Activities		
Commodities used.....	18,012	—
Depreciation	10,051	—
Changes in Assets and Liabilities		
Decrease in inventories	4,970	—
Increase in accounts receivable	5,797	—
Decrease in interfund payable	1,412	—
Increase in deferred revenue.....	<u>(5,797)</u>	<u>—</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (244,200)</u>	<u>\$ 45,367</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2013, the District received \$18,012 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position - Fiduciary Fund

As of June 30, 2013

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash, Cash Equivalents and Pooled Investments	<u>\$ 203,158</u>
Net Position	
Reserved for Scholarships	<u>\$ 203,158</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Fund —————

Year Ended June 30, 2013

	Private Purpose Trust <hr style="border: 0; border-top: 1px solid black;"/> Scholarship
Additions	
Local Sources	
Interest income	\$ 2,525
Contributions.....	<u>3,000</u>
Total Additions	<u>5,525</u>
Deductions	
Support Services	
Scholarships awarded.....	<u>5,400</u>
Change in Net Position	125
Net Position - Beginning of Year.....	<u>203,033</u>
Net Position - End of Year	<u>\$ 203,158</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

West Central Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Stuart, Menlo, Dexter and Redfield, Iowa, and the predominately agricultural territory in a portion of Adair, Dallas and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

Reporting Entity

For financial reporting purposes, West Central Valley 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. West Central Valley Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adair, Dallas and Guthrie County Assessor's Conference Boards.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all 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 revenue, are reported separately for business-type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Unrestricted net position consists of net position that does not meet 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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 revenue are reported instead as general revenue.

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

The District's internal service fund is the Self-Insurance Fund. This fund is used to account for the self-funded health insurance plan operated by the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund includes the following:

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, 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 revenue. 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 revenue.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Assets, Liabilities and Fund Equity

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 nonnegotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% 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 revenue, grants and reimbursements from other governments.

Food Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. As of June 30, 2013, total inventories included government commodities valued at \$3,187 which were on hand. Expenditures are recognized when the inventory is used.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost 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.

Land.....	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles.....	25,000
Furniture and Equipment	
School Nutrition equipment	500
Other furniture and equipment.....	5,000

There were no intangible assets capitalized as of June 30, 2013. Property, furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 Years
Improvements other than buildings	20 - 50 Years
Furniture and equipment	5 - 20 Years

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

Salaries and Benefits Payable

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

Deferred Revenue

Although certain revenue is measurable, it is 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue on the statement of net position consists of amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

(1) Summary of Significant Accounting Policies

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of 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 Equity

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

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the instructional, noninstructional and other expenditures functions.

(2) Cash, Cash Equivalents and Pooled Investments

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

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

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.

As of June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Government Obligations Portfolio of \$5,460,881. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 49,956
Sales, Services and Use Tax Account	Construction Account	112,000
		<u>\$ 161,956</u>

The balances are to be repaid by October 1, 2013.

(4) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 366,428</u>

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

Notes to the Financial Statements

(5) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 135,991	\$ —	\$ —	\$ 135,991
Construction in progress	980,566	4,672,673	1,998,293	3,654,946
Total Capital Assets Not Being Depreciated.....	<u>1,116,557</u>	<u>4,672,673</u>	<u>1,998,293</u>	<u>3,790,937</u>
Capital Assets Being Depreciated				
Buildings and improvements	20,352,710	1,998,293	—	22,351,003
Furniture and equipment	1,592,680	131,745	124,619	1,599,806
Total Capital Assets Being Depreciated.....	<u>21,945,390</u>	<u>2,130,038</u>	<u>124,619</u>	<u>23,950,809</u>
Less Accumulated Depreciation for				
Buildings and improvements	3,496,740	415,157	—	3,911,897
Furniture and equipment	1,332,750	88,925	117,145	1,304,530
Total Accumulated Depreciation...	<u>4,829,490</u>	<u>504,082</u>	<u>117,145</u>	<u>5,216,427</u>
Net Total Capital Assets Being Depreciated.....	<u>17,115,900</u>	<u>1,625,956</u>	<u>7,474</u>	<u>18,734,382</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 18,232,457</u>	<u>\$ 6,298,629</u>	<u>\$ 2,005,767</u>	<u>\$ 22,525,319</u>
Business-Type Activities				
Furniture and equipment	\$ 174,040	\$ 2,525	\$ —	\$ 176,565
Less accumulated depreciation	<u>125,402</u>	<u>10,051</u>	<u>—</u>	<u>135,453</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 48,638</u>	<u>\$ (7,526)</u>	<u>\$ —</u>	<u>\$ 41,112</u>

