

TWIN CEDARS COMMUNITY SCHOOL DISTRICT
BUSSEY, IOWA

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

June 30, 2013

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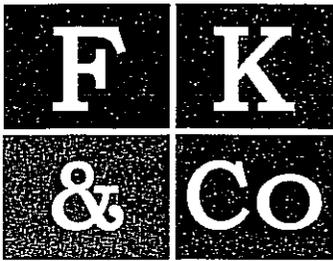
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Twin Cedars Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education		
Steve Gilkerson	President	2013
Steve Hoehns	Vice-President	2015
Brian Moore	Board Member	2013
Kelly Carlson	Board Member	2015
Tom Morgan	Board Member	2015
School Officials		
Brian Vandersluis	Superintendent	2013
Deb Haselhuhn	District Secretary/ Treasurer/Business Manager	Indefinite
Ahlers Law Firm	Attorney	Indefinite

Twin Cedars Community School District



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Education of
Twin Cedars Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Joel C. Faller, CPA

Alan Kincheloe, CPA

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Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

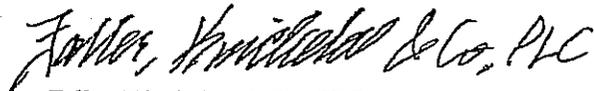
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2014 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Faller, Kincheloe & Co., PLC
Certified Public Accountants

February 14, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,419,951 in fiscal year 2012 to \$4,368,348 in fiscal year 2013, while General Fund expenditures increased from \$4,159,233 in fiscal year 2012 to \$4,544,423 in fiscal year 2013. The District's General Fund balance decreased from \$760,857 at the end of fiscal year 2012 to \$584,782 at the end of fiscal year 2013, a 23.14% decrease.
- The fiscal year 2013 General Fund revenue decrease was attributable to a decrease in state aid. The decrease in state aid was due to a decrease in the number of students. The increase in expenditures was due primarily to negotiated salaries and benefits. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- The District continues to make significant improvements to its facilities from the use of Physical Plant and Equipment Levy funds and the Statewide Sales, Services and Use Tax funds. The District paid the total remaining balances due for all existing debt obligations using the Statewide Sales, Services and Use Tax fund revenues. The District presently has no debt service.

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 the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

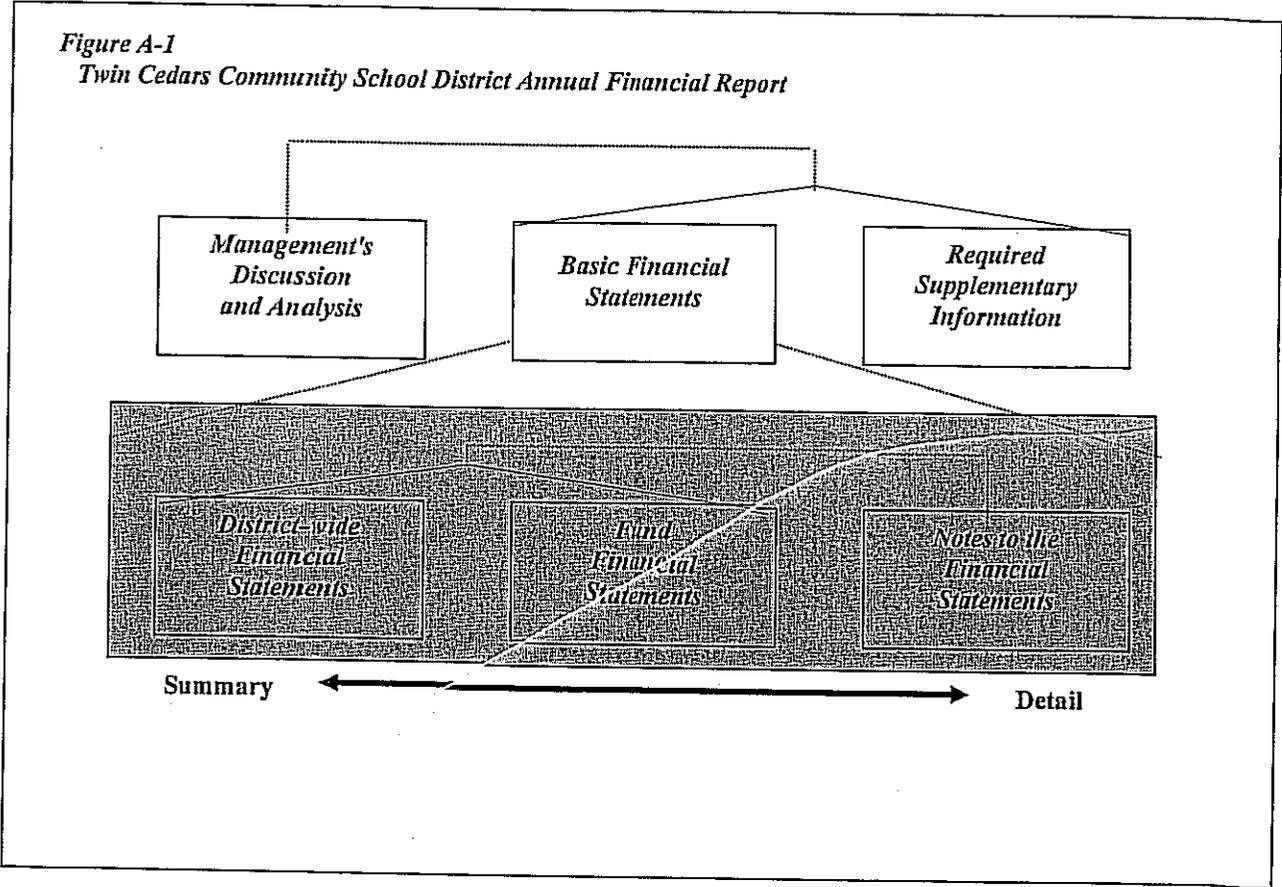


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
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
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
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 2,887	3,372	76	103	2,963	3,475	-14.7%
Capital assets	2,539	2,434	60	58	2,599	2,492	4.3%
Total assets	<u>5,426</u>	<u>5,806</u>	<u>136</u>	<u>161</u>	<u>5,562</u>	<u>5,967</u>	<u>-6.8%</u>
Long-term liabilities	423	718	-	21	423	739	-42.8%
Other liabilities	1,895	1,946	2	2	1,897	1,948	-2.6%
Total liabilities	<u>2,318</u>	<u>2,664</u>	<u>2</u>	<u>23</u>	<u>2,320</u>	<u>2,687</u>	<u>-13.7%</u>
Net position:							
Net investment in capital assets	2,539	2,124	60	58	2,599	2,182	19.1%
Restricted	392	666	-	-	392	666	-41.1%
Unrestricted	177	352	74	80	251	432	-41.9%
Total net position	<u>\$ 3,108</u>	<u>3,142</u>	<u>134</u>	<u>138</u>	<u>3,242</u>	<u>3,280</u>	<u>-1.2%</u>

