

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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Independent Auditor's Report

To the Board of Education of
East Sac County 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 East Sac County Community School District, Lake View, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above presents 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 East Sac County Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 35 through 37 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 operation, 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 East Sac County Community School District's basic financial statements. We previously audited, in accordance with the standards referred 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 May 15, 2014 on our consideration of East Sac County Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Sac County Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

On July 1, 2011 the Wall Lake View Auburn Community School District and the Sac Community School District merged into the District which is now the East Sac County Community School District. Because of the merger current year financial data is not comparable to prior year data. However, in the future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

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 East Sac County Community School District as a whole and present an overall view of the District's finances.

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

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.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 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-1 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position is an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and 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 provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net position at June 30, 2013 compared to the year ended June 30, 2012.

Figure A-2

	Condensed Statement of Net Position						Percentage Change 2012-2013 %
	Governmental Activities		Business-type Activities		Total School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,516,810	7,481,708	193,554	192,628	7,710,364	7,674,336	1%
Capital assets	4,800,872	5,067,014	143,595	149,741	4,944,467	5,216,755	-5%
Total assets	12,317,682	12,548,722	337,149	342,369	12,654,831	12,891,091	-2%
Long-term liabilities	144,891	71,638	2,708	1,339	147,599	72,977	102%
Other liabilities	4,697,180	4,217,143	6,839	8,046	4,704,019	4,225,189	11%
Total liabilities	4,842,071	4,288,781	9,547	9,385	4,851,618	4,298,166	13%
Net position:							
Net Investment in capital assets	4,800,872	5,067,014	143,595	149,741	4,944,467	5,216,755	-5%
Restricted	1,981,541	1,856,725	-	-	1,981,541	1,856,725	7%
Unrestricted	693,198	1,336,202	184,007	183,243	877,205	1,519,445	-42%
TOTAL NET POSITION	7,475,611	8,259,941	327,602	332,984	7,803,213	8,592,925	-9%

The District's total net position decreased by 9%, or \$789,712, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$124,816 or 7% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$642,240, or 42%. This reduction in unrestricted net position was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-3 shows the change in net position for the years ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4

	Change in Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	1,028,736	955,637	247,632	263,546	1,276,368	1,219,183	5%
Operating grants & contributions	1,336,675	1,402,011	275,425	269,019	1,612,100	1,671,030	-4%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	3,371,992	3,046,163			3,371,992	3,046,163	11%
Statewide sales, service & use tax	772,680	694,497			772,680	694,497	11%
Unrestricted state grants	3,875,962	4,107,343			3,875,962	4,107,343	-6%
Unrestricted investment earnings	184	5,386	401	6,972	585	12,358	-95%
Other revenue	123,822	80,961			123,822	80,961	53%
Total Revenues	10,510,051	10,291,998	523,458	539,537	11,033,509	10,831,535	2%
Expenses:							
Instruction	7,204,510	6,778,977	-	-	7,204,510	6,778,977	6%
Support services	3,522,006	3,224,395	-	-	3,522,006	3,224,395	9%
Non-instructional programs	-	-	528,840	487,376	528,840	487,376	9%
Other expenditures	567,865	563,842	-	-	567,865	563,842	1%
Total expenses	11,294,381	10,567,214	528,840	487,376	11,823,221	11,054,590	7%
CHANGE IN NET POSITION	(784,330)	(275,216)	(5,382)	52,161	(789,712)	(223,055)	-254%
Net position beginning of year	8,259,941	8,535,157	332,984	280,823	8,592,925	8,815,980	-3%
Net position end of year	7,475,611	8,259,941	327,602	332,984	7,803,213	8,592,925	-9

In fiscal year 2013 property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

For the year ended June 30, 2013

- The cost financed by users of the District's programs was \$1,276,368. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,612,100.
- The net cost of governmental activities was financed with \$4,144,672 in property and local other taxes and \$3,875,962 in unrestricted state grants.

Governmental Activities

Revenues for governmental activities were \$10,510,051 and expenses were \$11,294,381. 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.

