

WAPELLO COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-16
Basic Financial Statements:	<u>Exhibit</u>
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	A 18
Statement of Activities	B 19
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position	G 24
Statement of Revenues, Expenses and Changes in Fund Net Position	H 25
Statement of Cash Flows	I 26
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position	J 27
Statement of Changes in Fiduciary Net Position	K 28
Notes to Basic Financial Statements	29-39
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information - Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
Supplementary Information:	<u>Schedule</u>
<i>Nonmajor Special Revenue Funds:</i>	
Combining Balance Sheet	1 46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 47
<i>Capital Projects Accounts:</i>	
Combining Balance Sheet	3 48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4 49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 50-51
<i>Fiduciary Fund, Private Purpose Trust Accounts:</i>	
Combining Statement of Fiduciary Net Position	6 52
Combining Statement of Changes in Fiduciary Net Position	7 53
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8 54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	9 55
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 <u>Government Auditing Standards</u>	56-57
Schedule of Findings	58-61

Wapello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Charles Kerr	President	2013
Duane Boysen	Vice President	2013
Matt Stewart	Board Member	2015
Traci McCleary	Board Member	2015
Rob Pritchard	Board Member	2015
<u>School Officials</u>		
Michael L. Peterson	Superintendent	2013
Eric Small	District Secretary	2013
Janell Heater	District Treasurer	2013
Roger Huddle	Attorney	2013
Brian Gruhn	Attorney	2013

Wapello Community School District

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of the Wapello Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Wapello Community School District at 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapello Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 9 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2014, on our consideration of the Wapello Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Wapello Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,755,108 in fiscal 2012 to \$7,687,023 in fiscal 2013, while General Fund expenditures increased from \$7,418,734 in fiscal 2012 to \$7,700,497 in fiscal 2013. Expenditures outpaced revenues resulting in a decrease in the District's General Fund balance from \$761,476 at June 30, 2012 to \$748,002 at June 30, 2013, a 1.77% decrease from the prior year.
- The decrease in General Fund revenues was mainly attributable to a decrease in state source revenues. The increase in expenditures occurred in the instruction and support services functional areas when compared to the previous year.

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

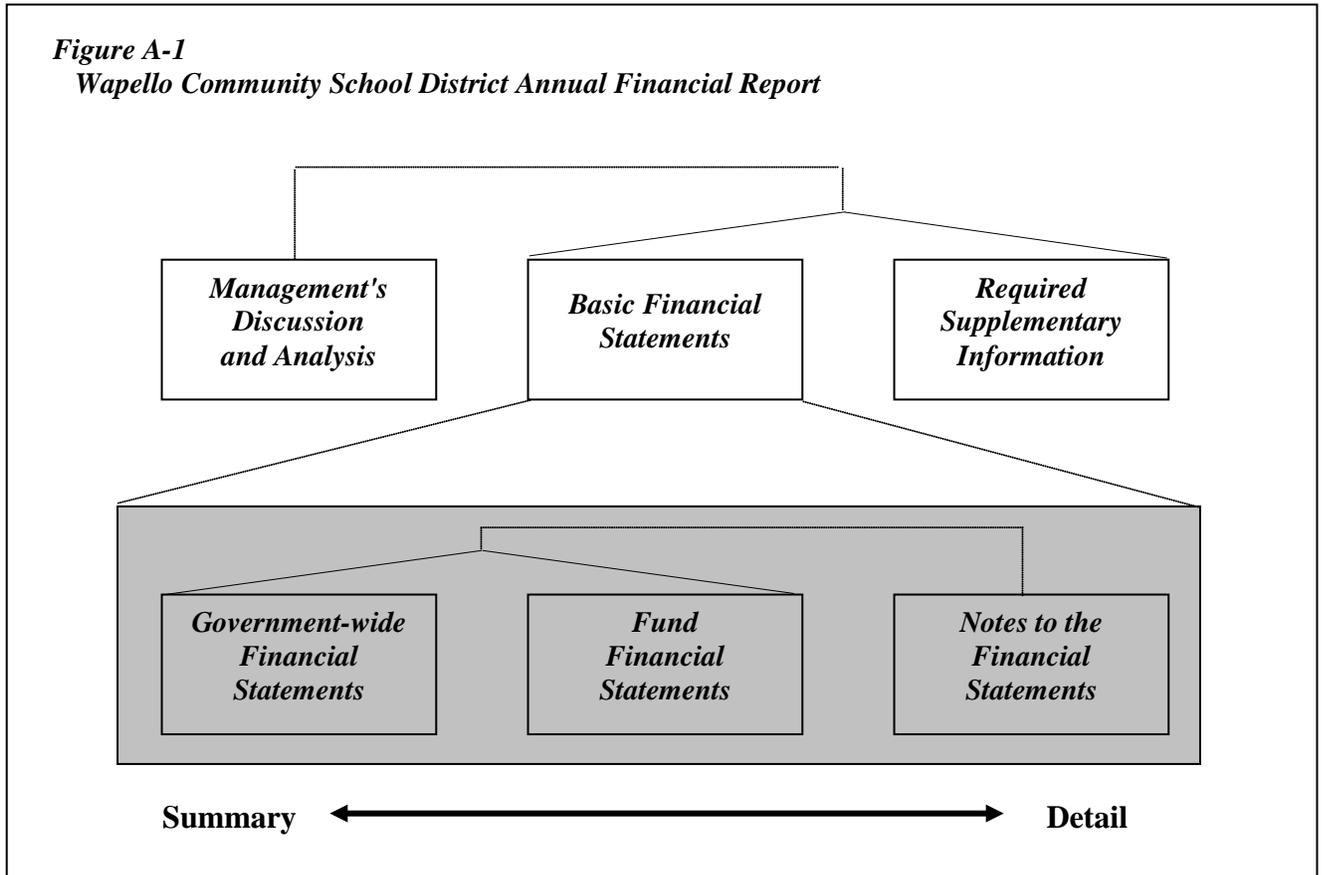


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are 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 and day care fund are 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 the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts. The District maintains records for the PTO and FCS organizations.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 6,554,894	6,049,442	49,575	62,112	6,604,469	6,111,554	8.07%
Capital assets	5,597,391	5,823,989	21,345	26,285	5,618,736	5,850,274	-3.96%
Total assets	12,152,285	11,873,431	70,920	88,397	12,223,205	11,961,828	2.19%
Long-term obligations	2,388,758	2,704,118	-	-	2,388,758	2,704,118	-11.66%
Other liabilities	3,773,739	3,396,330	5,936	3,562	3,779,675	3,399,892	11.17%
Total liabilities	6,162,497	6,100,448	5,936	3,562	6,168,433	6,104,010	1.06%
Net position:							
Invested in capital assets, net of related debt	3,473,510	3,355,731	21,345	26,285	3,494,855	3,382,016	3.34%
Restricted	2,283,505	2,119,014	-	-	2,283,505	2,119,014	7.76%
Unrestricted	232,773	298,238	43,639	58,550	276,412	356,788	-22.53%
Total net position	\$ 5,989,788	5,772,983	64,984	84,835	6,054,772	5,857,818	3.36%

The District's combined net position increased by 3.36%, or \$196,954, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g. land, infrastructure, buildings, and equipment) net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$164,491, or 7.76% from the prior year. This increase was primarily a result of the increase in fund balance for the capital projects accounts.