The District's combined net position decreased by nearly 1.2%, or approximately \$38,000, from the prior year. A large portion of the District's net assets 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 sources 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 restricted net assets decreased approximately \$274,000, or 41.1% from the prior year. The decrease was primarily a result of a decrease in the balance of the Capital Projects Fund due to the completion of the new bus barn.

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 approximately \$181,000, or 41.9%. The reduction in unrestricted net position was primarily due to an increase in the General Fund expenditures as a result of negotiated wage settlements and a general increase in the costs of materials and supplies.

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

	Governmental Activities		Business type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 561	473	99	103	660	576	14.6%
Operating grants, contributions and restricted interest	718	664	125	126	843	790	6.7%
Capital grants, contributions and restricted interest	-	1	-	-	-	1	-100.0%
General revenues:							
Property tax	1,460	1,351	-	-	1,460	1,351	8.1%
Income surtax	27	54	-	-	27	54	-50.0%
Statewide sales, services and use tax	351	327	-	-	351	327	7.3%
Unrestricted state grants	1,772	1,933	-	-	1,772	1,933	-8.3%
Unrestricted investment earnings	1	7	-	-	1	7	-85.7%
Other	134	239	-	-	134	239	-43.9%
Total revenues	5,024	5,049	224	229	5,248	5,278	-0.6%
Program expenses:							
Governmental activities:							
Instruction	3,370	3,127	-	-	3,370	3,127	7.8%
Support services	1,433	1,378	-	-	1,433	1,378	4.0%
Non-instructional programs	1	1	228	230	229	231	-0.9%
Other expenses	254	286	-	-	254	286	-11.2%
Total expenses	5,058	4,792	228	230	5,286	5,022	5.3%
Increase (decrease) in net position	(34)	257	(4)	(1)	(38)	256	-114.8%
Net position beginning of year	3,142	2,885	138	139	3,280	3,024	8.5%
Net position end of year	\$ 3,108	3,142	134	138	3,242	3,280	-1.2%

In fiscal year 2013, property tax and unrestricted state grants accounted for 64.3% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100.0% of the revenue from the business type activities.

The District's total revenues were approximately \$5.25 million of which approximately \$5.02 million was for governmental activities and approximately \$224,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 0.6% decrease in revenues and a 5.3% increase in expenses. The increase in expenses was primarily due increase in insurance costs, an increase in salaries for instructional staff and the addition of some instructional associates in both buildings.

Governmental Activities

Revenues for governmental activities were \$5,024,634 and expenses were \$5,058,968 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 3,370	3,127	7.8%	2,240	2,139	4.7%
Support services	1,433	1,378	4.0%	1,429	1,374	4.0%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	254	286	-11.2%	109	140	-22.1%
Totals	\$ 5,058	4,792	5.6%	3,779	3,654	3.4%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$561,284. This is mainly open enrollment and special education tuition in revenue.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$718,270.
- The net cost of governmental activities was financed with \$1,837,235 in property and other taxes and \$1,772,424 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$224,783 representing a 2.09% decrease under the prior year while expenses totaled \$228,442, a 0.92% decrease under the prior year. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 \$914,776 well below last year's ending fund balances of \$1,348,895. The fund balance decrease is primarily due to costs associated with instructional personnel and replacing the District's bus barn facility.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. We have attempted to match revenues with expenditures in order to avoid deficit spending. The decrease in State funds resulted in a decrease in revenues. The decrease in State funds is the result of several years of declining enrollment. As a result, the District used carryover fund balance to meet its financial obligations during the year. The staff and administration have worked hard to keep costs to a minimum while still offering our students the best education possible.
- The General Fund balance decreased from \$760,857 to \$584,782 a 23.14% decrease. The impact of declining enrollment remains to have an effect on the General Fund balance.
- The Capital Projects Fund balance decreased from \$430,114 at the end of fiscal year 2012 to \$233,328 at the end of fiscal year 2013. The decrease can be attributed to using funds from the Capital Projects Fund to build the new bus barn.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$137,880 at June 30, 2012 to \$134,221 at June 30, 2013, representing a decrease of approximately 2.65%. The District has worked hard to not stockpile supplies and to be efficient in the preparation and serving of the food. We hope through the continued use of sound purchasing practices we are able to keep the costs down.

BUDGETARY HIGHLIGHTS

The District's revenues were \$147,258 more than budgeted revenues, a variance of 2.92%. The most significant variance resulted from the District receiving more money from local sources than originally anticipated, including the receipt of insurance proceeds.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures and instruction functional areas due to timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$2.599 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4.3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$207,799 for both governmental and business type activities.

The original cost of the District's capital assets was approximately \$6.0 million. Governmental funds account for approximately \$5.9 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

During the year, the major increases in assets were the costs incurred to perform building repairs, renovations and facility improvements, and new vehicles and equipment.