Figure A-4

Total and Net Cost of Governmental Activities

	Total Cost Of Services 2013 \$	Total Cost of Services 2012 \$	Net Cost of Services 2013 \$	Net Cost Of Services 2012 \$
Instruction	7,204,510	6,778,977	5,223,539	4,855,701
Support Services	3,522,006	3,224,395	3,490,745	3,137,257
Non-instructional	-	-	-	-
Other Expenses	567,865	563,842	214,686	216,608
TOTAL	11,294,381	10,567,214	8,928,970	8,209,566

Business Type Activities

Revenues for business type activities were \$523,458 and expenses were \$528,840. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2013, the District did increase meal prices at the request of the Dept. of Nutrition.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,819,630.

Governmental Fund Highlights

- The District’s General Fund balance decreased from \$1,407,840 to \$838,089.
- The Capital Projects Fund balance increased due to no major building projects. The fiscal year 2013 ended with a balance of \$1,480,005.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$332,984 at June 30, 2012 to \$327,602 at June 30, 2013, representing an decrease of approximately 2%. The decrease in net position is attributable to increase cost of food and supplies.

BUDGETARY HIGHLIGHTS

The District’s receipts were \$386,173 more than budgeted receipts, a variance of 4%.

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 slightly higher than expected 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 instruction, support services, and non-instructional functional areas due to the timing of expenditures paid 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 \$4.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5) This represents a net decrease of 5% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$434,768.

Figure A-5

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
	\$	\$	\$	\$	\$	\$	%
Land	96,319	96,319	-	-	96,319	96,319	0%
Buildings	2,779,612	2,917,220	-	-	2,779,612	2,917,220	-5%
Improvements	1,098,607	1,129,566	-	-	1,098,607	1,129,566	-3%
Equipment & furniture	826,334	923,909	143,595	149,741	969,929	1,073,650	-10%
TOTAL	4,800,872	5,067,014	143,595	149,741	4,944,467	5,216,755	-5%

Long-Term Debt

At June 30, 2013 the District had \$147,599 in long-term debt outstanding (See Figure A-6). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-6

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2013	2012	2012-2013
	\$	\$	
Governmental activities:			
Net OPEB liability	144,891	71,638	102%
Business type activities:			
Net OPEB liability	2,708	1,339	102%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- East Sac County CSD, as a newly reorganized district, is realizing a significant reduction in State Aid due to the loss of reorganization/sharing incentives. The District plans to cut expenses and look for additional sources of revenue.
- School financing is highly dependent upon student enrollment. The District's October 2013 enrollment increased by nine students. This slight change in enrollment coupled with increase cost per pupil will result in approximately \$280,000 increase in the District's funding for fiscal year 2015.

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 John Kraft, Business Manager, East Sac County Community School District, 801 Jackson Street, Lake View, Iowa, 51450.

BASIC FINANCIAL STATEMENTS

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	3,199,310	155,539	3,354,849
Receivables:			
Property tax:			
Delinquent	34,506	-	34,506
Succeeding year	3,790,909	-	3,790,909
Accounts	-	311	311
Due from other governments	492,085	28,400	520,485
Inventories	-	9,304	9,304
Capital assets, net of accumulated depreciation	4,800,872	143,595	4,944,467
Total assets	12,317,682	337,149	12,654,831
Liabilities			
Accounts payable	66,108	-	66,108
Salaries and benefits payable	840,163	-	840,163
Deferred revenue:			
Succeeding year property tax	3,790,909	-	3,790,909
Other	-	6,839	6,839
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	144,891	2,708	147,599
Total liabilities	4,842,071	9,547	4,851,618
Net position			
Net investment in capital assets	4,800,872	143,595	4,944,467
Restricted for:			
Management levy	246,012	-	246,012
Physical plant and equipment levy	118,746	-	118,746
Student activities	255,524	-	255,524
School infrastructure	1,361,259	-	1,361,259
Unrestricted	693,198	184,007	877,205
Total net position	7,475,611	327,602	7,803,213

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,999,384	629,886	722,686	-
Special	813,243	105,635	110,424	-
Other	1,391,883	276,013	136,327	-
	<u>7,204,510</u>	<u>1,011,534</u>	<u>969,437</u>	<u>-</u>
Support services:				
Student	151,508	-	-	-
Instructional staff	326,744	-	-	-
Administration	987,854	-	-	-
Operation and maintenance of plant	1,358,793	17,202	-	-
Transportation	697,107	-	14,059	-
	<u>3,522,006</u>	<u>17,202</u>	<u>14,059</u>	<u>-</u>
Other expenditures:				
AEA flowthrough	353,179	-	353,179	-
Depreciation (unallocated)*	214,686	-	-	-
	<u>567,865</u>	<u>-</u>	<u>353,179</u>	<u>-</u>
Total governmental activities	11,294,381	1,028,736	1,336,675	-
Business type activities:				
Non-instructional programs:				
Food service operations	528,840	247,632	275,425	-
Total	<u>11,823,221</u>	<u>1,276,368</u>	<u>1,612,100</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net position