Depreciation expense was charged as follows:

Governmental Activities	
Instruction	
Regular	\$ 3,026
Support Services	
Administration	10,306
Operation and maintenance of plant services.....	3,600
Transportation.....	79,919
Subtotal.....	<u>96,851</u>
Unallocated	407,231
Total Governmental Activities Depreciation Expense	<u>\$ 504,082</u>
Business-Type Activities	
Food Service Operations.....	<u>\$ 10,051</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds	\$ 14,590,000	\$ —	\$ 600,000	\$ 13,990,000	\$ 625,000
Revenue bonds	1,235,000	6,580,000	1,235,000	6,580,000	225,000
Capital leases	23,202	—	11,468	11,734	11,734
Compensated absences	22,773	22,080	22,773	22,080	22,080
Net OPEB liability ...	90,936	34,715	5,715	119,936	—
Total	<u>\$ 15,961,911</u>	<u>\$ 6,636,795</u>	<u>\$ 1,874,956</u>	<u>\$ 20,723,750</u>	<u>\$ 883,814</u>

Business-Type Activities

Net OPEB Liability ..	<u>\$ 1,378</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,378</u>	<u>\$ —</u>
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General Obligation Bonds

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

Year Ending June 30,	Bond Issue of July, 2008			Bond Issue of May, 2009		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	4.375 - 4.450%	\$ 400,000	\$ 352,223	3.00 - 4.85%	\$ 225,000	\$ 270,143
2015	4.375 - 4.450	415,000	334,723	3.20 - 4.85	240,000	259,793
2016	4.375 - 4.450	435,000	316,567	3.40 - 4.85	245,000	248,753
2017	4.375 - 4.450	450,000	297,535	3.60 - 4.85	260,000	237,483
2018	4.375 - 4.450	470,000	277,848	3.75 - 4.85	265,000	225,783
2019-2023	4.375 - 4.450	2,665,000	1,063,083	3.90 - 4.85	1,535,000	948,256
2024-2028	4.375 - 4.450	3,205,000	427,614	4.45 - 4.85	1,995,000	580,182
2029-2034		—	—	4.85	1,185,000	56,880
Total		<u>\$ 8,040,000</u>	<u>\$ 3,069,593</u>		<u>\$ 5,950,000</u>	<u>\$ 2,827,273</u>

Year Ending June 30,	Total	
	Principal	Interest
2014	\$ 625,000	\$ 622,366
2015	655,000	594,516
2016	680,000	565,320
2017	710,000	535,018
2018	735,000	503,631
2019-2023	4,200,000	2,011,339
2024-2028	5,200,000	1,007,796
2029-2034	1,185,000	56,880
Total	<u>\$ 13,990,000</u>	<u>\$ 5,896,866</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

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,	Bonds Issued October, 2012			
	Interest Rates	Principal	Interest	Total
2014	2.00 - 3.00%	\$ 225,000	\$ 153,525	\$ 378,525
2015	2.00 - 3.00	350,000	149,025	499,025
2016	2.00 - 3.00	355,000	142,025	497,025
2017	2.00 - 3.00	360,000	134,925	494,925
2018	2.00 - 3.00	370,000	127,725	497,725
2019-2023	2.00 - 3.00	1,960,000	524,525	2,484,525
2024-2029	2.25 - 3.00	2,185,000	292,015	2,477,015
2030-2034	2.90 - 3.00	775,000	27,275	802,275
		<u>\$ 6,580,000</u>	<u>\$ 1,551,040</u>	<u>\$ 8,131,040</u>