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

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 22	22	-	-	22	22	0.0%
Construction in progress	-	15	-	-	-	15	-100.0%
Buildings	1,323	1,095	-	-	1,323	1,095	20.8%
Improvements other than buildings	764	802	-	-	764	802	-4.7%
Furniture and equipment	430	500	60	58	490	558	-12.2%
Totals	\$ 2,539	2,434	60	58	2,599	2,492	4.3%

Long-Term Debt

At June 30, 2013, the District had \$0 in long-term debt outstanding. This represents a decrease of 100.0% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-2013
General obligation bonds	\$ -	150	-100.0%
Revenue bonds	-	160	-100.0%
Totals	\$ -	310	-100.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District experienced a decrease in enrollment by 14 students in the fall of 2013. The District has gone from serving 502 students in 2006 to 375 in 2013, a decrease of 127 students over the past seven years. This will negatively affect our General Fund balances in the future.
- The District has taken measures to maintain the current facilities. Improvements to the gym, outdoor athletic facilities, exterior and interior doors, some flooring and work done on the driveway and parking lot were completed. The District has continued to improve its equipment and we have replaced the roof at the High School Building and Elementary gym. Monies for these improvements came from Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Funds. Several projects remain to be completed in the upcoming year to get the District's facilities to a level of acceptance. The new bus barn is complete and the District will be looking to do more improvements in the coming years. The District is currently free from any debt obligations.
- Fiscal 2013 negotiations with the Professional Educators of Twin Cedars for the 2013-14 school year took more money than the new monies received by the District. The District will negotiate a new agreement during fiscal 2014 for the 2014-2015 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Because of the District's decline in enrollment over the past seven years, this will significantly impact General Fund balances.

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 Brian VanderSluis, Superintendent, Twin Cedars Community School District, 2204 HWY G71, Bussey, Iowa, 50044.

Basic Financial Statements

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,157,900	56,443	1,214,343
Receivables:			
Property tax:			
Delinquent	26,656	-	26,656
Succeeding year	1,402,363	-	1,402,363
Accounts	4,124	-	4,124
Due from other governments	296,405	-	296,405
Inventories	-	19,048	19,048
Capital assets, net of accumulated depreciation	2,538,671	60,460	2,599,131
Total assets	5,426,119	135,951	5,562,070
Liabilities			
Accounts payable	10,747	-	10,747
Salaries and benefits payable	406,240	1,543	407,783
Due to other governments	66,865	-	66,865
Deferred revenue:			
Succeeding year property tax	1,402,363	-	1,402,363
Other	9,186	-	9,186
Unearned revenue	-	187	187
Long-term liabilities:			
Portion due within one year:			
Early retirement	17,306	-	17,306
Compensated absences	6,810	-	6,810
Portion due after one year:			
Early retirement	45,189	-	45,189
Net OPEB liability	353,216	-	353,216
Total liabilities	2,317,922	1,730	2,319,652
Net position			
Net investment in capital assets	2,538,671	60,460	2,599,131
Restricted for:			
Categorical funding	62,483	-	62,483
Management levy purposes	37,514	-	37,514
Student activities	59,152	-	59,152
School infrastructure	210,242	-	210,242
Physical plant and equipment	23,086	-	23,086
Unrestricted	177,049	73,761	250,810
Total net position	\$ 3,108,197	134,221	3,242,418

See notes to financial statements.

Twin Cedars Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2013

Functions / Programs:	Expenses	Program Revenues			Net (Expense) 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	\$ 2,042,608	295,226	368,973	-	(1,378,409)	-	(1,378,409)
Special instruction	628,842	119,009	191,951	-	(317,882)	-	(317,882)
Other instruction	699,183	147,049	7,933	-	(544,201)	-	(544,201)
	<u>3,370,633</u>	<u>561,284</u>	<u>568,857</u>	<u>-</u>	<u>(2,240,492)</u>	<u>-</u>	<u>(2,240,492)</u>
Support services:							
Student	75,514	-	-	-	(75,514)	-	(75,514)
Instructional staff	140,490	-	-	-	(140,490)	-	(140,490)
Administration	464,093	-	-	-	(464,093)	-	(464,093)
Operation and maintenance of plant	437,090	-	-	-	(437,090)	-	(437,090)
Transportation	315,846	-	4,343	-	(311,503)	-	(311,503)
	<u>1,433,033</u>	<u>-</u>	<u>4,343</u>	<u>-</u>	<u>(1,428,690)</u>	<u>-</u>	<u>(1,428,690)</u>
Non-instructional programs	<u>891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(891)</u>	<u>-</u>	<u>(891)</u>
Other expenditures:							
Facilities acquisition	47,947	-	-	-	(47,947)	-	(47,947)
Long-term debt interest	10,732	-	-	369	(10,363)	-	(10,363)
AEA flowthrough	144,701	-	144,701	-	-	-	-
Depreciation (unallocated)*	51,031	-	-	-	(51,031)	-	(51,031)
	<u>254,411</u>	<u>-</u>	<u>144,701</u>	<u>369</u>	<u>(109,341)</u>	<u>-</u>	<u>(109,341)</u>
Total governmental activities	<u>5,058,968</u>	<u>561,284</u>	<u>717,901</u>	<u>369</u>	<u>(3,779,414)</u>	<u>-</u>	<u>(3,779,414)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	228,442	99,258	125,451	-	-	(3,733)	(3,733)
Total	<u>\$ 5,287,410</u>	<u>660,542</u>	<u>843,352</u>	<u>369</u>	<u>(3,779,414)</u>	<u>(3,733)</u>	<u>(3,783,147)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,432,561	-	1,432,561
Capital outlay					27,161	-	27,161
Statewide sales, services and use tax					351,082	-	351,082
Income surtax					26,431	-	26,431
Unrestricted state grants					1,772,424	-	1,772,424
Unrestricted investment earnings					1,051	74	1,125
Insurance proceeds					60,564	-	60,564
Other					73,806	-	73,806
Total general revenues					<u>3,745,080</u>	<u>74</u>	<u>3,745,154</u>
Change in net position					<u>(34,334)</u>	<u>(3,659)</u>	<u>(37,993)</u>
Net position beginning of year					<u>3,142,531</u>	<u>137,880</u>	<u>3,280,411</u>
Net position end of year					<u>\$ 3,108,197</u>	<u>134,221</u>	<u>3,242,418</u>

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

See notes to financial statements.