Net position beginning of year

Net position end of year

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

Net (Expense) Revenue and Changes in Net
Position

Primary Government		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(3,646,812)	-	(3,646,812)
(597,184)	-	(597,184)
(979,543)	-	(979,543)
<u>(5,223,539)</u>	<u>-</u>	<u>(5,223,539)</u>
(151,508)	-	(151,508)
(326,744)	-	(326,744)
(987,854)	-	(987,854)
(1,341,591)	-	(1,341,591)
(683,048)	-	(683,048)
<u>(3,490,745)</u>	<u>-</u>	<u>(3,490,745)</u>
-	-	-
(214,686)	-	(214,686)
<u>(214,686)</u>	<u>-</u>	<u>(214,686)</u>
(8,928,970)	-	(8,928,970)
-	(5,783)	(5,783)
<u>(8,928,970)</u>	<u>(5,783)</u>	<u>(8,934,753)</u>
3,264,708	-	3,264,708
107,284	-	107,284
772,680	-	772,680
3,875,962	-	3,875,962
184	401	585
123,822	-	123,822
<u>8,144,640</u>	<u>401</u>	<u>8,145,041</u>
(784,330)	(5,382)	(789,712)
<u>8,259,941</u>	<u>332,984</u>	<u>8,592,925</u>
<u>7,475,611</u>	<u>327,602</u>	<u>7,803,213</u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	1,464,293	1,235,305	499,712	3,199,310
Receivables:				
Property tax:				
Delinquent	31,599	1,083	1,824	34,506
Succeeding year	3,409,920	110,990	269,999	3,790,909
Due from other governments	248,468	243,617	-	492,085
Total assets	<u>5,154,280</u>	<u>1,590,995</u>	<u>771,535</u>	<u>7,516,810</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	66,108	-	-	66,108
Salaries and benefits payable	840,163	-	-	840,163
Deferred revenue:				
Succeeding year property tax	3,409,920	110,990	269,999	3,790,909
Total liabilities	<u>4,316,191</u>	<u>110,990</u>	<u>269,999</u>	<u>4,697,180</u>
Fund balances:				
Restricted for:				
Management levy	-	-	246,012	246,012
Student activities	-	-	255,524	255,524
School infrastructure	-	1,361,259	-	1,361,259
Physical plant and equipment	-	118,746	-	118,746
Unassigned	838,089	-	-	838,089
Total fund balances	<u>838,089</u>	<u>1,480,005</u>	<u>501,536</u>	<u>2,819,630</u>
Total liabilities and fund balances	<u>5,154,280</u>	<u>1,590,995</u>	<u>771,535</u>	<u>7,516,810</u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