The District has pledged future statewide sales, services and use tax revenue to repay the \$6,580,000 of bonds issued in October, 2012. The bonds were issued for the purpose of financing the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2030. 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 60% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$8,131,040. For the current year, principal of \$1,235,000 and interest of \$70,232 was paid on the bonds and total statewide sales, services and use tax revenue was \$829,374.

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

- (a) The District is required to establish 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. At June 30, 2013, there was a reserve account on deposit with a fiscal agent.
- (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.

The District was in compliance with all the revenue bond provisions during the year ended June 30, 2013.

Notes to the Financial Statements

(7) Lease Commitments

Capital Leases

The District has leased five copy machines under a capital lease. The following is a schedule of future lease payments under the capital lease, together with a net present value of minimum lease payments as of June 30, 2013.

Year Ending June 30,	Amount
2014	\$ 12,000
Less amount representing interest.....	<u>266</u>
Present Value of Minimum Lease Payments	<u>\$ 11,734</u>

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$458,871, \$424,386 and \$354,281, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 70 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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

Annual required contribution.....	\$ 39,958
Interest on net OPEB obligation.....	2,308
Adjustment to annual required contribution.....	<u>(7,551)</u>
Annual OPEB Cost	34,715
Contributions made	<u>(5,715)</u>
Increase in Net OPEB Obligation	29,000
Net OPEB Obligation - Beginning of Year.....	<u>92,314</u>
Net OPEB Obligation - End of Year	<u><u>\$ 121,314</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$5,715 to the plan.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 36,598	16%	\$ 30,575
June 30, 2011	37,431	22	59,894
June 30, 2012	40,057	19	92,314
June 30, 2013	34,715	16	121,314

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$286,627, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$286,627. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,100,000, and the ratio of the UAAL to the covered payroll was 9.2%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions

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

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a 2/3 female to 1/3 male basis. The District pays for all or part of active employees' coverage, depending if the employee elects single or family coverage. Upon retirement, retired participants are assumed to pay 100% of required premiums. As a result, not all retiring members may elect to continue coverage within the plan upon retirement, and a Post Retirement Selection Rate of 80% has been assumed.

Plan coverage for retirees terminates when the insured is eligible for Medicare. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

West Central Valley 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.

(11) Area Education Agency Support

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 \$349,159 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.

(12) Construction Commitment

The District has entered into contracts totaling \$5,593,050 for an athletic complex and other improvements. As of June 30, 2013, costs of \$3,511,005 had been incurred against the contracts. The balances remaining at June 30, 2013 will be paid as work on the project progresses.

Notes to the Financial Statements

(13) Categorical Funding

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

Program	Amount
Limited English proficiency	\$ 9,793
Home school assistance.....	3,569
Gifted and talented	28,800
Mentoring	2,424
Preschool	95,247
Total	<u>\$ 139,833</u>

(14) Restatement of Prior Period Fund Balance/Net Position

The June 30, 2012 fund balances and net position as previously reported were not properly recorded due to failure to record prepaid expenses and improper recording of accounts payable as shown below.

	<u>Governmental Funds</u>		Net Position - Governmental Activities
	Management Levy	Capital Projects - Construction	
Fund balance/net position previously reported	\$ 55,487	\$ 7,114	\$ 6,330,026
Prepaid insurance not recorded	209,037	—	209,037
Accounts payable that were overstated	—	13,325	13,325
Fund Balance/Net Position, as Restated	<u>\$ 264,524</u>	<u>\$ 20,439</u>	<u>\$ 6,552,388</u>

For the year ended June 30, 2012, the Management Levy Fund had paid the insurance premium for the fiscal year ended June 30, 2013 in the amount of \$209,037; however, no prepaid amount was recorded. As a result, this amount was improperly expensed in the year ended June 30, 2012.