Balance Sheet
Governmental Funds

June 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and cash equivalents	\$ 929,883	132,274	95,743	1,157,900
Receivables:				
Property tax:				
Delinquent	25,261	-	1,395	26,656
Succeeding year	1,283,444	33,919	85,000	1,402,363
Accounts	4,124	-	-	4,124
Due from other governments	195,351	101,054	-	296,405
Total assets	\$ 2,438,063	267,247	182,138	2,887,448
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 10,275	-	472	10,747
Salaries and benefits payable	406,240	-	-	406,240
Due to other governments	66,865	-	-	66,865
Deferred revenue:				
Succeeding year property tax	1,283,444	33,919	85,000	1,402,363
Other	86,457	-	-	86,457
Total liabilities	1,853,281	33,919	85,472	1,972,672
Fund balances:				
Restricted for:				
Categorical funding	62,483	-	-	62,483
Management levy purposes	-	-	37,514	37,514
Student activities	-	-	59,152	59,152
School infrastructure	-	210,242	-	210,242
Physical plant and equipment	-	23,086	-	23,086
Unassigned	522,299	-	-	522,299
Total fund balances	584,782	233,328	96,666	914,776
Total liabilities and fund balances	\$ 2,438,063	267,247	182,138	2,887,448

See notes to financial statements.

Twin Cedars Community School District

Exhibit D

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

June 30, 2013

Total fund balances of governmental funds (page 20)	\$ 914,776
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,538,671
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	77,271
Long-term liabilities, including early retirement, compensated absences and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(422,521)</u>
Net position of governmental activities (page 18)	<u>\$ 3,108,197</u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit E

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,412,768	378,243	74,938	1,865,949
Tuition	384,554	-	-	384,554
Other	80,800	369	147,049	228,218
State sources	2,294,597	-	-	2,294,597
Federal sources	195,629	-	-	195,629
Total revenues	4,368,348	378,612	221,987	4,968,947
Expenditures:				
Current:				
Instruction:				
Regular	1,910,861	25,568	26,045	1,962,474
Special	662,018	-	3,988	666,006
Other	577,399	-	134,923	712,322
	3,150,278	25,568	164,956	3,340,802
Support services:				
Student	74,991	-	523	75,514
Instructional staff	139,985	-	505	140,490
Administration	427,005	-	13,280	440,285
Operation and maintenance of plant	351,143	-	27,478	378,621
Transportation	256,320	-	11,255	267,575
	1,249,444	-	53,041	1,302,485
Non-instructional programs	-	-	891	891
Other expenditures:				
Facilities acquisition	-	350,098	-	350,098
Long-term debt:				
Principal	-	-	310,000	310,000
Interest and fiscal charges	-	-	14,653	14,653
AEA flowthrough	144,701	-	-	144,701
	144,701	350,098	324,653	819,452
Total expenditures	4,544,423	375,666	543,541	5,463,630
Excess (deficiency) of revenues over (under) expenditures	(176,075)	2,946	(321,554)	(494,683)
Other financing sources (uses):				
Insurance proceeds	-	60,564	-	60,564
Operating transfers in	-	138,118	260,296	398,414
Operating transfers out	-	(398,414)	-	(398,414)
Total other financing sources (uses)	-	(199,732)	260,296	60,564
Change in fund balances	(176,075)	(196,786)	(61,258)	(434,119)
Fund balances beginning of year	760,857	430,114	157,924	1,348,895
Fund balances end of year	\$ 584,782	233,328	96,666	914,776

See notes to financial statements.

Twin Cedars Community School District

Exhibit F

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

Year ended June 30, 2013

Net change in fund balances - total governmental funds (page 22) \$ (434,119)

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

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

Expenditures for capital assets	\$ 305,941	
Depreciation expense	<u>(197,178)</u>	108,763

In the Statement of Activities, the loss on the disposition of the capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (3,789)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (4,877)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 310,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,921

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

Early retirement	8,282	
Compensated absences	(55)	
Other postemployment benefits	<u>(22,460)</u>	<u>(14,233)</u>

Change in net position of governmental activities (page 19) \$ (34,334)

See notes to financial statements.

Twin Cedars Community School District

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

	<u>Nonmajor School Nutrition</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 56,443
Inventories	19,048
Total current assets	<u>75,491</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	60,460
Total noncurrent assets	<u>60,460</u>
Total assets	<u>135,951</u>
Liabilities	
Current liabilities:	
Salaries and benefits payable	1,543
Unearned revenue	187
Total current liabilities	<u>1,730</u>
Total liabilities	<u>1,730</u>
Net Position	
Investment in capital assets	60,460
Unrestricted	<u>73,761</u>
Total net position	<u>\$ 134,221</u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit H

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

Year ended June 30, 2013

	<u>Nonmajor School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 99,258</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	90,967
Purchased services	10,401
Supplies	116,453
Depreciation	<u>10,621</u>
Total operating expenses	<u>228,442</u>
Operating loss	<u>(129,184)</u>
Non-operating revenues:	
State sources	2,448
Federal sources	123,003
Interest income	74
Total non-operating revenues	<u>125,525</u>
(Decrease) in net position	(3,659)
Net position beginning of year	<u>137,880</u>
Net position end of year	<u><u>\$ 134,221</u></u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	<u>Nonmajor School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 98,685
Cash paid to employees for services	(111,901)
Cash paid to suppliers for goods and services	(111,972)
Net cash used by operating activities	<u>(125,188)</u>
Cash flows from non-capital financing activities:	
State grants received	2,448
Federal grants received	109,489
Net cash provided by non-capital financing activities	<u>111,937</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(13,047)
Net cash used by capital and related financing activities	<u>(13,047)</u>
Cash flows from investing activities:	
Interest on investments	<u>74</u>
Net (decrease) in cash and cash equivalents	(26,224)
Cash and cash equivalents beginning of year	<u>82,667</u>
Cash and cash equivalents end of year	<u>\$ 56,443</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (129,184)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,514
Depreciation	10,621
(Increase) in inventories	(30)
Decrease in prepaid expenses	1,398
(Decrease) in unearned revenue	(573)
(Decrease) in other postemployment benefits	(20,934)
Net cash used by operating activities	<u>\$ (125,188)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$13,514 of federal commodities.

See notes to financial statements.

Twin Cedars Community School District

Notes to Financial Statements

June 30, 2013

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Twin Cedars Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bussey, Iowa, and the predominate agricultural territory in Marion and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Fund Equity

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

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested.