	\$
Total fund balances of governmental funds (Exhibit C)	2,819,630
<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.	4,800,872
Long-term liabilities for other post employment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(144,891)</u>
Net Position of governmental activities (Exhibit A)	<u><u>7,475,611</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,088,544	879,964	176,164	4,144,672
Tuition	558,651	-	-	558,651
Other	311,245	184	282,662	594,091
Intermediate sources	46,254	-	-	46,254
State sources	4,878,994	-	-	4,878,994
Federal sources	287,389	-	-	287,389
Total revenues	<u>9,171,077</u>	<u>880,148</u>	<u>458,826</u>	<u>10,510,051</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,713,350	141,316	80,737	4,935,403
Special	808,451	-	-	808,451
Other	1,106,202	-	306,455	1,412,657
	<u>6,628,003</u>	<u>141,316</u>	<u>387,192</u>	<u>7,156,511</u>
Support services:				
Student	148,770	-	-	148,770
Instructional staff	268,477	57,582	-	326,059
Administration	914,260	-	74,204	988,464
Operation and maintenance of plant	922,333	306,608	116,301	1,345,242
Transportation	505,806	108,348	-	614,154
	<u>2,759,646</u>	<u>472,538</u>	<u>190,505</u>	<u>3,422,689</u>
Other expenditures:				
Facilities acquisition	-	22,607	-	22,607
AEA flowthrough	353,179	-	-	353,179
	<u>353,179</u>	<u>22,607</u>	<u>-</u>	<u>375,786</u>
Total expenditures	<u>9,740,828</u>	<u>636,461</u>	<u>577,697</u>	<u>10,954,986</u>
Change in fund balances	(569,751)	243,687	(118,871)	(444,935)
Fund balances beginning of year	<u>1,407,840</u>	<u>1,236,318</u>	<u>620,407</u>	<u>3,264,565</u>
Fund balances end of year	<u>838,089</u>	<u>1,480,005</u>	<u>501,536</u>	<u>2,819,630</u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(444,935)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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 and depreciation expense in the current year are as follows:		
Expenditures for capital assets	145,633	
Depreciation expense	<u>(411,775)</u>	(266,142)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Other postemployment benefits		<u>(73,253)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>(784,330)</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	School Nutrition
	<u>\$</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	155,539
Accounts receivable	311
Due from other governments	28,400
Inventories	9,304
Total current assets	<u>193,554</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>143,595</u>
Total assets	<u><u>337,149</u></u>
Liabilities	
Current liabilities:	
Deferred revenue	6,839
Noncurrent liabilities:	
Net OPEB liability	<u>2,708</u>
Total liabilities	<u>9,547</u>
Net position	
Investment in capital assets	143,595
Unrestricted	<u>184,007</u>
Total net position	<u><u>327,602</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	<u>School Nutrition</u>
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>247,632</u>
Operating expenses:	
Non-instructional programs:	
Salaries and benefits	152,345
Benefits	45,064
Supplies	308,438
Depreciation	<u>22,993</u>
Total operating expenses	<u>528,840</u>
Operating income (loss)	<u>(281,208)</u>
Non-operating revenues:	
State sources	4,917
Federal sources	270,508
Interest income	<u>401</u>
Total non-operating revenues	<u>275,826</u>
Change in net position	(5,382)
Net position beginning of year	<u>332,984</u>
Net position end of year	<u><u>327,602</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	246,650
Cash payments to employees for services	(196,040)
Cash payments to suppliers for goods or services	(282,687)
Net cash used by operating activities	<u>(232,077)</u>
Cash flows from non-capital financing activities:	
State grants received	4,917
Federal grants received	215,873
Net cash provided by non-capital financing activities	<u>220,790</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(16,847)</u>
Cash flows from investing activities:	
Interest on investments	<u>401</u>
Net increase (decrease) in cash and cash equivalents	(27,733)
Cash and cash equivalents at beginning of year	<u>183,272</u>
Cash and cash equivalents at end of year	<u><u>155,539</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(281,208)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	26,235
Depreciation	22,993
Decrease (increase) in inventories	(205)
Decrease (increase) in accounts receivable	(54)
(Decrease) increase in accounts payable	(279)
(Decrease) increase in deferred revenue	(928)
(Decrease) increase in other postemployment benefits	1,369
Net cash used by operating activities	<u><u>(232,077)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$26,235 of federal commodities.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash, cash equivalents and pooled investments	353,834
Liabilities	
Accounts payable	<u>14,000</u>
Net Position	
Reserved for scholarships	<u><u>339,834</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	2,500
Interest	2,035
Total additions	<u>4,535</u>
Deductions	
Support services:	
Scholarships awarded	<u>10,750</u>
Change in net position	(6,215)
Net position beginning of year	<u>346,049</u>
Net position end of year	<u><u>339,834</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

Board of Education of East Sac County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Wall Lake, Lake View, Auburn, and Sac City Iowa and the predominately agricultural territory in a portion of Sac, Carroll and Crawford 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, East Sac County Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the 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/amortization 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 a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be

susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% 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 the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-50
Improvements other than buildings	20
Intangibles	3-10
Furniture and equipment	3-12

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

Salaries and Benefits Payable – Payroll and related expenditures for teachers 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 collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 classifications.