For the year ended June 30, 2012, the Capital Projects Fund Construction Account erroneously included \$13,325 of accounts payable that had been previously reported in accounts payable as of June 30, 2011.

(15) Subsequent Events

Management has evaluated events through January 2, 2014, the date which the financial statements were available to be issued.

Required Supplementary Information

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

Year Ended June 30, 2013

	Actual			Budget Amount Original and Final	Over (Under) Budget
	Govern- mental Fund Types	Proprietary Fund Type	Total		
Revenue					
Local sources	\$ 7,248,472	\$ 179,730	\$ 7,428,202	\$ 7,509,141	\$ (80,939)
State sources	4,704,896	3,994	4,708,890	4,723,821	(14,931)
Federal sources	996,786	243,737	1,240,523	360,000	880,523
Total Revenue	<u>12,950,154</u>	<u>427,461</u>	<u>13,377,615</u>	<u>12,592,962</u>	<u>784,653</u>
Expenditures/Expenses					
Instruction.....	6,370,502	—	6,370,502	6,320,000	50,502
Support services	2,782,031	—	2,782,031	3,861,100	(1,079,069)
Noninstructional programs	—	458,374	458,374	429,500	28,874
Other expenditures.....	7,765,394	—	7,765,394	2,515,484	5,249,910
Total Expenditures/Expenses ...	<u>16,917,927</u>	<u>458,374</u>	<u>17,376,301</u>	<u>13,126,084</u>	<u>4,250,217</u>
Revenue Under Expenditures/ Expenses	(3,967,773)	(30,913)	(3,998,686)	(533,122)	(3,465,564)
Other Financing Sources (Uses) (Net)	<u>6,696,904</u>	—	<u>6,696,904</u>	—	<u>6,696,904</u>
Revenue and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	2,729,131	(30,913)	2,698,218	(533,122)	3,231,340
Balance - Beginning of Year, as restated.....	4,149,394	59,825	4,209,219	3,451,811	757,408
Balance - End of Year	<u>\$ 6,878,525</u>	<u>\$ 28,912</u>	<u>\$ 6,907,437</u>	<u>\$ 2,918,689</u>	<u>\$ 3,988,748</u>

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 the Internal Service, Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar and statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents functional area 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. During the year ended June 30, 2013, the District did not amend the budget.

During the year ended June 30, 2013, expenditures in the instruction, noninstructional programs and other expenditures functions exceeded the budgeted amounts.

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	7-1-09	\$ —	\$ 319,262	\$ 319,262	0%	\$ 2,846,000	11.2%
2011	7-1-09	—	320,751	320,751	0	3,187,000	10.1
2012	7-1-09	—	299,741	299,741	0	3,334,000	9.0
2013	7-1-12	—	286,627	286,627	0	3,100,000	9.2

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2013

	<u>Special Revenue</u>		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 226,069	\$ 31,304	\$ 257,373
Receivables			
Property Tax			
Delinquent	1,613	—	1,613
Succeeding year	<u>249,997</u>	<u>—</u>	<u>249,997</u>
Total Assets	<u>\$ 477,679</u>	<u>\$ 31,304</u>	<u>\$ 508,983</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ —	\$ 1,552	\$ 1,552
Salaries and benefits payable.....	1,007	—	1,007
Deferred Revenue			
Succeeding year property tax.....	<u>249,997</u>	<u>—</u>	<u>249,997</u>
Total Liabilities	<u>251,004</u>	<u>1,552</u>	<u>252,556</u>
 Fund Balances			
Restricted for			
Management levy purposes	226,675	—	226,675
Student activities.....	<u>—</u>	<u>29,752</u>	<u>29,752</u>
Total Fund Balances.....	<u>226,675</u>	<u>29,752</u>	<u>256,427</u>
Total Liabilities and Fund Balances.....	<u>\$ 477,679</u>	<u>\$ 31,304</u>	<u>\$ 508,983</u>