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20-50
Intangibles	5-10
Furniture and equipment	5-15

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

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

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

Unearned Revenue – Unearned revenues are monies collected for meals that have not yet been served. The meal account balances will either be reimbursed, or will be used when meals are served. The meal account balances are reflected in the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

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

(2) **CASH AND CASH EQUIVALENTS**

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

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

(3) **INTERFUND TRANSFERS**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects Statewide Sales, Services and Use Tax	\$ 260,296
Capital Project Construction Projects	Capital Projects Statewide Sales, Services and Use Tax	<u>138,118</u>
Total		<u>\$ 398,414</u>

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

(4) CAPITAL ASSETS

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,375	-	-	22,375
Construction in progress	14,417	-	14,417	-
Total capital assets not being depreciated	<u>36,792</u>	<u>-</u>	<u>14,417</u>	<u>22,375</u>
Capital assets being depreciated:				
Buildings	3,332,077	278,325	-	3,610,402
Improvements other than buildings	1,163,174	15,436	-	1,178,610
Furniture and equipment	1,089,779	26,597	35,194	1,081,182
Total capital assets being depreciated	<u>5,585,030</u>	<u>320,358</u>	<u>35,194</u>	<u>5,870,194</u>
Less accumulated depreciation for:				
Buildings	2,236,944	51,031	-	2,287,975
Improvements other than buildings	360,972	53,461	-	414,433
Furniture and equipment	590,209	92,686	31,405	651,490
Total accumulated depreciation	<u>3,188,125</u>	<u>197,178</u>	<u>31,405</u>	<u>3,353,898</u>
Total capital assets being depreciated, net	<u>2,396,905</u>	<u>123,180</u>	<u>3,789</u>	<u>2,516,296</u>
Governmental activities capital assets, net	<u>\$ 2,433,697</u>	<u>123,180</u>	<u>18,206</u>	<u>2,538,671</u>
Business type activities:				
Furniture and equipment	\$ 126,135	13,047	-	139,182
Less accumulated depreciation	68,101	10,621	-	78,722
Business type activities capital assets, net	<u>\$ 58,034</u>	<u>2,426</u>	<u>-</u>	<u>60,460</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Other	\$ 5,705
Support services:	
Administration	8,635
Operation and maintenance of plant	62,602
Transportation	69,205
	<u>146,147</u>
Unallocated	<u>51,031</u>
Total depreciation expense - governmental activities	<u>\$ 197,178</u>
Business type activities:	
Food service operations	<u>\$ 10,621</u>

(5) LONG-TERM LIABILITIES

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 150,000	-	150,000	-	-
Revenue bonds	160,000	-	160,000	-	-
Early retirement	70,777	7,468	15,750	62,495	17,306
Compensated absences	6,755	6,810	6,755	6,810	6,810
Net OPEB liability	330,756	37,850	15,390	353,216	-
Total	\$ 718,288	52,128	347,895	422,521	24,116
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 20,934	-	20,934	-	-

Revenue Bonds

The District had pledged future statewide sales, services and use tax revenues to repay the \$435,000 bonds issued in April 2005. The bonds were issued for the purpose of financing a portion of the costs of major school improvements. The bonds were payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds were not a general obligation of the District. However, the debt was subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the bonds is \$0. For the current year, principal and interest paid on the bonds and total statewide sales, services and use tax revenues were \$166,104 and \$351,082, respectively.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) 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.
- c) 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.

Early Retirement

- A. In March 2009, the District approved a voluntary early retirement plan for employees. Eligible employees must have completed 34 years of full-time service to the District and must be between the ages of 55 and 57 on or before June 30 of the year in which the licensed employee wishes to retire. The application for early retirement was subject to approval by the Board of Education.

Upon retirement, the licensed employee is eligible to continue participation in the District's group insurance plan at the District's expense for three years by meeting the requirements of the insurer.

At June 30, 2013, the District has obligations to no participants with a total liability of \$0. Actual early retirement expenditures under this plan for the year ended June 30, 2013 totaled \$875. This early retirement plan was replaced by the early retirement plan as documented in the following paragraph.

- B. In March 2011, the District approved a voluntary early retirement plan for employees. This plan was only offered to employees retiring at the end of the 2010-2011 school year. Eligible employees must have completed 30 consecutive years of full-time service to the District and must be at least age 55 on or before June 30 of the year in which the licensed employee wishes to retire. The application for early retirement was subject to approval by the Board of Education.

Upon retirement, the licensed employee is eligible to continue participation in the District's group insurance plan at the District's expense for 62 months or until the employee is eligible for Medicare, whichever comes first, by meeting the requirements of the insurer.

At June 30, 2013, the District has obligations to two participants with a total liability of \$38,458. Actual early retirement expenditures under this plan for the year ended June 30, 2013 totaled \$10,500. This early retirement plan was replaced by the early retirement plan as documented in the following paragraph.

- C. In February 2012, the District approved a voluntary early retirement plan for employees. This plan was only offered to employees retiring at the end of the 2011-2012 school year. Eligible employees must have completed 30 consecutive years of full-time service to the District and must be at least age 55 on or before June 30 of the year in which the licensed employee wishes to retire. The application for early retirement was subject to approval by the Board of Education.

Upon retirement, the licensed employee is eligible to continue participation in the District's group insurance plan at the District's expense for 60 months or until the employee is eligible for Medicare, whichever comes first, by meeting the requirements of the insurer.

At June 30, 2013, the District has obligations to one participant with a total liability of \$24,037. Actual early retirement expenditures under this plan for the year ended June 30, 2013 totaled \$4,375.

There were no new participants in the early retirement program in fiscal year 2013. The total liability was adjusted in fiscal year 2013 to account for the increase in premiums in the year.

(6) OPERATING LEASE

The District entered into a lease on January 23, 2012 to lease copier equipment, which includes maintenance service, at \$2,623 per month. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires on January 23, 2017.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2013:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2014	\$ 31,476
2015	31,476
2016	31,476
2017	<u>18,361</u>
	<u>\$ 112,789</u>

During the fiscal year, total expenditures incurred in relation to this lease agreement were \$31,476.

(7) PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$228,123 \$210,050 and \$182,879, respectively, equal to the required contributions for each year.

(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 41 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially-insured plan with United Healthcare, with the District covering the difference in deductible amounts for purchased plans with those paid by employees. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 14,212
Interest on net OPEB obligation	15,826
Adjustment to annual required contribution	<u>(13,122)</u>
Annual OPEB cost	16,916
Contributions made	<u>(15,390)</u>
Increase in net OPEB obligation	1,526
Net OPEB obligation beginning of year	<u>351,690</u>
Net OPEB obligation end of year	<u>\$ 353,216</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$15,390 to the medical 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	\$ 132,000	9.8%	\$ 119,000
June 30, 2011	132,568	12.1%	235,568
June 30, 2012	133,122	12.8%	351,690
June 30, 2013	16,916	91.0%	353,216

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$128,487, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$128,487. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,851,000 and the ratio of the UAAL to covered payroll was 6.94%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy.