E. Budgeting and Budgetary Control

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

2. **Cash, Cash Equivalents and Pooled Investments**

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

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$26,267 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. 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	96,319	-	-	96,319
Capital assets being depreciated:				
Buildings	7,243,535	6,499	-	7,250,034
Improvements other than buildings	2,103,198	39,620	-	2,142,818
Furniture and equipment	2,234,909	99,514	162,331	2,172,092
Total capital assets being deprec.	<u>11,581,642</u>	<u>145,633</u>	<u>162,331</u>	<u>11,564,944</u>
Less accumulated depreciation for:				
Buildings	4,326,315	144,107	-	4,470,422
Improvements other than buildings	973,632	70,579	-	1,044,211
Furniture and equipment	1,311,000	197,089	162,331	1,345,758
Total accumulated depreciation	<u>6,610,947</u>	<u>411,775</u>	<u>162,331</u>	<u>6,860,391</u>
Total capital assets being depreciated, net	<u>4,970,695</u>	<u>(266,142)</u>	-	<u>4,704,553</u>
Governmental activities capital assets, net	<u>5,067,014</u>	<u>(266,142)</u>	-	<u>4,800,872</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	400,142	16,847	1,752	415,237
Less accumulated depreciation	<u>250,401</u>	<u>22,993</u>	<u>1,752</u>	<u>271,642</u>
Business type activities capital assets, net	<u>149,741</u>	<u>(6,146)</u>	-	<u>143,595</u>
Depreciation expense was charged to the following functions:				\$
Governmental activities:				
Instruction:				
Regular				91,428
Support services:				
Administration services				8,804
Operation and maintenance of plant services				7,390
Transportation				89,467
				<u>197,089</u>
Unallocated depreciation				<u>214,686</u>
Total depreciation expense – governmental activities				<u>411,775</u>
Business type activities:				
Food services				<u>22,993</u>

4. 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:					
Termination benefits	-	60,000	60,000	-	-
Net OPEB liability	<u>71,638</u>	<u>73,253</u>	<u>-</u>	<u>144,891</u>	<u>-</u>
Total	<u><u>71,638</u></u>	<u><u>133,253</u></u>	<u><u>60,000</u></u>	<u><u>144,891</u></u>	<u><u>-</u></u>
Business type activities:					
Net OPEB liability	<u>1,339</u>	<u>1,369</u>	<u>-</u>	<u>2,708</u>	<u>-</u>

Termination Benefits

The District offered a voluntary early retirement plan for employee during fiscal year 2013. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2013, the District has no obligations to participants. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$60,000.

5. 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 \$498,268, \$437,267, and \$362,451 respectively, equal to the required contributions for each year.

6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 105 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 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	83,513
Interest on net OPEB obligation	1,824
Adjustment to annual required contribution	<u>(5,831)</u>
Annual OPEB cost	79,506
Contributions made	<u>(4,884)</u>
Increase in net OPEB obligation	74,622
Net OPEB obligation beginning of year	<u>72,977</u>
Net OPEB obligation end of year	<u>147,599</u>

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

Plan members eligible for benefits contributed \$61,898 premium costs.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
June 30, 2012	78,899	7.51	72,977
June 30, 2013	79,506	6.14	147,599

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$608,459, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$608,459. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,350,000, and the ratio of the UAAL to covered payroll was 14%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$353,179 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.

9. Related Party Transactions

Charles Brotherton, a board member, was a past owner of Lake View Lumber and Wall Lake Lumber. During the year ended June 30, 2013 East Sac County Community School District purchased approximately \$22,701 of building materials and supplies from these two businesses.

Lisa Drost, a board member, is part owner of Albrecht Oil. During fiscal year 2013 the District purchased \$17,667 of fuel/supplies from this business.