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 \$80,376, or 22.53%. The decrease in unrestricted net position is mainly attributable to the decrease in unassigned fund balance for the General Fund.

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

	Figure A-4 Changes of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 656,174	586,584	87,963	111,040	744,137	697,624	6.67%
Operating grants, contributions and restricted interest	671,552	599,872	216,815	214,207	888,367	814,079	9.13%
Capital grants, contributions and restricted interest	4,853	1,306	-	-	4,853	1,306	271.59%
General revenues:							
Property tax	2,807,497	2,677,720	-	-	2,807,497	2,677,720	4.85%
Income surtax	182,259	185,093	-	-	182,259	185,093	-1.53%
Statewide sales, services and use tax	612,614	574,659	-	-	612,614	574,659	6.60%
Unrestricted state grants	3,947,557	4,148,771	-	-	3,947,557	4,148,771	-4.85%
Nonspecific program federal grants	-	155,899	-	-	-	155,899	-100.00%
Unrestricted investment earnings	13,214	19,607	-	-	13,214	19,607	-32.61%
Other general revenue	63,319	42,621	-	997	63,319	43,618	45.17%
Transfers	14,782	-	-	-	14,782	-	100.00%
Total revenues & transfers	<u>8,973,821</u>	<u>8,992,132</u>	<u>304,778</u>	<u>326,244</u>	<u>9,278,599</u>	<u>9,318,376</u>	<u>-0.43%</u>
Program expenses:							
Governmental activities:							
Instructional	6,199,321	5,990,968	-	234	6,199,321	5,991,202	3.47%
Support services	1,918,009	2,004,850	-	-	1,918,009	2,004,850	-4.33%
Non-instructional programs	-	-	324,629	324,858	324,629	324,858	-0.07%
Other expenses	639,686	586,126	-	-	639,686	586,126	9.14%
Total expenses	<u>8,757,016</u>	<u>8,581,944</u>	<u>324,629</u>	<u>325,092</u>	<u>9,081,645</u>	<u>8,907,036</u>	<u>1.96%</u>
Changes in net position	216,805	410,188	(19,851)	1,152	196,954	411,340	52.12%
Net position beginning of year	<u>5,772,983</u>	<u>5,362,795</u>	<u>84,835</u>	<u>83,683</u>	<u>5,857,818</u>	<u>5,446,478</u>	<u>7.55%</u>
Net position end of year	<u>\$ 5,989,788</u>	<u>5,772,983</u>	<u>64,984</u>	<u>84,835</u>	<u>6,054,772</u>	<u>5,857,818</u>	<u>3.36%</u>

In fiscal 2013, property tax and unrestricted state grants account for 75.28% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for all of the revenue from business type activities. The District's total revenues were approximately \$9.28 million, of which approximately \$8.97 million was for governmental activities and approximately \$0.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.43% decrease in revenues and a 1.96% increase in expenses. The decrease in revenues can be attributed to a decrease in unrestricted state grant revenue received during the year as compared to the previous year. The increase in expenses can be attributed to the increase in instructional expenses for the year as compared to the previous year.

Governmental Activities

Revenues for governmental activities were \$8,973,821 and expenses were \$8,757,016 for the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 6,199,321	5,990,968	3.48%	5,156,581	5,102,832	1.05%
Support services	1,918,009	2,004,850	-4.33%	1,912,856	1,992,587	-4.00%
Other expenses	639,686	586,126	9.14%	355,000	298,763	18.82%
Totals	<u>\$ 8,757,016</u>	<u>8,581,944</u>	<u>2.04%</u>	<u>7,424,437</u>	<u>7,394,182</u>	<u>0.41%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$656,174.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$676,405.
- The net cost of governmental activities was financed with \$2,807,497 in property tax, \$182,259 in income surtax, \$612,614 in statewide sales, services and use tax, \$3,947,557 in unrestricted state grants, \$13,214 in interest income and \$78,101 in other general revenues net with transfers.

Business type Activities

Revenues of the District's business type activities were \$304,778 and expenses were \$324,629. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were mostly comprised of charges for service and, federal and state reimbursements.

During fiscal year 2013, the School Nutrition Fund's decrease in revenues was greater than the decrease in expenses as compared to the previous year which guaranteed the decrease in fund balance. Overall, net position decreased from \$92,816 at June 30, 2012 to \$72,965 at June 30, 2013, representing an increase of 21.39%. As the District looks forward to the 2014 fiscal year, it is recognized that there must be a continued effort to monitor both revenue and expenditures to ensure the School Nutrition fund remains self-supporting.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,650,654, above last year's ending fund balances of a \$2,531,582. This primarily resulted from the increase in fund balance for the Capital Projects accounts during the year.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. A decline in the amount of revenues received from state sources resulted in a decrease in revenues. The decrease in revenues coupled with an increase in expenditures ensured the General Fund's decrease in fund balance.
- The General Fund balance decreased from \$761,476 at June 30, 2012 to \$748,002 at June 30, 2013 due in part to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased from \$839,392 at June 30, 2012 to \$1,042,012 at June 30, 2013. This was primarily due to increased local tax revenues and a decrease in capital outlay expenditures as compared to the previous year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$92,816 at June 30, 2012 to \$72,965 at June 30, 2013, representing a decrease of 21.39%. The Day Care Fund net position remained unchanged during the year starting and ending the year with a deficit \$7,981 fund net position. There was no activity in the Day Care Fund during fiscal 2013.

BUDGETARY HIGHLIGHTS

The District's revenues were \$302,996 more than budgeted revenues, a variance of 3.38%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$5.62 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$420,513.

The original cost of the District's capital assets was \$10,715,146. Governmental funds account for \$10,622,634 with the remainder of \$92,512 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$366,964 at June 30, 2012, compared to \$0 reported at June 30, 2013. This decrease was due in part to the District completing its Elementary window replacement project and the District capitalizing the project as part of its capital asset listing.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 35,000	35,000	-	-	35,000	35,000	0.00%
Construction in progress	-	366,964	-	-	-	366,964	-100.00%
Buildings	4,736,113	4,609,771	-	-	4,736,113	4,609,771	2.74%
Land improvements	574,978	605,863	-	-	574,978	605,863	-5.10%
Machinery and equipment	251,300	206,391	21,345	26,285	272,645	232,676	17.18%
Total	\$ 5,597,391	5,823,989	21,345	26,285	5,618,736	5,850,274	-3.96%

Long-Term Debt

At June 30, 2013, the District had \$2,388,758 in revenue bonds and other long-term debt outstanding. This represents a decrease of 11.66% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding revenue bonds payable of \$2,105,717 at June 30, 2013, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding bank loan payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$18,164 at June 30, 2013.