Mortality rates are from the *Life Expectancy Table* from National Center for Health Statistics updated in 2008, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the table 1 in GASB Statement 45.

Projected claim costs of the medical plan are \$481 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) RISK MANAGEMENT

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

The District has a partially self-funded health insurance program. The District funds the difference between the deductible and out-of-pocket maximum on the plan chosen by the employee and the plan actually purchased by the District, per plan. This difference consists of a maximum District cost of \$4,000 for a single plan and \$8,000 for a family plan. The District incurred \$5,031 in costs related to this program for the year ended June 30, 2013. The District funds these costs from the General Fund as claims are incurred.

(10) AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$144,701 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) CATEGORICAL FUNDING

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

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction program	\$ 5,177
Educator quality, market factor	5,735
Educator quality, professional development	20,724
Teacher quality basic	1,980
Teacher quality, core curriculum	2,369
Four-year old preschool state aid	<u>26,498</u>
Total	<u>\$ 62,483</u>

(12) SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 14, 2014, which is the date the financial statements were available to be issued.

Required Supplementary Information

Twin Cedars Community School District

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budget to Actual Variance
Revenues:					
Local sources	\$ 2,478,721	99,332	2,578,053	2,348,129	229,924
Intermediate sources	-	-	-	2,000	(2,000)
State sources	2,294,597	2,448	2,297,045	2,363,343	(66,298)
Federal sources	195,629	123,003	318,632	333,000	(14,368)
Total revenues	4,968,947	224,783	5,193,730	5,046,472	147,258
Expenditures/Expenses:					
Instruction	3,340,802	-	3,340,802	3,117,761	(223,041)
Support services	1,302,485	-	1,302,485	1,724,065	421,580
Non-instructional programs	891	228,442	229,333	243,190	13,857
Other expenditures	819,452	-	819,452	796,794	(22,658)
Total expenditures/expenses	5,463,630	228,442	5,692,072	5,881,810	189,738
Excess (deficiency) of revenues over (under) expenditures/expenses	(494,683)	(3,659)	(498,342)	(835,338)	336,996
Other financing sources, net	60,564	-	60,564	364,268	(303,704)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(434,119)	(3,659)	(437,778)	(471,070)	33,292
Balances beginning of year	1,348,895	137,880	1,486,775	534,930	951,845
Balances end of year	\$ 914,776	134,221	1,048,997	63,860	985,137

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Twin Cedars Community School District's (District) 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 functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the budget during the year.

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

Twin Cedars Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,044	1,044	0.0%	\$ 2,655	39.3%
2011	July 1, 2009	-	1,044	1,044	0.0%	2,692	38.8%
2012	July 1, 2009	-	1,044	1,044	0.0%	2,624	39.8%
2013	July 1, 2012	-	128	128	0.0%	1,851	6.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Twin Cedars Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and cash equivalents	\$ 36,119	59,624	95,743
Receivables:			
Property tax:			
Delinquent	1,395	-	1,395
Succeeding year	85,000	-	85,000
Total assets	\$ 122,514	59,624	182,138
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	472	472
Deferred revenue:			
Succeeding year property tax	85,000	-	85,000
Total liabilities	85,000	472	85,472
Fund balances:			
Restricted for:			
Management levy purposes	37,514	-	37,514
Student activities	-	59,152	59,152
Total fund balances	37,514	59,152	96,666
Total liabilities and fund balances	\$ 122,514	59,624	182,138

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 2

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

Year ended June 30, 2013

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 74,938	-	-	74,938
Other	-	147,049	-	147,049
Total revenues	74,938	147,049	-	221,987
Expenditures:				
Current:				
Instruction:				
Regular	26,045	-	-	26,045
Special	3,988	-	-	3,988
Other	3,984	130,939	-	134,923
Support services:				
Student	523	-	-	523
Instructional staff	505	-	-	505
Administration	13,280	-	-	13,280
Operation and maintenance of plant	27,478	-	-	27,478
Transportation	11,255	-	-	11,255
Non-instructional programs	891	-	-	891
Other expenditures:				
Long-term debt:				
Principal	-	-	310,000	310,000
Interest and fiscal charges	-	-	14,653	14,653
Total expenditures	87,949	130,939	324,653	543,541
Excess (deficiency) of revenues over (under) expenditures	(13,011)	16,110	(324,653)	(321,554)
Other financing sources (uses):				
Operating transfers in	-	-	260,296	260,296
Total other financing sources (uses)	-	-	260,296	260,296
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(13,011)	16,110	(64,357)	(61,258)
Fund balances beginning of year	50,525	43,042	64,357	157,924
Fund balances end of year	\$ 37,514	59,152	-	96,666

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
High School Tag	\$ 502	1,912	2,229	-	185
Biology	66	25	91	-	-
Co-Ed Athletics	664	12,534	12,269	-	929
Boys Athletics	4,552	26,917	18,993	(1,424)	11,052
Boys Basketball	563	202	765	-	-
Football	852	5,430	2,779	-	3,503
Baseball	1,136	4,980	4,797	-	1,319
Girls Athletics	422	18,687	15,717	-	3,392
Softball	-	362	100	-	262
Activity Tickets	601	-	151	-	450
Boys Track	520	1,402	1,584	-	338
Girls Basketball	580	8,543	8,686	-	437
Volleyball	4,137	5,226	4,833	-	4,530
Pep Club	495	258	538	-	215
Yearbook	15,343	5,709	4,963	-	16,089
FFA	1,205	23,556	26,184	1,424	1
High School Student Council	653	1,405	1,367	-	691
Elementary Student Council	3,376	3,754	2,379	-	4,751
Elementary Fundraisers	882	3,624	3,332	-	1,174
Technology Club	810	917	1,375	-	352
Archery Club	36	-	-	-	36
Science Club	36	-	36	-	-
High School Music	136	-	-	-	136
High School Colorguard	8	-	-	-	8
Class of 2012	907	-	905	-	2
Class of 2013	482	15,402	12,296	-	3,588
Class of 2014	515	1,925	1,687	-	753
Class of 2015	-	118	-	-	118
Art Club	4	380	301	-	83
Cheerleaders	1,641	1,670	1,319	-	1,992
Drill Team	1,918	2,111	1,263	-	2,766
Total	\$ 43,042	147,049	130,939	-	59,152

See accompanying independent auditor's report.