REQUIRED SUPPLEMENTARY INFORMATION

EAST SAC COUNTY 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 Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,297,414	248,033	5,545,447	5,152,441	5,152,441	393,006
Intermediate sources	46,254	-	46,254	5,000	5,000	41,254
State sources	4,878,994	4,917	4,883,911	4,909,895	4,909,895	(25,984)
Federal sources	287,389	270,508	557,897	580,000	580,000	(22,103)
Total revenues:	<u>10,510,051</u>	<u>523,458</u>	<u>11,033,509</u>	<u>10,647,336</u>	<u>10,647,336</u>	<u>386,173</u>
Expenditures/Expenses:						
Instruction	7,156,511	-	7,156,511	6,845,000	6,845,000	(311,511)
Support services	3,422,689	-	3,422,689	3,155,000	3,155,000	(267,689)
Non-instructional programs	-	528,840	528,840	525,000	525,000	(3,840)
Other expenditures	375,786	-	375,786	1,551,073	1,551,073	1,175,287
Total expenditures/expenses	<u>10,954,986</u>	<u>528,840</u>	<u>11,483,826</u>	<u>12,076,073</u>	<u>12,076,073</u>	<u>592,247</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(444,935)	(5,382)	(450,317)	(1,428,737)	(1,428,737)	978,420
Balance beginning of year	<u>3,264,565</u>	<u>332,984</u>	<u>3,597,549</u>	<u>3,254,613</u>	<u>3,254,613</u>	<u>342,936</u>
Balance end of year	<u><u>2,819,630</u></u>	<u><u>327,602</u></u>	<u><u>3,147,232</u></u>	<u><u>1,825,876</u></u>	<u><u>1,825,876</u></u>	<u><u>1,321,356</u></u>

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

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 its budget during the year.

During the year ended June 30, 2013, expenditures in the instructional, support services and non-instructional functions exceeded the amounts budgeted.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Informtaion

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2012	July 1, 2011	-	608,500	608,500	0.0%	4,700,000	12.9%
2013	July 1, 2011	-	608,459	608,459	0.0%	4,350,000	14.0%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

Assets	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	
	\$	\$	\$
Cash, cash equivalents and pooled investments	244,188	255,524	499,712
Receivables:			
Property tax:			
Delinquent	1,824	-	1,824
Succeeding year	269,999	-	269,999
	<u>269,999</u>	<u>-</u>	<u>269,999</u>
Total assets	<u>516,011</u>	<u>255,524</u>	<u>771,535</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	269,999	-	269,999
	<u>269,999</u>	<u>-</u>	<u>269,999</u>
Fund balances:			
Restricted for:			
Management levy purposes	246,012	-	246,012
Student activities	-	255,524	255,524
Total fund balances	246,012	255,524	501,536
	<u>246,012</u>	<u>255,524</u>	<u>501,536</u>
Total liabilities and fund balances	<u>516,011</u>	<u>255,524</u>	<u>771,535</u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue Funds		Total
	Management	Student	
	Levy	Activity	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	176,164	-	176,164
Other	4,940	277,722	282,662
Total revenues	<u>181,104</u>	<u>277,722</u>	<u>458,826</u>
Expenditures:			
Current:			
Instruction:			
Regular	80,737	-	80,737
Other	-	306,455	306,455
Support services:			
Administration	74,204	-	74,204
Operation and maintenance of plant	116,301	-	116,301
Total expenditures	<u>271,242</u>	<u>306,455</u>	<u>577,697</u>
Excess (deficiency) of revenues over (under) expenditures	(90,138)	(28,733)	(118,871)
Fund balances beginning of year	<u>336,150</u>	<u>284,257</u>	<u>620,407</u>
Fund balances end of year	<u><u>246,012</u></u>	<u><u>255,524</u></u>	<u><u>501,536</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	1,117,642	117,663	1,235,305
Receivables:			
Property tax:			
Delinquent	-	1,083	1,083
Succeeding year	-	110,990	110,990
Due from other governments	243,617	-	243,617
Total assets	<u>1,361,259</u>	<u>229,736</u>	<u>1,590,995</u>
Liabilities & Fund Balances			
Liabilities			
Deferred revenue:			
Succeeding year property tax	-	110,990	110,990
Fund balances:			
Restricted for:			
School infrastructure	1,361,259	-	1,361,259
Physical plant and equipment	-	118,746	118,746
Total fund balances	<u>1,361,259</u>	<u>118,746</u>	<u>1,480,005</u>
Total liabilities and fund balances	<u>1,361,259</u>	<u>229,736</u>	<u>1,590,995</u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Capital Project Accounts