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

Year Ended June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Revenue			
Local Sources			
Local tax	\$ 174,910	\$ —	\$ 174,910
Other.....	8,437	152,632	161,069
Total Revenue	183,347	152,632	335,979
Expenditures			
Current Instruction			
Instruction			
Regular.....	112,117	—	112,117
Other	—	150,390	150,390
Total Instruction	112,117	150,390	262,507
Support Services			
Operation and maintenance of plant	89,948	—	89,948
Transportation.....	19,131	—	19,131
Total Support Services	109,079	—	109,079
Total Expenditures	221,196	150,390	371,586
Net Change in Fund Balances	(37,849)	2,242	(35,607)
Fund Balances, Beginning of Year, as previously reported	55,487	27,510	82,997
Restatement of fund balance (Note 14)	209,037	—	209,037
Fund Balances - Beginning of Year, as Restated	264,524	27,510	292,034
Fund Balances - End of Year	\$ 226,675	\$ 29,752	\$ 256,427

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2013

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Interest	\$ 50	\$ 1	\$ —	\$ —	\$ 51
Athletics.....	412	91,840	91,477	(3,208)	(2,433)
Play	2,951	998	2,349	—	1,600
Musicals	1,518	1,970	1,829	—	1,659
Class of 2012	144	—	144	—	—
Class of 2013	2,180	—	1,680	(500)	—
Class of 2014	615	11,665	10,903	—	1,377
Class of 2015	240	1,175	—	500	1,915
Class of 2016	—	190	—	—	190
FFA	5,728	21,780	20,330	3,208	10,386
FCA.....	363	—	363	—	—
FCCLA	1,638	763	1,111	—	1,290
Flag/drill team.....	1,246	1,827	1,990	—	1,083
HS student council.....	1,170	2,814	1,732	—	2,252
Run Club	—	459	—	—	459
MS student council	4,282	11,555	10,702	—	5,135
HS yearbook.....	3,155	4,290	3,696	—	3,749
MS yearbook	1,818	1,305	2,084	—	1,039
Total	<u>\$ 27,510</u>	<u>\$ 152,632</u>	<u>\$ 150,390</u>	<u>\$ —</u>	<u>\$ 29,752</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	Construction	
Assets				
Cash and pooled investments	\$ 2,868,430	\$ 2	\$ 1,221,612	\$ 4,090,044
Receivables				
Property Tax, Net				
Current year delinquent	—	1,294	—	1,294
Succeeding year	—	137,558	—	137,558
Due from other governments	211,243	—	131,410	342,653
Total Assets	<u>\$ 3,079,673</u>	<u>\$ 138,854</u>	<u>\$ 1,353,022</u>	<u>\$ 4,571,549</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 56,480	\$ —	\$ 1,275,890	\$ 1,332,370
Due to (from) other accounts	112,000	—	(112,000)	—
Deferred Revenue				
Succeeding year property tax	—	137,558	—	137,558
Total Liabilities.....	<u>168,480</u>	<u>137,558</u>	<u>1,163,890</u>	<u>1,469,928</u>
Fund Balances				
Restricted for				
School infrastructure.....	2,412,168	—	189,132	2,601,300
Debt service	499,025	—	—	499,025
Physical plant and equipment	—	1,296	—	1,296
Total Fund Balances.....	<u>2,911,193</u>	<u>1,296</u>	<u>189,132</u>	<u>3,101,621</u>
Total Liabilities and Fund Balances	<u>\$ 3,079,673</u>	<u>\$ 138,854</u>	<u>\$ 1,353,022</u>	<u>\$ 4,571,549</u>