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 109,188	23,086	132,274
Receivables:			
Property tax:			
Succeeding year	-	33,919	33,919
Due from other governments	101,054	-	101,054
Total assets	\$ 210,242	57,005	267,247
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	33,919	33,919
Total liabilities	-	33,919	33,919
Fund balances:			
Restricted for:			
School infrastructure	210,242	-	210,242
Physical plant and equipment	-	23,086	23,086
Total fund balances	210,242	23,086	233,328
Total liabilities and fund balances	\$ 210,242	57,005	267,247

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 351,082	-	27,161	378,243
Other	369	-	-	369
Total revenues	<u>351,451</u>	<u>-</u>	<u>27,161</u>	<u>378,612</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	-	25,568	25,568
Other expenditures:				
Facilities acquisition	75,856	251,560	22,682	350,098
Total expenditures	<u>75,856</u>	<u>251,560</u>	<u>48,250</u>	<u>375,666</u>
Excess (deficiency) of revenues over (under) expenditures	<u>275,595</u>	<u>(251,560)</u>	<u>(21,089)</u>	<u>2,946</u>
Other financing sources (uses):				
Insurance proceeds	-	60,564	-	60,564
Operating transfers in	-	138,118	-	138,118
Operating transfers out	(398,414)	-	-	(398,414)
Total other financing sources (uses)	<u>(398,414)</u>	<u>198,682</u>	<u>-</u>	<u>(199,732)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(122,819)</u>	<u>(52,878)</u>	<u>(21,089)</u>	<u>(196,786)</u>
Fund balances beginning of year	<u>333,061</u>	<u>52,878</u>	<u>44,175</u>	<u>430,114</u>
Fund balances end of year	<u>\$ 210,242</u>	<u>-</u>	<u>23,086</u>	<u>233,328</u>

See accompanying independent auditor's report.

Twin Cedars Community School District

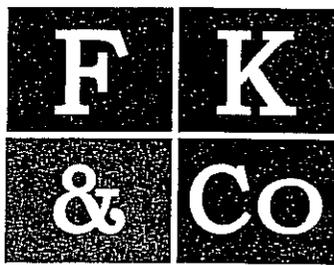
Schedule 6

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

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,865,949	1,744,417	1,630,933	1,510,636	1,519,191	1,461,397	1,478,546	1,458,722	1,397,579	1,205,560
Tuition	384,554	305,616	332,529	405,005	353,033	403,511	424,002	408,503	419,604	363,672
Other	228,218	203,932	228,768	175,391	201,177	285,813	394,363	277,689	180,712	166,176
Intermediate sources	-	-	3,000	6,000	1,000	1,000	4,000	-	259	3,677
State sources	2,294,597	2,449,370	2,315,954	2,010,470	2,449,019	2,363,267	2,182,695	2,241,092	2,033,027	1,899,892
Federal sources	195,629	164,749	255,540	444,351	225,015	177,260	114,229	168,480	187,471	180,871
Total	\$ 4,968,947	4,868,084	4,766,724	4,551,853	4,748,435	4,692,248	4,597,835	4,554,486	4,218,652	3,819,848
Expenditures:										
Instruction:										
Regular	\$ 1,962,474	1,737,203	1,853,755	1,604,908	1,720,238	1,617,640	1,539,467	1,461,801	1,666,724	1,535,124
Special	666,006	602,569	551,781	636,689	611,392	570,309	452,342	497,621	438,539	406,274
Other	712,322	670,341	745,819	875,115	719,297	655,178	574,753	620,710	540,050	416,960
Support services:										
Student	75,514	122,760	125,817	108,059	150,045	133,446	110,566	47,096	75,559	99,427
Instructional staff	140,490	67,736	134,078	68,184	71,986	52,360	74,889	144,663	56,041	70,516
Administration	440,285	441,022	443,823	411,122	420,349	419,711	416,607	372,084	310,662	405,059
Operation and maintenance of plant	378,621	351,596	375,574	343,185	406,645	426,512	389,404	276,500	231,380	252,735
Transportation	267,575	343,492	284,505	284,383	393,309	313,953	346,069	228,280	292,898	277,058
Non-instructional programs	891	873	752	1,019	875	890	892	25,383	19,896	782
Other expenditures:										
Facilities acquisition	350,098	90,050	105,190	333,367	148,254	204,637	324,412	389,650	160,561	29,941
Long-term debt:										
Principal	310,000	120,000	115,000	110,000	105,000	151,355	97,253	57,145	52,043	46,946
Interest and other charges	14,653	17,247	21,592	25,919	29,932	36,232	40,008	39,148	30,080	31,063
AEA flowthrough	144,701	145,498	161,734	161,191	151,211	147,150	137,266	134,159	130,759	131,635
Total	\$ 5,463,630	4,710,387	4,919,420	4,963,141	4,928,533	4,729,373	4,523,928	4,294,240	4,005,192	3,703,520

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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

To the Board of Education of
Twin Cedars Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District (District) as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 14, 2014.

Internal Control Over Financial Reporting

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

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

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

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

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Compliance and Other Matters

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

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

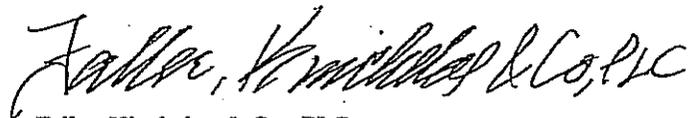
The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. 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 on them.

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC
Certified Public Accountants

February 14, 2014

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person. Also, vouchers are processed and checks are prepared by the same person.

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

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

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

- (B) Fixed Assets – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response – We will review this situation.

Conclusion – Response acknowledged.

- (C) Financial Reporting – During the audit, we identified material amounts of receivables, payables, fixed assets and debt amounts not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all balances and transactions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any of these types of transactions.