Year ended June 30, 2013

	Capital Projects		Total \$
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	
Revenues:			
Local sources:			
Local tax	772,680	107,284	879,964
Other	-	184	184
Total revenues	<u>772,680</u>	<u>107,468</u>	<u>880,148</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	141,316	-	141,316
Support services:			
Instructional staff services	57,582	-	57,582
Operation and maintenance of plant	217,933	88,675	306,608
Transportation services	108,348	-	108,348
Other expenditures:			
Facilities acquisition	7,200	15,407	22,607
Total expenditures	<u>532,379</u>	<u>104,082</u>	<u>636,461</u>
Change in fund balance	240,301	3,386	243,687
Fund balances beginning of year	<u>1,120,958</u>	<u>115,360</u>	<u>1,236,318</u>
Fund balance end of year	<u><u>1,361,259</u></u>	<u><u>118,746</u></u>	<u><u>1,480,005</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Yearbook	5,901	7,489	19,972	7,000	418
Student council	5,827	9,264	11,500	-	3,591
MS student council	(397)	814	972	7,591	7,036
Cheerleading	307	5,875	6,182	1,209	1,209
Co-op and Greenthumb	29,560	38,671	30,966	-	37,265
FFA	9,688	59,854	61,571	530	8,501
FCCLA	6,174	1,251	2,329	-	5,096
Mock trial	200	-	150	-	50
Quiz bowl	85	-	250	250	85
Thespians	86	5,347	4,134	-	1,299
National Honor Society	6	-	605	687	88
Drill team	1,571	3,564	3,948	-	1,187
Baseball	1,398	5,744	3,909	-	3,233
Athletics	(14,528)	14,271	16,332	23,469	6,880
Softball	500	8,361	8,830	-	31
Basketball	19,403	17,928	17,685	-	19,646
Football	9,249	10,547	16,141	-	3,655
Track	1,213	4,829	6,969	1,500	573
Golf	390	67	1,958	2,000	499
Volleyball	7,071	12,860	16,459	132	3,604
Wrestling	180	2,112	4,406	2,500	386
Weightlifting	66	-	-	-	66
Class of 2010	50	-	-	-	50
Class of 2011	1,834	-	-	-	1,834
Class of 2012	829	-	-	-	829
Class of 2013	924	1,177	1,680	-	421
Class of 2014	323	11,628	11,312	-	639
Class of 2015	130	1,600	1,600	-	130
Class of 2016	-	333	185	-	148
Class of 2020	-	280	276	-	4
Band	433	-	277	-	156
Chorus	1,334	-	120	-	1,214
Marketing	21	-	-	(21)	-
Occupational child care	296	270	63	-	503
Hall of pride	529	1,000	-	236	1,765
Chicago trip	148	11,670	13,432	1,750	136
Elementary activities	4,184	264	-	4,540	8,988
5th/6th grade student council	3,117	-	-	(3,117)	-
Middle school vending	-	15,018	13,045	2,476	4,449