The District had outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$50,000 at June 30, 2013.

The District had accrued compensated absences of \$14,931 at June 30, 2013.

The District had net OPEB liability of \$199,946 at June 30, 2013.

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-13
Revenue bonds	\$ 2,105,717	2,372,615	-11.25%
Bank loan	18,164	35,644	-49.04%
Computer lease	-	59,999	-100.00%
Termination benefits	50,000	50,000	0.00%
Compensated absences	14,931	34,814	-57.11%
Net OPEB liability	199,946	151,046	32.37%
Total	\$ 2,388,758	2,704,118	-11.66%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Declining Enrollment continues to negatively impact the district's spending authority. Contractual increases and program changes can't be made without thorough consideration of our unspent authorized budget.
- Rising costs of health care coverage and the associated fees and penalties with the Affordable Health Care Act will increase the Wapello Community School District's employer benefit costs during fiscal 2015.
- On July 1, 2013, the IPERS employer contribution increase to 8.93% will increase the Wapello Community School District's employer benefit costs during fiscal 2014.

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 Eric Small, District Secretary, Wapello Community School District, 406 Mechanic Street, Wapello, Iowa, 52653.

Basic Financial Statements

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,891,979	31,799	2,923,778
Receivables:			
Property tax:			
Delinquent	34,806	-	34,806
Succeeding year	2,819,864	-	2,819,864
Income surtax	184,958	-	184,958
Accounts	20,077	1,137	21,214
Due from other governments	603,210	2,904	606,114
Inventories	-	13,735	13,735
Capital assets, net of accumulated depreciation	5,597,391	21,345	5,618,736
TOTAL ASSETS	12,152,285	70,920	12,223,205
LIABILITIES			
Accounts payable	248,401	1,018	249,419
Salaries and benefits payable	640,613	2,116	642,729
Accrued interest payable	54,457	-	54,457
Deferred revenue:			
Succeeding year property tax	2,819,864	-	2,819,864
Other	10,404	-	10,404
Unearned revenue	-	2,802	2,802
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	282,244	-	282,244
Bank loan payable	18,164	-	18,164
Termination benefits payable	50,000	-	50,000
Compensated absences payable	14,931	-	14,931
Portion due after one year:			
Revenue bonds payable	1,823,473	-	1,823,473
Net OPEB liability	199,946	-	199,946
TOTAL LIABILITIES	6,162,497	5,936	6,168,433
NET POSITION			
Invested in capital assets, net of related debt	3,473,510	21,345	3,494,855
Restricted for:			
Categorical funding	467,003	-	467,003
Debt service	505,872	-	505,872
Management levy purposes	130,062	-	130,062
Student activities	138,556	-	138,556
School infrastructure	736,249	-	736,249
Physical plant and equipment	305,763	-	305,763
Unrestricted	232,773	43,639	276,412
TOTAL NET POSITION	\$ 5,989,788	64,984	6,054,772

SEE NOTES TO FINANCIAL STATEMENTS.

**WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,673,015	172,865	46,413	-	(3,453,737)	-	(3,453,737)
Special	1,358,649	77,346	141,351	-	(1,139,952)	-	(1,139,952)
Other	1,167,657	405,663	199,102	-	(562,892)	-	(562,892)
	<u>6,199,321</u>	<u>655,874</u>	<u>386,866</u>	<u>-</u>	<u>(5,156,581)</u>	<u>-</u>	<u>(5,156,581)</u>
Support services:							
Student	151,270	-	-	-	(151,270)	-	(151,270)
Instructional staff	94,429	-	-	-	(94,429)	-	(94,429)
Administration	604,499	-	-	-	(604,499)	-	(604,499)
Operation and maintenance of plant	683,412	-	-	4,853	(678,559)	-	(678,559)
Transportation	384,399	300	-	-	(384,099)	-	(384,099)
	<u>1,918,009</u>	<u>300</u>	<u>-</u>	<u>4,853</u>	<u>(1,912,856)</u>	<u>-</u>	<u>(1,912,856)</u>
Long-term debt interest	75,492	-	-	-	(75,492)	-	(75,492)
Other expenses:							
AEA flowthrough	284,686	-	284,686	-	-	-	-
Depreciation(unallocated)*	279,508	-	-	-	(279,508)	-	(279,508)
	<u>564,194</u>	<u>-</u>	<u>284,686</u>	<u>-</u>	<u>(279,508)</u>	<u>-</u>	<u>(279,508)</u>
Total governmental activities	<u>8,757,016</u>	<u>656,174</u>	<u>671,552</u>	<u>4,853</u>	<u>(7,424,437)</u>	<u>-</u>	<u>(7,424,437)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	324,629	87,963	216,815	-	-	(19,851)	(19,851)
Total business type activities	<u>324,629</u>	<u>87,963</u>	<u>216,815</u>	<u>-</u>	<u>-</u>	<u>(19,851)</u>	<u>(19,851)</u>
Total	<u>\$ 9,081,645</u>	<u>744,137</u>	<u>888,367</u>	<u>4,853</u>	<u>(7,424,437)</u>	<u>(19,851)</u>	<u>(7,444,288)</u>
General Revenues & Transfers:							
Property tax levied for:							
General purposes				\$ 2,619,251	-		2,619,251
Capital outlay				188,246	-		188,246
Income surtax				182,259	-		182,259
Statewide sales, services and use tax				612,614	-		612,614
Unrestricted state grants				3,947,557	-		3,947,557
Unrestricted investment earnings				13,214	-		13,214
Other general revenues				63,319	-		63,319
Transfers				14,782	-		14,782
Total general revenues & transfers				<u>7,641,242</u>	<u>-</u>		<u>7,641,242</u>
Change in net position				216,805	(19,851)		196,954
Net position beginning of year				<u>5,772,983</u>	<u>84,835</u>		<u>5,857,818</u>
Net position end of year				<u>\$ 5,989,788</u>	<u>64,984</u>		<u>6,054,772</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,308,802	724,156	859,021	2,891,979
Receivables:				
Property tax:				
Delinquent	30,897	2,290	1,619	34,806
Succeeding year	2,345,158	189,706	285,000	2,819,864
Income surtax	184,958	-	-	184,958
Accounts	20,077	-	-	20,077
Due from other governments	242,418	360,792	-	603,210
TOTAL ASSETS	\$ 4,132,310	1,276,944	1,145,640	6,554,894
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 203,175	45,226	-	248,401
Salaries and benefits payable	640,613	-	-	640,613
Deferred revenue:				
Succeeding year property tax	2,345,158	189,706	285,000	2,819,864
Income surtax	184,958	-	-	184,958
Other	10,404	-	-	10,404
Total liabilities	3,384,308	234,932	285,000	3,904,240
Fund balances:				
Restricted for:				
Categorical funding	467,003	-	-	467,003
Debt service	-	-	560,329	560,329
Management levy purposes	-	-	180,062	180,062
Student activities	-	-	138,556	138,556
School infrastructure	-	736,249	-	736,249
Physical plant and equipment	-	305,763	-	305,763
Unassigned:				
General	280,999	-	-	280,999
Student activities	-	-	(18,307)	(18,307)
Total fund balances	748,002	1,042,012	860,640	2,650,654
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,132,310	1,276,944	1,145,640	6,554,894