Conclusion – Response acknowledged.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2013

- (D) Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. The District does not have the internal resources to prepare the full-disclosure financial statements required by generally accepted accounting principles for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than to rely on external assistance.

Response – We recognize our limitations; however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response acknowledged.

- (E) Receipts – An instance was noted where Activity Fund receipts were not deposited timely or intact. In addition, an instance was noted where there were immaterial differences between actual nutrition monies received and nutrition monies deposited to the bank account.

Recommendation – The District should implement procedures to ensure all Activity Fund receipts are deposited timely and intact. In addition, the District should implement procedures to ensure nutrition monies collected reconcile to nutrition monies deposited to the bank account.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the instruction and other expenditures functions.

For the fiscal year 2103 budget, the Board minutes do not document that a public hearing was held prior to the approval of the budget, as required by Chapter 24.9 of the Code of Iowa.

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. In addition, the Board minutes should document that a public hearing was held prior to the approval of the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. In addition, the Board minutes should document the public hearing was held prior to the approval of the budget.

Conclusion – Response acknowledged.

- (2) Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of Twin Cedars Community School District (District) money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- (4) Business Transactions – No business transactions between the District and District officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (6) Board Minutes – The Board did not approve two disbursements, nor were these disbursements published in the newspaper, as required by Chapter 279.29 and 279.35 of the Code of Iowa. The Board does not document their approval for transfers which take place between funds.

Recommendation – Procedures should be implemented to ensure compliance with Chapter 279.29 and 279.35 of the Code of Iowa in relation to Board approval of all disbursements and the publishing of all claims. In addition, the Board should approve all interfund transfers.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (7) Certified Enrollment – The total students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October 2012, was understated by .6 children.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve these matters.

Response – We will contact the Iowa Department of Education and the Iowa Department of Management.

Conclusion – Response acknowledged.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2013

- (8) Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- (9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and District's investment policy were noted.
- (10) Certified Annual Report – The Certified Annual Report was timely certified to the Iowa Department of Education. However, we noted material variances between the amounts reported on the Certified Annual Report and the financial statements.

Recommendation – The District should contact the Iowa Department of Education to resolve this situation.

Response – We have contacted the Department of Education and will make adjustments through the certified annual report for the next fiscal year.

Conclusion – Response acknowledged.

- (11) Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds. However, in some cases the District did not record revenues and expenditures related to categorical funding until the end of the fiscal year. The Department of Education requires that all categorical funding be recorded to specific account codes. Since the District did not record categorical funding to specific account codes during the year, it appears the District is not in compliance with the Department of Education requirements.

Recommendation – The District should consult the Iowa Department of Education regarding corrective action to be taken.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (12) Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenues. 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 following information includes the amounts the District reported for statewide sales, services and use tax revenue in the District's CAR:

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2013

Beginning balance		\$ 333,061
Revenues:		
Statewide sales, services and use tax	\$ 351,082	
Other local revenues	369	351,451
		684,512
Expenditures/transfers out:		
School infrastructure construction	\$ 46,261	
Equipment	29,595	
Transfers to other funds:		
Debt service fund	260,296	
Construction project fund	138,118	474,270
		474,270
Ending balance		\$ 210,242

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

	Rate of Levy	
	Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.62	\$ 156,854

- (13) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and the back of each cancelled check. In some cases, the District retains cancelled checks through electronic image, but in other cases the District did not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (14) Activity Fund Fundraisers – For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentages.

Recommendation – The District should implement procedures for Activity Fund fundraisers which documents the reconciliation of actual monies collected to the amount of money which should have been collected based on the quantity of merchandise purchased for resale or gross profit percentages.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2013

- (15) Fuel – The District has an unleaded gas barrel and two diesel fuel barrels to be used for its vehicle and equipment fleet. The District attempts to maintain a perpetual record of unleaded gas and diesel fuel. However, no comparison is made between the fuel balances as recorded on the perpetual records with the actual number of gallons in the fuel tanks at any one time.

Recommendation – The District should periodically compare the balances as recorded on the perpetual fuel records with the actual gallons of fuel on hand, and any significant differences should be investigated.

Response – We will take the above under advisement.

Conclusion – Response acknowledged.

- (16) Miscellaneous – A former employee is still on the signature cards at the bank.

An instance was noted where the District did not file an Internal Revenue Service (IRS) Form 1099-Misc. form as required.

Recommendation - The District should implement procedures to ensure the former employee is removed from the signature cards at the bank, and that IRS 1099-Misc. forms are filed as required.

Response – We will implement the recommendations as noted above.

Conclusion – Response acknowledged.

- (17) Billings – The District bills other schools for fees associated with open enrolled in students, and bills parents for fees associated with the pre-school program. In addition, other schools bill the District for fees associated with open enrolled out students. Our review of these procedures noted the following concerns:

- It does not appear the District has billed all of the parents for pre-school program fees.
- It does not appear the District has billed other schools for some open enrolled in students. The total open enrolled in fees not billed by the District was approximately \$12,000.
- It appears the District overpaid other schools by approximately \$12,000 for open enrolled out students.

None of the above issues were known by the District until we brought it to their attention.

Recommendation – The District should implement procedures to ensure all billings associated with open enrolled in students and the pre-school program are appropriately billed. In addition, the District should ensure that all payments made to other schools for open enrolled out students are appropriate. In addition, the District should also follow up on all of the above issues, and attempt to collect all monies due to the District.

Response – Procedures have been implemented to ensure the above does not happen in the future. In addition, we will follow up on all of the above issues and collect monies from the parents and other schools as appropriate.

Conclusion – Response acknowledged.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2013

- (18) Construction Project – The District did not publish a notice of public hearing for a building construction project as required by Chapters 26.12 and 362.3 of the Code of Iowa.

For a building construction project, it does not appear the District met the intent of Chapters 26.3 to 26.10 of the Code of Iowa. Specifically, the District negotiated the cost of the project with the low bidder for this project, prior to the awarding of the contract. Chapter 26 of the Code of Iowa requires that competitive bids be obtained for applicable public improvement contracts, and that the contract for the public improvement be awarded to the lowest, responsive bidder. It does not appear the District met the intent of these code sections in relation to the building construction project.

Recommendation – The District should implement procedures to ensure notice of public hearings and bids are obtained on applicable construction contracts, as required by the Code of Iowa.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.