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

Year Ended June 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	Construction	Total
Revenue				
Local Sources				
Local tax.....	\$ 829,874	\$ 133,873	\$ —	\$ 963,747
Other	10,258	90	1,000	11,348
State sources	—	—	81,355	81,355
Federal sources.....	—	—	610,161	610,161
Total Revenue	<u>840,132</u>	<u>133,963</u>	<u>692,516</u>	<u>1,666,611</u>
Expenditures				
Support Services				
Operation and maintenance of plant.....	—	3,098	—	3,098
Other Expenditures				
Facilities acquisition and construction	61,497	—	4,684,614	4,746,111
Long-Term Debt				
Interest and fiscal charges	96,301	—	—	96,301
Total Other Expenditures	157,798	—	4,684,614	4,842,412
Total Expenditures.....	<u>157,798</u>	<u>3,098</u>	<u>4,684,614</u>	<u>4,845,510</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>682,334</u>	<u>130,865</u>	<u>(3,992,098)</u>	<u>(3,178,899)</u>
Other Financing Sources (Uses)				
Sales of materials and equipment...	—	51,500	—	51,500
Revenue bond issued.....	6,645,404	—	—	6,645,404
Operating transfers in	—	—	4,160,791	4,160,791
Operating transfers out.....	(4,346,150)	(181,069)	—	(4,527,219)
Total Other Financing Sources (Uses).....	<u>2,299,254</u>	<u>(129,569)</u>	<u>4,160,791</u>	<u>6,330,476</u>
Net Change in Fund Balances	<u>2,981,588</u>	<u>1,296</u>	<u>168,693</u>	<u>3,151,577</u>
Fund Balance - Beginning of Year, as previously reported				
	(70,395)	—	7,114	(63,281)
Prior period restatement (Note 14) .				
	—	—	13,325	13,325
Fund Balance - Beginning of Year, as restated.....				
	(70,395)	—	20,439	(49,956)
Fund Balance - End of Year	<u>\$ 2,911,193</u>	<u>\$ 1,296</u>	<u>\$ 189,132</u>	<u>\$ 3,101,621</u>