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20) \$ 2,650,654

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

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in in the governmental funds. 5,597,391

Accounts receivable income surtax, are not yet available
to finance expenditures of the current period. 184,958

Accrued interest payable on long-term liabilities is not
due and payable in the current period and, therefore, is
not reported as a liability in the governmental funds. (54,457)

Long-term liabilities, including revenue bonds payable, loans
payable, termination benefits payable, compensated
absences payable, and other postemployment benefits
payable, are not due and payable in the current period and,
therefore, are not reported as liabilities in the governmental
funds. (2,388,758)

Net position of governmental activities(page 18) \$ 5,989,788

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,678,708	800,860	130,417	3,609,985
Tuition	248,578	-	-	248,578
Other	99,713	4,618	384,358	488,689
State sources	4,314,572	-	-	4,314,572
Federal sources	304,537	293	-	304,830
Total revenues	<u>7,646,108</u>	<u>805,771</u>	<u>514,775</u>	<u>8,966,654</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,597,665	60,930	71,672	3,730,267
Special	1,349,341	-	-	1,349,341
Other	739,160	-	391,587	1,130,747
	<u>5,686,166</u>	<u>60,930</u>	<u>463,259</u>	<u>6,210,355</u>
Support services:				
Student	120,505	-	29,137	149,642
Instructional staff	83,310	-	8,273	91,583
Administration	630,407	-	15,892	646,299
Operation and maintenance of plant	554,306	-	66,416	620,722
Transportation	341,117	-	17,399	358,516
	<u>1,729,645</u>	<u>-</u>	<u>137,117</u>	<u>1,866,762</u>
Capital outlay	-	105,021	-	105,021
Long-term debt:				
Principal	-	-	344,377	344,377
Interest and fiscal charges	-	-	92,078	92,078
	<u>-</u>	<u>-</u>	<u>436,455</u>	<u>436,455</u>
Other expenditures:				
AEA flowthrough	284,686	-	-	284,686
Total expenditures	<u>7,700,497</u>	<u>165,951</u>	<u>1,036,831</u>	<u>8,903,279</u>
Excess(Deficiency) of revenues over(under)expenditures	(54,389)	639,820	(522,056)	63,375
OTHER FINANCING SOURCES(USES):				
Sale of equipment	3,010	-	-	3,010
Insurance proceeds	37,905	-	-	37,905
Transfer in	-	-	451,982	451,982
Transfer out	-	(437,200)	-	(437,200)
TOTAL OTHER FINANCING SOURCES(USES)	<u>40,915</u>	<u>(437,200)</u>	<u>451,982</u>	<u>55,697</u>
Change in fund balances	(13,474)	202,620	(70,074)	119,072
Fund balances beginning of year	<u>761,476</u>	<u>839,392</u>	<u>930,714</u>	<u>2,531,582</u>
Fund balances end of year	<u>\$ 748,002</u>	<u>1,042,012</u>	<u>860,640</u>	<u>2,650,654</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22)	\$	119,072
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlay 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. Depreciation expense exceeded capital outlay in the current year as follows:		
Capital outlay	\$ 187,758	
Depreciation expense	<u>(414,356)</u>	(226,598)
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		344,377
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		16,586
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(7,615)
 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.		
Compensated absences	19,883	
Other postemployment benefits	<u>(48,900)</u>	<u>(29,017)</u>
 Change in net position of governmental activities(page 19)	 \$	 <u><u>216,805</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Cash and pooled investments	\$ 31,799	-	31,799
Accounts receivable	1,137	-	1,137
Due from other governments	2,904	-	2,904
Inventories	13,735	-	13,735
Due from other funds	7,981	-	7,981
Capital assets, net of accumulated depreciation	21,345	-	21,345
TOTAL ASSETS	78,901	-	78,901
LIABILITIES			
Due to other funds	-	7,981	7,981
Accounts payable	1,018	-	1,018
Salaries and benefits payable	2,116	-	2,116
Unearned revenue	2,802	-	2,802
TOTAL LIABILITIES	5,936	7,981	13,917
NET POSITION			
Invested in capital assets	21,345	-	21,345
Unrestricted	51,620	(7,981)	43,639
TOTAL NET POSITION	\$ 72,965	(7,981)	64,984

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 87,963	-	87,963
Donations	1,217	-	1,217
Total operating revenues	<u>89,180</u>	-	<u>89,180</u>
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	145,670	-	145,670
Benefits	23,768	-	23,768
Services	1,860	-	1,860
Supplies	147,174	-	147,174
Depreciation	6,157	-	6,157
Total operating expenses	<u>324,629</u>	-	<u>324,629</u>
Operating loss	<u>(235,449)</u>	-	<u>(235,449)</u>
Non-operating revenues:			
State sources	2,908	-	2,908
Federal sources	212,690	-	212,690
Total non-operating revenues	<u>215,598</u>	-	<u>215,598</u>
Change in net position	(19,851)	-	(19,851)
Net position beginning of year	<u>92,816</u>	<u>(7,981)</u>	<u>84,835</u>
Net position end of year	<u>\$ 72,965</u>	<u>(7,981)</u>	<u>64,984</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2013