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Concessions	3,958	9,248	11,532	-	1,674
Concession maintenance	2,646	-	362	-	2,284
Softball concessions	2,782	5,144	5,163	338	3,101
Baseball concessions	378	-	32	-	346
Industrial tech. mass production	795	1,350	635	-	1,510
Wall Lake activities	23,738	-	-	(23,738)	-
Activity tickets	35,769	-	-	(35,769)	-
Unreserved activity account	-	663	-	98,142	98,805
Interest	17,070	-	-	(17,070)	-
CDs and investments	21,682	-	-	(21,682)	-
Cheerleaders	1,210	-	-	(1,210)	-
PBSI/Pride	-	-	1,477	1,523	46
Elementary student council	46	-	-	2,879	2,925
Drama and speech	12,237	2,021	1,830	-	12,428
Elementary	4,541	4,735	4,553	(447)	4,276
Elementary pop machine	1,968	967	839	-	2,096
Middle school activities	5,138	-	431	(4,554)	153
Junior high student council	4,930	-	-	(4,930)	-
National Honor Society	188	-	-	(188)	-
Student council	1,287	-	-	(1,287)	-
Sports	42,184	-	-	(42,184)	-
Student athletic fees	3,305	-	-	(3,305)	-
Watch DOGS	303	1,506	2,343	750	216
Total	<u>284,257</u>	<u>277,722</u>	<u>306,455</u>	<u>-</u>	<u>255,524</u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	East Sac County	East Sac District	Combined Sac and Wall Lake View Auburn Districts							
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	4,144,672	3,834,594	4,195,556	4,177,472	3,681,373	3,445,821	3,574,870	3,432,553	3,717,552	3,407,169
Tuition	558,651	472,462	1,262,883	1,235,283	376,118	1,023,383	259,097	287,258	289,202	320,347
Other	594,091	551,119	614,330	1,414,721	1,518,285	1,580,297	682,799	561,842	428,292	423,349
Intermediate sources	46,254	-	5,353	-	1,975	15,671	-	-	-	-
State sources	4,878,994	5,102,685	4,718,669	3,940,626	4,884,344	4,555,024	4,309,111	4,255,263	4,121,140	4,026,219
Federal sources	287,389	406,669	698,066	986,726	413,716	295,847	358,554	512,248	598,831	500,164
Total revenues	<u>10,510,051</u>	<u>10,367,529</u>	<u>11,494,857</u>	<u>11,754,828</u>	<u>10,875,811</u>	<u>10,916,043</u>	<u>9,184,431</u>	<u>9,049,164</u>	<u>9,155,017</u>	<u>8,677,248</u>
Expenditures:										
Instruction:										
Regular	4,935,403	4,666,189	4,207,012	4,396,064	5,287,059	6,162,346	4,378,427	4,016,335	3,790,764	3,926,477
Special	808,451	815,776	634,226	600,123	666,086	580,816	527,358	708,251	673,732	799,880
Other	1,412,657	1,340,482	2,415,729	2,828,562	1,039,027	787,414	907,446	901,764	802,753	659,317
Support services:										
Student	148,770	153,569	126,251	149,024	107,982	110,083	124,610	113,105	127,063	172,048
Instructional staff	326,059	376,138	179,135	134,458	110,159	151,073	158,360	181,007	153,319	122,810
Administration	988,464	959,057	844,181	919,369	865,263	979,885	897,147	909,990	950,163	920,763
Operation and maintenance	1,345,242	1,139,031	1,073,853	1,007,844	946,457	1,014,688	927,086	819,050	865,024	742,549
Transportation	614,154	577,179	516,080	479,070	519,805	514,624	431,518	503,083	317,514	340,940
Non-instructional programs	-	-	-	1,502	3,045	1,009	17,092	5,759	1,060	31,499
Other expenditures:										
Facilities acquisition	22,607	454,081	1,224,338	483,830	405,562	632,739	503,364	298,529	85,977	40,014
Long-term debt:										
Principal	-	-	-	-	-	-	8,932	8,906	7,282	4,560
Interest and other charges	-	-	-	-	-	-	1,310	4,750	6,374	9,096
AEA flowthrough	353,179	347,234	390,082	376,610	347,291	330,335	320,683	311,222	310,776	316,970
Total expenditures	<u>10,954,986</u>	<u>10,828,736</u>	<u>11,610,887</u>	<u>11,376,456</u>	<u>10,297,736</u>	<u>11,265,012</u>	<u>9,203,333</u>	<u>8,781,751</u>	<u>8,091,801</u>	<u>8,086,923</u>

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

To the Board of Education of
East Sac County 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 East Sac County Community School District and 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 May 15, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

East Sac County Community School District's Responses to Findings

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

Purpose of this Report

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

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 15, 2014

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

13-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

13-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

13-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements (continued):

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, exceeded the certified budget amounts budgeted in the instructional, support services and non-instructional functions.

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

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

Conclusion: Response accepted.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Chuck Brotherton, Board Member, part-owner of Lake View Lumber and Wall Lake Lumber	Supplies	22,701
Lisa Drost, Board Member, Part owner of Albrecht Oil	Fuel	17,667

The above transactions appear to be conflicts of interest. Business with District officials is a conflict of interest if bids are not taken or if the total amount exceeds \$2,500.

Recommendation: The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

13-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting (continued):

13-II-G Certified Enrollment: The basic enrollment data certified to the Department of Education was overstated by 1 student.

Recommendation: The District should review its control procedures to ensure accurate counts in the future.

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

Conclusion: Response accepted.

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

13-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

13-II-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

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

According to administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting (continued):

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

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

Beginning balance	\$	\$
		1,120,958
Revenues/transfers in:		
Statewide sales, services and use tax revenue		<u>772,680</u>
		1,893,638
Expenditures/transfers out:		
School infrastructure	7,200	
Equipment	<u>525,179</u>	<u>532,379</u>
Ending balance		<u><u>1,361,259</u></u>