**Schedule of Revenue By Source and Expenditures By Function -
All Governmental Funds**

For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue										
Local Sources										
Local option.....	\$ 6,877,117	\$ 6,995,815	\$ 6,874,702	\$ 5,751,207	\$ 5,498,529	\$ 4,120,801	\$ 3,988,719	\$ 3,522,895	\$ 3,185,464	\$ 2,941,388
Tuition.....	108,151	94,128	141,937	146,755	124,188	128,581	147,461	121,872	123,119	92,374
Other.....	263,204	232,457	322,363	417,971	633,340	458,015	458,195	307,626	250,325	249,459
Intermediate sources.....	—	—	—	—	—	364	—	—	—	740
State sources.....	4,704,896	4,700,812	4,482,731	4,103,480	5,214,600	4,921,040	4,651,132	4,341,906	4,155,901	3,716,899
Federal sources.....	<u>996,786</u>	<u>855,804</u>	<u>701,309</u>	<u>962,899</u>	<u>408,478</u>	<u>305,475</u>	<u>202,315</u>	<u>213,143</u>	<u>277,456</u>	<u>172,395</u>
Total	<u>\$ 12,950,154</u>	<u>\$ 12,879,016</u>	<u>\$ 12,523,042</u>	<u>\$ 11,382,312</u>	<u>\$ 11,879,135</u>	<u>\$ 9,934,276</u>	<u>\$ 9,447,822</u>	<u>\$ 8,507,442</u>	<u>\$ 7,992,265</u>	<u>\$ 7,173,255</u>
Expenditures										
Instruction										
Regular.....	\$ 4,800,127	\$ 4,235,414	\$ 3,834,868	\$ 3,841,948	\$ 3,991,648	\$ 3,792,635	\$ 3,882,469	\$ 3,329,571	\$ 3,242,719	\$ 3,128,480
Special.....	981,340	1,305,256	1,134,113	1,198,073	1,129,446	1,332,997	1,251,808	1,107,176	1,103,568	1,161,434
Other.....	589,035	1,147,608	1,163,389	1,098,407	945,097	777,642	637,728	828,574	717,999	559,955
Support Services										
Student.....	135,069	118,409	120,881	108,990	108,324	144,488	139,957	102,442	105,987	118,304
Instructional staff.....	202,588	196,411	194,730	97,716	165,103	200,167	171,850	163,859	221,747	232,589
Administration.....	883,797	863,725	851,755	851,240	960,530	906,492	838,715	984,124	865,928	876,788
Operations and maintenance of plant.....	971,133	1,006,313	937,606	744,754	759,254	930,697	999,165	746,436	863,258	719,670
Transportation.....	589,444	664,195	574,088	579,530	517,996	453,837	500,425	655,752	474,238	513,264
Noninstructional programs.....	—	—	—	—	—	—	—	—	103,676	54,917
Other Expenditures										
Facilities acquisition.....	4,746,111	1,173,549	3,370,690	11,560,105	3,585,015	1,392,767	2,309,150	598,634	456	146,395
Long-Term Debt										
Principal.....	1,853,961	1,010,575	964,945	922,806	1,100,000	185,000	62,000	—	82,000	60,000
Interest and other charges.....	816,163	750,960	793,656	836,353	450,969	134,618	69,768	—	5,045	6,689
Bond issue costs.....	—	—	—	—	338,467	—	—	—	—	—
AEA flowthrough.....	<u>349,159</u>	<u>347,122</u>	<u>382,935</u>	<u>368,318</u>	<u>344,252</u>	<u>324,150</u>	<u>306,198</u>	<u>285,713</u>	<u>274,845</u>	<u>267,733</u>
Total	<u>\$ 16,917,927</u>	<u>\$ 12,819,537</u>	<u>\$ 14,323,656</u>	<u>\$ 22,208,240</u>	<u>\$ 14,396,101</u>	<u>\$ 10,575,490</u>	<u>\$ 11,169,233</u>	<u>\$ 8,802,281</u>	<u>\$ 8,061,466</u>	<u>\$ 7,846,218</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Hazard Mitigation Grant.....	97.039	FY 2013	<u>\$ 610,161</u>
U.S. Department of Agriculture - Indirect			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	FY 2013	56,272
National School Lunch Program	10.555*	FY 2013	<u>187,465</u>
Total U.S. Department of Agriculture.....			<u>243,737</u>
U.S. Department of Education - Indirect			
Pass-Through From Heartland Area Education Agency			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY 2013	<u>50,382</u>
Pass-Through From Iowa Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies.....	84.010	FY 2013	<u>133,729</u>
Career and Technical Education - Basic Grants to States	84.048	FY 2013	<u>17,371</u>
Improving Teacher Quality State Grants	84.367	FY 2013	<u>30,309</u>
Grants for State Assessments and Related Activities	84.369	FY 2013	<u>5,454</u>
Total Pass-Through From Iowa Department of Education			<u>186,863</u>
Total U.S. Department of Education			<u>237,245</u>
Total			<u>\$ 1,091,143</u>

* Includes \$18,012 of noncash awards

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of West Central Valley Community School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

West Central Valley Community School District provided no federal awards to subrecipients.

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

Board of Education
West Central Valley Community School District
Stuart, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, except as discussed in the independent auditor's report, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Central Valley Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Central Valley Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Central Valley Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Central Valley 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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 13-II-R-1 and 13-II-R-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Central Valley 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we also noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

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

West Central Valley Community School District's Responses to Findings

West Central Valley Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion 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 results 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.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 2, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Education
West Central Valley Community School District
Stuart, Iowa

Report on Compliance for Each Major Federal Program

We have audited West Central Valley Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of West Central Valley Community School District's major federal programs for the year ended June 30, 2013. West Central Valley Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of West Central Valley Community School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Central Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on West Central Valley Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, West Central Valley Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013 except as described in the accompanying schedule of findings and questioned costs as item 13-III-R-1.