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 86,066	-	86,066
Cash received from donations	1,217	-	1,217
Cash payments to employees for services	(167,322)	-	(167,322)
Cash payments to suppliers for goods or services	(132,423)	-	(132,423)
Net cash used in operating activities	(212,462)	-	(212,462)
Cash flows from non-capital financing activities:			
Loaned/Borrowed Funds	(7,981)	7,981	-
State grants received	2,908	-	2,908
Federal grants received	194,042	-	194,042
Net cash provided by non-capital financing activities	188,969	7,981	196,950
Cash flows from capital financing activities:			
Acquisitions of assets	(1,217)	-	(1,217)
Net decrease in cash and cash equivalents	(24,710)	7,981	(16,729)
Cash and cash equivalents at beginning of year	56,509	(7,981)	48,528
Cash and cash equivalents at end of year	\$ 31,799	-	31,799
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (235,449)	-	(235,449)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	19,225	-	19,225
Depreciation	6,157	-	6,157
Increase in inventories	(3,632)	-	(3,632)
Increase in accounts receivable	(1,137)	-	(1,137)
Increase in accounts payable	1,018	-	1,018
Increase in salaries and benefits payable	2,116	-	2,116
Decrease in unearned revenue	(760)	-	(760)
Net cash used in operating activities	\$ (212,462)	-	(212,462)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$19,225 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and pooled investments	\$ 11,202	2,186
Accounts receivable	-	673
TOTAL ASSETS	<u>11,202</u>	<u>2,859</u>
LIABILITIES		
Due to other groups	-	2,859
NET POSITION		
Restricted for scholarships	<u>\$ 11,202</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship Fund
ADDITIONS:	
Local sources:	
Donations	\$ 3,700
Interest income	89
TOTAL ADDITIONS	3,789
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	3,800
Change in net position before other financing uses	(11)
OTHER FINANCING USES:	
Transfer out	(14,782)
Change in net position	(14,793)
Net position beginning of year	25,995
Net position end of year	\$ 11,202

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Wapello Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District operates or sponsors various adult educational programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Wapello, Iowa, and the predominate agricultural territory in Louisa and Des Moines 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 Government Accounting Standards Board.

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Des Moines and Louisa 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 activities of the District, with omission of the fiduciary funds. 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:

Invested in capital assets, net of related debt 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 two 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise Funds, School Nutrition Fund and Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 Balances

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

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

Due from Other Governments - Due from other governments represents the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 300
Buildings	300
Land improvements	300
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	300
Other machinery and equipment	300

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

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

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

Unassigned - All amounts not included in preceding classifications.

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

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E, Budgets and Budgetary Accounting

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

Note 2. Cash 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 \$192,917 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

Note 3. Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Enterprise: School Nutrition	Enterprise: Day Care	\$ 7,981

The Enterprise: Day Care Fund is repaying the Enterprise: School Nutrition Fund for money borrowed at year end to cover a cash shortage.

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 418,297
Debt Service	Capital Projects: Physical Plant and Equipment Levy	18,903
Activity	Private Purpose Trust	14,782
Total		\$ 451,982

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's computer lease and revenue bond indebtedness.

The transfer from the Capital Projects: Physical, Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's bank loan indebtedness.

The transfer from the Private Purpose Trust to the Student Activity Fund account was to move the FFA concessions account within the Trust Fund to the Student Activity Fund.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 91,295	1,217	-	92,512
Less accumulated depreciation	65,010	6,157	-	71,167
Business type activities capital assets, net	\$ 26,285	(4,940)	-	21,345

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 35,000	-	-	35,000
Construction in progress	366,964	4,846	371,810	-
Total capital assets not being depreciated	<u>401,964</u>	<u>4,846</u>	<u>371,810</u>	<u>35,000</u>
Capital assets being depreciated:				
Buildings	6,966,566	374,965	-	7,341,531
Land improvements	892,651	-	-	892,651
Machinery and equipment	2,235,943	179,757	62,248	2,353,452
Total capital assets being depreciated	<u>10,095,160</u>	<u>554,722</u>	<u>62,248</u>	<u>10,587,634</u>
Less accumulated depreciation for:				
Buildings	2,356,795	248,623	-	2,605,418
Land improvements	286,788	30,885	-	317,673
Machinery and equipment	2,029,552	134,848	62,248	2,102,152
Total accumulated depreciation	<u>4,673,135</u>	<u>414,356</u>	<u>62,248</u>	<u>5,025,243</u>
Total capital assets being depreciated, net	<u>5,422,025</u>	<u>140,366</u>	<u>-</u>	<u>5,562,391</u>
Governmental activities capital assets, net	<u>\$ 5,823,989</u>	<u>145,212</u>	<u>371,810</u>	<u>5,597,391</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 30,214
Support services:	
Instructional staff	987
Administration	13,817
Operation and maintenance of plant	1,252
Transportation	<u>88,578</u>
	134,848
Unallocated depreciation	<u>279,508</u>
Total governmental activities depreciation expense	<u>\$ 414,356</u>
Business type activities:	
Food services	<u>\$ 6,157</u>

Note 6. Long-Term Debt

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental activities:</u>					
Revenue bonds	\$ 2,372,615	-	266,898	2,105,717	282,244
Bank loan	35,644	-	17,480	18,164	18,164
Computer lease	59,999	-	59,999	-	-
Termination benefits	50,000	50,000	50,000	50,000	50,000
Compensated absences	34,814	14,931	34,814	14,931	14,931
Net OPEB liability	151,046	48,900	-	199,946	-
Total	<u>\$ 2,704,118</u>	<u>113,831</u>	<u>429,191</u>	<u>2,388,758</u>	<u>365,339</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of May 27, 2010			Bond Issue of April 1, 2011			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	5.75 %	\$ 282,244	33,391	2.00 %	-	40,777	282,244	74,168	356,412
2015	5.75	298,473	17,162	2.00	-	40,778	298,473	57,940	356,413
2016	-	-	-	2.00	200,000	38,777	200,000	38,777	238,777
2017	-	-	-	2.00	205,000	34,728	205,000	34,728	239,728
2018	-	-	-	2.30	210,000	30,262	210,000	30,262	240,262
2019-2022	-	-	-	2.65-3.35	910,000	59,513	910,000	59,513	969,513
Total		<u>\$ 580,717</u>	<u>50,553</u>		<u>\$ 1,525,000</u>	<u>244,835</u>	<u>2,105,717</u>	<u>295,388</u>	<u>2,401,105</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,100,000 of bonds issued in May 2010 and the \$1,525,000 of bonds issued in April 2011. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015 and 2022 respectively. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 58 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining on the notes is \$2,401,105. For the current year, \$266,898 of principal and \$89,516 of interest was paid on the bonds and total statewide sales, service and use tax revenues were \$612,614.

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

- a) The revenue bonds dated April 1, 2011 have a reserve \$152,500 to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The revenue bonds dated May 27, 2010 do not have a reserve or sinking requirement.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Bank Loan Payable

Details of the District’s June 30, 2013 bank loan indebtedness that is to be repaid from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Loan of July 31, 2003			
	Interest Rates	Principal	Interest	Total
2014	4.00 %	\$ 18,164	739	18,903

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2013. Employees must have completed at least ten years of continuous 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 early retirement benefit for each eligible employee is equal to \$25,000 paid to a Health Reimbursement Arrangement (HRA) or a 403B plan chosen by the District per applicant’s choice and paid on or before July 12, 2013.

At June 30, 2013, the District has obligations to two participants with a total liability of \$50,000. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$50,000. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 68 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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	\$ 61,585
Interest on net OPEB obligation	3,776
Adjustment to annual required contribution	<u>(9,743)</u>
Annual OPEB cost	55,618
Contributions made	<u>(6,718)</u>
Increase in net OPEB obligation	48,900
Net OPEB obligation beginning of year	<u>151,046</u>
Net OPEB obligation end of year	<u>\$ 199,946</u>

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

For the year ended June 30, 2013, the District contributed \$6,718 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 53,462	10.90%	\$ 94,468
2012	59,331	4.64%	151,046
2013	55,618	12.08%	199,946

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$410,634 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$410,634. The covered payroll (annual payroll of active employees covered by the plan) was \$3,760,499 and the ratio of the UAAL to covered payroll was 10.92%. 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$384,614, \$371,148 and \$312,062, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Wapello 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.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$284,686 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.

Note 11. Deficit Unassigned Fund Balance/Net Position

The Student Activity Fund contained four accounts with deficit unassigned balances totaling \$18,307. The Enterprise: Day Care Fund had a deficit net position of \$7,981 at June 30, 2013.

Note 12. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, the District exceeded its budgeted amounts in the other expenditures functional area.

Note 13. Categorical Funding

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

Program	Amount
Home School Assistance Program	\$ 37,510
Dropout and Dropout Prevention Programs	200,496
Four-year-old Preschool State Aid	31,924
Teacher Salary Supplement	143,900
Beginning Administrator Mentoring and Induction Program	750
Professional Development for Model Core Curriculum	43,976
Professional Development	8,447
Total	<u>\$ 467,003</u>

Wapello Community School District

Required Supplementary Information

WAPELLO 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	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 4,347,252	89,180	4,436,432	4,047,609	4,047,609	388,823
State sources	4,314,572	2,908	4,317,480	4,425,827	4,425,827	(108,347)
Federal sources	304,830	212,690	517,520	495,000	495,000	22,520
Total revenues	<u>8,966,654</u>	<u>304,778</u>	<u>9,271,432</u>	<u>8,968,436</u>	<u>8,968,436</u>	<u>302,996</u>
Expenditures/Expenses:						
Instruction	6,210,355	-	6,210,355	6,376,096	6,376,096	165,741
Support services	1,866,762	-	1,866,762	2,250,000	2,250,000	383,238
Non-instructional programs	-	324,629	324,629	375,000	375,000	50,371
Other expenditures	826,162	-	826,162	744,131	744,131	(82,031)
Total expenditures/expenses	<u>8,903,279</u>	<u>324,629</u>	<u>9,227,908</u>	<u>9,745,227</u>	<u>9,745,227</u>	<u>517,319</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	63,375	(19,851)	43,524	(776,791)	(776,791)	820,315
Other financing sources, net	<u>55,697</u>	-	<u>55,697</u>	<u>(852)</u>	<u>(852)</u>	<u>56,549</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	119,072	(19,851)	99,221	(777,643)	(777,643)	876,864
Balances beginning of year	<u>2,531,582</u>	<u>84,835</u>	<u>2,616,417</u>	<u>1,680,402</u>	<u>1,680,402</u>	<u>936,015</u>
Balances end of year	<u>\$ 2,650,654</u>	<u>64,984</u>	<u>2,715,638</u>	<u>902,759</u>	<u>902,759</u>	<u>1,812,879</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the other expenditures functional area exceed the amounts budgeted.

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 351,708	351,708	0.0%	\$ 3,891,531	9.04%
2011	July 1, 2009	-	359,314	359,314	0.0%	3,823,201	9.40%
2012	July 1, 2009	-	359,233	359,233	0.0%	3,870,571	9.28%
2013	July 1, 2012	-	410,634	410,634	0.0%	3,760,499	10.92%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

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

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 178,443	120,249	298,692	560,329	859,021
Receivables:					
Property tax:					
Delinquent	1,619	-	1,619	-	1,619
Succeeding year	285,000	-	285,000	-	285,000
TOTAL ASSETS	\$ 465,062	120,249	585,311	560,329	1,145,640
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 285,000	-	285,000	-	285,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	560,329	560,329
Management levy purposes	180,062	-	180,062	-	180,062
Student activities	-	138,556	138,556	-	138,556
Unassigned	-	(18,307)	(18,307)	-	(18,307)
Total fund balances	180,062	120,249	300,311	560,329	860,640
TOTAL LIABILITIES AND FUND BALANCES	\$ 465,062	120,249	585,311	560,329	1,145,640

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 130,417	-	130,417	-	130,417
Other	4,210	369,472	373,682	10,676	384,358
TOTAL REVENUES	134,627	369,472	504,099	10,676	514,775
EXPENDITURES:					
Current:					
Instruction:					
Regular	71,672	-	71,672	-	71,672
Other	-	391,587	391,587	-	391,587
Support services:					
Student	29,137	-	29,137	-	29,137
Instructional staff	8,273	-	8,273	-	8,273
Administration	12,033	-	12,033	3,859	15,892
Operation and maintenance of plant	66,416	-	66,416	-	66,416
Transportation	17,399	-	17,399	-	17,399
Long-term debt:					
Principal	-	-	-	344,377	344,377
Interest and fiscal charges	-	-	-	92,078	92,078
TOTAL EXPENDITURES	204,930	391,587	596,517	440,314	1,036,831
Deficiency of revenues under expenditures	(70,303)	(22,115)	(92,418)	(429,638)	(522,056)
OTHER FINANCING SOURCES:					
Transfer in	-	14,782	14,782	437,200	451,982
Change in fund balances	(70,303)	(7,333)	(77,636)	7,562	(70,074)
Fund balances beginning of year	250,365	127,582	377,947	552,767	930,714
Fund balances end of year	\$ 180,062	120,249	300,311	560,329	860,640

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 375,457	348,699	724,156
Receivables:			
Property tax:			
Delinquent	-	2,290	2,290
Succeeding year	-	189,706	189,706
Due from other governments	360,792	-	360,792
TOTAL ASSETS	\$ 736,249	540,695	1,276,944
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	45,226	45,226
Deferred revenue:			
Succeeding year property tax	-	189,706	189,706
Total liabilities	-	234,932	234,932
Fund balances:			
Restricted for:			
School infrastructure	736,249	-	736,249
Physical plant and equipment	-	305,763	305,763
Total fund balances	736,249	305,763	1,042,012
TOTAL LIABILITIES AND FUND BALANCES	\$ 736,249	540,695	1,276,944