Report on Internal Control Over Compliance

The management of West Central Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered West Central Valley Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Central Valley Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-III-R-2 to be a material weakness.

West Central Valley Community School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. West Central Valley Community School District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 2, 2014

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiencies identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

97.039

Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

13-II-R-1 Segregation of Duties

Finding - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. We noted that journal entries and accounting entries are not reviewed by a person independent of the one entering them into the general ledger.

Auditor's Recommendation - We realize that with a limited number of accounting employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. We recommend all adjusting journal entries be reviewed by another employee. Additionally, management should review procedures to ensure receipt, disbursements and reconciliation functions are as separate as possible.

District's Response - We will review procedures and will implement additional controls where possible.

Auditor's Conclusion - Response accepted.

13-II-R-2 Financial Statement Preparation

Finding - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures.

Auditor's Recommendation - We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

District's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft these financial statements each year.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

13-III-R-1 Reporting

Finding - The District did not file its Data Collection Form with the Federal Audit Clearinghouse within nine months of its year end for the years ended June 30, 2012 and 2011.

Auditor's Recommendation - We realize the District relied on its external auditor for assistance but should set up a system to ensure that the Data Collection Form is filed timely.

District's Response - We have set up the necessary procedures to ensure that these will be filed timely in the future.

Auditor's Conclusion - Response accepted.

Internal Control Deficiencies

All Programs Displayed on the Schedule of Expenditures of Federal Awards

13-III-R-2 Segregation of Duties

Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 13-II-R-1 for additional information.

Part IV: Other Findings Related to Statutory Reporting

13-IV-A Certified Budget

Finding - Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the instructional, noninstructional and other expenditures functions.

Auditor's Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District's Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Auditor's Conclusion - Response accepted.

13-IV-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

13-IV-C 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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

Name, Title and Business Connection	Transaction Description	Amount
Marty Doud, Board Member	Loan officer at bank doing business with District	\$ 13,000,000

Auditor's Recommendation - The District should consult with its attorney regarding this situation.

District's Response - We will consult with our attorney when necessary.

Auditor's Conclusion - Response accepted.

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

13-IV-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

13-IV-G Certified Enrollment - No net variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

13-IV-I Deposits and Investments

Finding - No instances of noncompliance with the investment provisions of Chapter 12B of the Code of Iowa and the District's investment policy were noted. However, we noted the District had deposited funds in excess of Board-approved deposit limits and, therefore, was not in compliance with Chapter 12C of the Code of Iowa.

Auditor's Recommendation - We recommend the District establish procedures to properly monitor the District's deposited funds to ensure deposits are within limits authorized by the Board.

District's Response - We will establish procedures to properly monitor depositing of District funds.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

13-IV-J Certified Annual Report

Finding - The Certified Annual Report (CAR) was filed with the Iowa Department of Education timely, but we noted numerous differences between the amounts reported and the District's general ledger.

Auditor's Recommendation - Procedures should be established to make sure the CAR is reconciled with accounting records and reviewed by a member of management prior to being filed.

District's Response - We will establish procedures to reconcile the report with accounting records.

Auditor's Conclusion - Response accepted.

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

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

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

Beginning balance.....		\$	(70,395)
Revenue/Transfers in			
Statewide sales, services and use tax			
revenue.....	\$	829,874	
Proceeds from long-term debt.....		6,645,404	
Other local revenue		<u>10,258</u>	7,485,536
Expenditures/Transfers Out			
Other	\$	157,798	
Net transfer to construction account.....		3,979,721	
Transfers to Debt Service Fund		<u>366,429</u>	<u>4,503,948</u>
Ending Balance			<u>\$ 2,911,193</u>

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