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 612,614	188,246	800,860
Other	3	4,615	4,618
State sources	-	293	293
TOTAL REVENUES	612,617	193,154	805,771
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	60,930	60,930
Capital outlay	55,696	49,325	105,021
TOTAL EXPENDITURES	55,696	110,255	165,951
Excess of revenues over expenditures	556,921	82,899	639,820
OTHER FINANCING USES:			
Transfer out	(418,297)	(18,903)	(437,200)
Change in fund balances	138,624	63,996	202,620
Fund balances beginning of year	597,625	241,767	839,392
Fund balances end of year	\$ 736,249	305,763	1,042,012

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<u>Graduating Classes:</u>					
Class of:					
2012	\$ 1,600	-	679	(42)	879
2013	1,478	903	2,147	-	234
2014	-	672	1,979	2,550	1,243
2015	-	2,550	-	(2,550)	-
	3,078	4,125	4,805	(42)	2,356
<u>Clubs and Organizations:</u>					
FFA	7,955	21,250	26,340	(475)	2,390
FFA Concessions	-	-	1,115	14,782	13,667
FFA Greenhouse	(314)	1,910	2,658	-	(1,062)
FFA Software	2,682	3,359	-	-	6,041
FCCLA	13	1,060	994	-	79
Cheerleading - Football/Basketball	411	610	62	-	959
Cheerleading - Wrestling	868	94	354	-	608
Key Club	98	306	184	-	220
Poms	2,132	6,100	6,957	-	1,275
FFA Health Machine	3,263	2,410	2,614	-	3,059
FFA Rodeo	17,665	86,387	89,359	475	15,168
	34,773	123,486	130,637	14,782	42,404
<u>Athletics:</u>					
Athletics	27,910	80,443	82,754	(4,291)	21,308
Wrestling / Resale	46	-	-	(46)	-
Wrestling Fundraiser	1,876	3,569	2,677	46	2,814
Boys Basketball / Resale	496	1,100	1,162	(434)	-
Boys Basketball Fundraiser	293	75	581	496	283
Girls Basketball / Resale	98	1,052	1,428	278	-
Girls Basketball Fundraiser	2,635	-	-	(279)	2,356
Volleyball / Resale	2,800	310	-	(3,110)	-
Volleyball Fundraiser	-	2,673	2,285	3,111	3,499
Cross Country	-	575	-	-	575
Baseball / Resale	(248)	530	745	463	-
Baseball Gates	-	-	4,332	4,332	-
Baseball Fundraiser	1,768	10,090	9,793	(96)	1,969
Softball / Resale	2,521	489	-	(3,010)	-
Softball Gates	408	-	40	(368)	-
Softball Fundraiser	1,869	5,222	5,705	3,050	4,436
Boys Track / Resale	134	140	-	(274)	-
Boys Track Fundraiser	702	-	618	274	358
Girls Track / Resale	(207)	-	-	207	-
Girls Track Fundraiser	271	12,341	8,303	(207)	4,102
Football / Resale	-	1,480	2,311	851	20
Football Fundraiser	941	1,565	514	(851)	1,141
Golf Fundraiser	41	1,813	2,175	-	(321)
Soccer	321	5,153	4,095	-	1,379
	44,675	128,620	129,518	142	43,919

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account	Balance End of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<u>Acedemic Clubs:</u>					
Drama Trip	627	2,241	432	(677)	1,759
Drama and Speech	4,995	6,926	6,592	677	6,006
Vocal	5,092	1,289	1,699	-	4,682
Vocal Uniform	2,177	20	763	-	1,434
Vocal Trip	8,174	68,935	73,714	(2,000)	1,395
Vocal Fundraiser	69	-	-	-	69
Band	863	1,087	2,569	2,000	1,381
Band Uniforms	1,302	12	894	-	420
Instrument Repair	129	10	103	-	36
Art Club	49	623	503	-	169
Yearbook - Odd	(14,936)	3,381	4,884	(100)	(16,539)
Student Senate	330	3,584	2,594	-	1,320
National Honor Society	58	585	332	-	311
Prom	1,610	1,988	1,340	-	2,258
Mock Trial	276	-	-	-	276
	<u>10,815</u>	<u>90,681</u>	<u>96,419</u>	<u>(100)</u>	<u>4,977</u>
<u>Junior High:</u>					
Junior High	1,997	9,317	8,760	-	2,554
Student Senate	382	960	1,044	-	298
	<u>2,379</u>	<u>10,277</u>	<u>9,804</u>	<u>-</u>	<u>2,852</u>
<u>Elementary:</u>					
Elementary	14,789	4,421	7,134	-	12,076
Elem Yearbook	-	1,260	1,645	-	(385)
Elem Vocal Music	4,328	4,838	5,298	-	3,868
Elem Student Council	265	-	-	-	265
Character Counts Program	272	-	-	-	272
Elem Ticket Store	1,579	305	1,693	-	191
	<u>21,233</u>	<u>10,824</u>	<u>15,770</u>	<u>-</u>	<u>16,287</u>
<u>Miscellaneous:</u>					
Pop Machines	3,405	331	3,736	-	-
Bus Barn Pop	160	-	43	-	117
Student of the Month	149	-	149	-	-
Spanish Trip	15	236	249	-	2
Hometown Days	16	-	7	-	9
Interest Checking	310	142	157	-	295
School Nurse Fund	6,574	750	293	-	7,031
	<u>10,629</u>	<u>1,459</u>	<u>4,634</u>	<u>-</u>	<u>7,454</u>
Total	<u>\$ 127,582</u>	<u>369,472</u>	<u>391,587</u>	<u>14,782</u>	<u>120,249</u>

WAPELLO COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST
JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund					
	Wapello					
	Gerdner Scholarship	Foundation Scholarship	Matthews Scholarship	Walker Scholarship	Pickering Scholarship	Total
ASSETS						
Cash and pooled investments	\$ 8,015	200	367	1,500	1,120	11,202
LIABILITIES						
	-	-	-	-	-	-
NET POSITION						
Restricted for scholarships	\$ 8,015	200	367	1,500	1,120	11,202

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WAPELLO COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund							Total
	Gerdner Scholarship	Wapello Foundation Scholarship	FFA Scholarship	Matthews Scholarship	Walker Scholarship	Pickering Scholarship	Keltner Scholarship	
ADDITIONS:								
Local sources:								
Donations	\$ -	-	3,500	-	-	-	200	3,700
Interest income	89	-	-	-	-	-	-	89
TOTAL ADDITIONS	89	-	3,500	-	-	-	200	3,789
DEDUCTIONS:								
Instruction:								
Regular:								
Scholarships awarded	100	-	3,500	-	-	-	200	3,800
Change in net position before other financing uses	(11)	-	-	-	-	-	-	(11)
OTHER FINANCING USES:								
Transfer out	-	-	(14,782)	-	-	-	-	(14,782)
Change in net position	(11)	-	(14,782)	-	-	-	-	(11)
Net position beginning of year	8,026	200	14,782	367	1,500	1,120	-	25,995
Net position end of year	\$ 8,015	200	-	367	1,500	1,120	-	11,202

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WAPELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 2,870	1,686	2,370	2,186
Accounts receivable	-	673	-	673
	<u>\$ 2,870</u>	<u>2,359</u>	<u>2,370</u>	<u>2,859</u>
LIABILITIES				
Due to other groups	\$ 2,870	2,359	2,370	2,859

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,609,985	3,437,226	3,477,597	3,469,688	3,440,859	3,192,897	3,358,514	3,046,344	2,873,859	2,424,992
Tuition	248,578	234,223	211,213	209,779	151,993	171,800	176,768	215,080	196,802	195,142
Other	488,689	415,505	426,312	406,404	383,733	453,729	442,145	422,413	424,466	333,130
State sources	4,314,572	4,508,363	4,144,326	3,626,844	4,347,592	4,219,007	4,098,662	3,834,209	3,446,281	3,158,613
Federal sources	304,830	396,569	488,342	585,785	269,075	222,304	204,199	221,391	193,239	210,696
Total	\$ 8,966,654	8,991,886	8,747,790	8,298,500	8,593,252	8,259,737	8,280,288	7,739,437	7,134,647	6,322,573
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,730,267	3,596,694	3,540,026	3,540,140	3,684,116	3,507,759	3,407,171	3,124,319	3,028,768	2,875,548
Special	1,349,341	1,216,504	1,139,305	1,086,232	879,598	906,180	870,521	958,535	999,754	863,058
Other	1,130,747	1,041,579	1,097,280	1,147,125	986,133	1,057,949	1,024,131	1,035,072	786,460	690,738
Support services:										
Student	149,642	139,147	125,968	123,859	104,190	117,735	127,343	117,265	105,746	98,238
Instructional staff	91,583	69,418	71,746	73,466	68,016	66,246	76,407	59,603	69,495	103,643
Administration	646,299	695,030	681,362	667,032	664,170	658,873	618,373	614,171	611,608	525,707
Operation and maintenance										
of plant	620,722	525,272	519,866	583,198	503,711	650,469	635,163	664,509	459,932	406,687
Transportation	358,516	331,034	471,900	305,753	394,984	359,840	345,497	317,789	368,999	314,209
Capital outlay	105,021	1,200,920	1,280,311	613,948	1,483,681	358,708	46,635	55,207	3,509	186,239
Long-term debt:										
Principal	344,377	388,263	303,159	289,416	222,691	218,886	159,102	153,158	204,865	129,462
Interest and fiscal charges	92,078	100,783	20,877	32,749	35,395	44,823	46,490	53,805	61,871	59,824
Other expenditures:										
AEA flow-through	284,686	287,363	313,414	311,759	291,503	275,760	271,268	248,746	227,703	221,144
Total	\$ 8,903,279	9,592,007	9,565,214	8,774,677	9,318,188	8,223,228	7,628,101	7,402,179	6,928,710	6,474,497

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of the Wapello Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapello Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 17, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings we identified a certain deficiencies in internal control over financial reporting that we consider to be a material weakness 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 on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapello Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

Wapello Community School District's Responses to Findings

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2014
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation.
- 4) Wire transfers - processing and approving.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) School lunch program - recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The Wapello Community School District will continue to look for ways to better achieve segregation of duties within the District. Changes have been made for fiscal 2014, management continues to look for additional ways to achieve better segregation of duties while economic factors continue to prohibit the hiring of additional staff.

Conclusion - Response accepted.

I-B-13 Receipting Procedures - We noted during our audit that deposits for the School Nutrition Fund were taken to the bank for deposit on a weekly basis. It was also noted that money collected in the Nutrition Fund is occasionally stored overnight, locked, in a freezer outside of the Nutrition office.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made in a timely manner. Better internal controls are achieved when money collected daily by the Nutrition Fund is stored in a secure location each night, such as an office safe.

Response - The School Nutrition money is no longer stored in the freezer at any time and is being sent over daily to the central office to deposit in the bank. On Friday's the lunch money is stored in the elementary safe until it can be sent over to the central office on the following Monday.

Conclusion - Response accepted.

- I-C-13 Student Activity Fund - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to the individual accounts within the Student Activity Fund that earned the interest.

Recommendation - Interest earned each year should be allocated at least annually during the fiscal year to the individual activity fund accounts that earned the interest.

Response - The student activity interest account is being allocated to all of the accounts with board approval.

Conclusion - Response accepted.

- I-D-13 Scholarship Check - We noted during our audit that the District wrote a scholarship check to a student from the General Fund instead of the Private-Purpose Trust Fund.

Recommendation - When fundraising for scholarships takes place, the District should deposit the proceeds into the appropriate fund. Money's fundraised for scholarships should be receipted and expensed from the Private-Purpose Trust Fund.

Response - The District has made the appropriate change for Fiscal 2014 and will receipt and expense such scholarships from a Private-Purpose Trust Fund in the future.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, exceeded the certified budgeted amounts in the other expenditures functional area.

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

Response - The District will monitor the expenditures in all budgeted categories and will amend the certified budget to avoid overspending in the functional areas.

Conclusion - Response accepted.

- II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Duane Boyson, Board Member Owns JD's Irish Ivy	Supplies	\$780

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-13 Financial Condition – The District had four Student Activity accounts with deficit balances at June 30, 2013, totaling \$18,307. The District also had deficit net position of \$7,981 in the Enterprise, Day Care Fund.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial condition. The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - The District continues to monitor these accounts and will work to reduce and/or eliminate these deficit balances in accounts.

Conclusion - Response accepted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual

Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	597,625
Revenues:			
Sales tax revenues	\$	612,614	
Other local revenues		<u>3</u>	<u>612,617</u>
			1,210,242
Expenditures/transfers out:			
School infrastructure construction	\$	55,696	
Transfer to another fund:			
Debt service fund		<u>418,297</u>	<u>473,993</u>
Ending Balance			<u><u>\$ 736,249</u></u>

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

II-N-13 Student Activity Fund - During our audit concerns arose about certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program.

Administratively Maintained Accounts: We noted during our audit the District had a Pop Machines account and a Bus Barn Pop account in the Student Activity Fund. These accounts are not student run organizations and do not appear to be extracurricular in nature; furthermore, purchases from these accounts appear to be for administrative purposes and should be run through the General Fund.

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. These two accounts should be transferred to the General Fund where these monies can be receipted and expended.

Response - The District has made the appropriate change for Fiscal 2014 and will administer this account from the General Fund. Any remaining funds will be transferred and expensed out of the General Fund in Fiscal 2014.

Conclusion - Response accepted.