

WASHINGTON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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Washington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Eric Turner	President	2015
Heidi Vittetoe	Vice President	2013
Sheryl Lewis	Board Member	2013
Patty Roe	Board Member	2013
Troy Suchan	Board Member	2013
Ericka Raber	Board Member	2015
Stephanie Ellingson	Board Member	2015
School Officials		
Mike Jorgensen	Superintendent	2013
Jeff Dieleman	District Treasurer/ Business Manager	2013
Rick Engel	Attorney	2013

Washington 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 AUDITORS REPORT

To the Board of Education of the Washington 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 Washington Community School District, Washington, 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 Washington 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.

Members American Institute & Iowa Society of Certified Public Accountants

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 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of 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 Washington 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 standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, 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 February 10, 2014, on our consideration of the Washington 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 Washington Community School District's internal control over financial reporting and compliance.

February 10, 2014
Newton, Iowa


NOLTE, CORNMAN & JOHNSON, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Washington Community School District provides the 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 \$19,403,443 in fiscal 2012 to \$18,737,021 in fiscal 2013, while General Fund expenditures increased from \$17,836,994 in fiscal 2012 to \$18,130,753 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$3,647,539 in fiscal 2012 to a balance of \$4,253,807 in fiscal 2013, a 16.62% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in federal source revenues in fiscal 2013. The increase in expenditures is mostly attributable to increases in costs in the support services functions.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

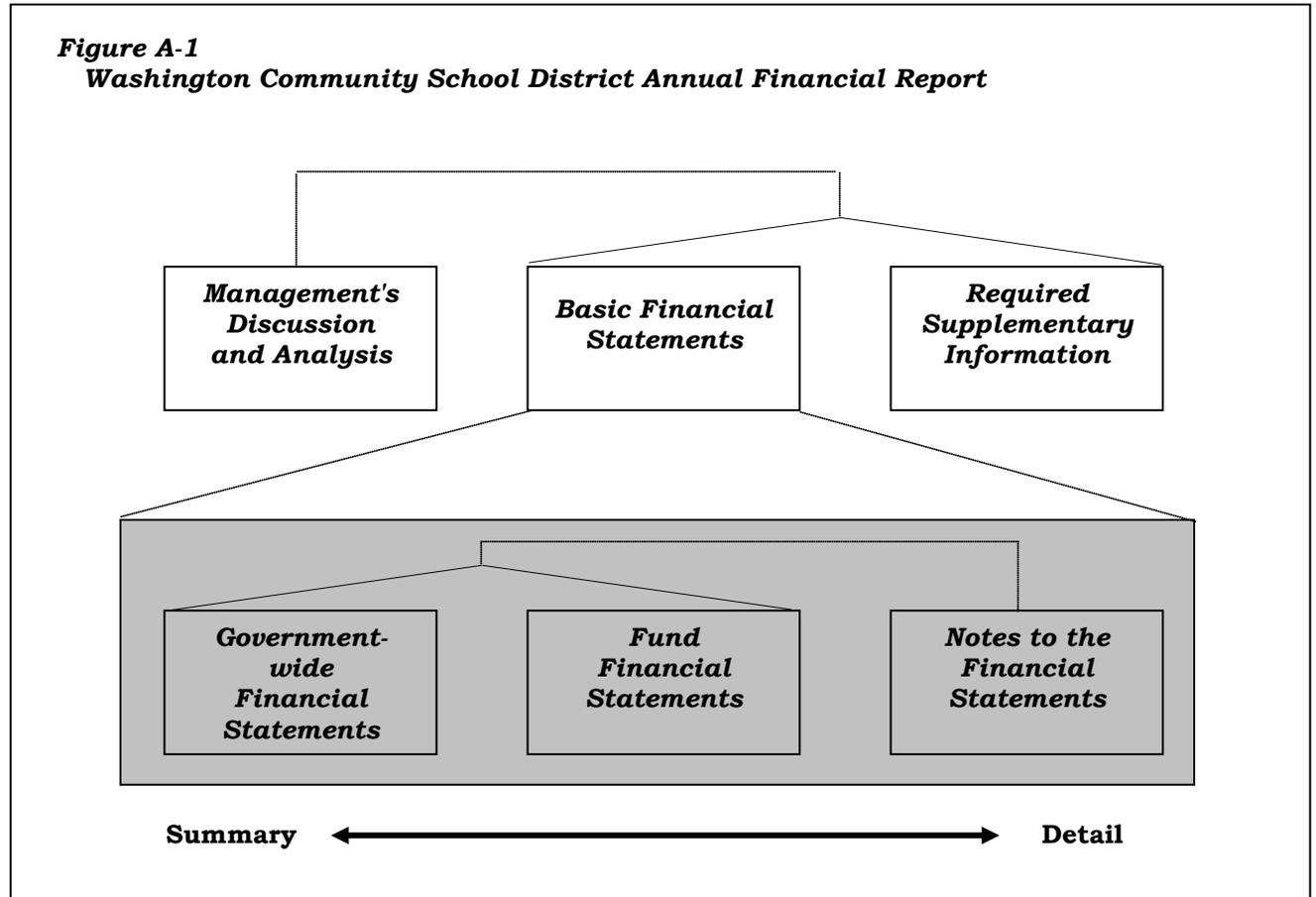


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 and student activities monies
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 is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 17,617,200	16,644,756	82,007	181,849	17,699,207	16,826,605	5.19%
Capital assets	23,603,269	23,143,789	497,238	216,129	24,100,507	23,359,918	3.17%
Total assets	41,220,469	39,788,545	579,245	397,978	41,799,714	40,186,523	4.01%
Long-term obligations	16,620,102	15,389,475	6,928	4,858	16,627,030	15,394,333	8.01%
Other liabilities	8,406,619	9,111,684	79,146	72,872	8,485,765	9,184,556	-7.61%
Total liabilities	25,026,721	24,501,159	86,074	77,730	25,112,795	24,578,889	2.17%
Net assets:							
Invested in capital assets, net of related debt	8,457,079	8,999,224	497,238	216,129	8,954,317	9,215,353	-2.83%
Restricted	4,375,408	4,156,028	-	-	4,375,408	4,156,028	5.28%
Unrestricted	3,361,261	2,132,134	(4,067)	104,119	3,357,194	2,236,253	50.13%
Total net position	\$ 16,193,748	15,287,386	493,171	320,248	16,686,919	15,607,634	6.92%

The District's combined net position increased by 6.92%, or \$1,079,285, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 5.28%, or \$219,380, over the prior year. The majority of the

increase in restricted net position can be attributed to the increase in fund balance of the Capital Projects Fund due to the issuance of \$1,740,000 in revenue bonds for school construction issued during the year.

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 – increased \$1,120,941, or 50.13%. The increase in unrestricted net position is mainly attributable to the increase in General Fund carryover balance.

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

Figure A-4 Changes of Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 1,423,692	1,094,247	340,852	331,727	1,764,544	1,425,974	23.74%
Operating grants and contributions and restricted interest	1,908,634	1,834,046	489,883	490,018	2,398,517	2,324,064	3.20%
Capital grants and contributions and restricted interest	90,960	1,434,888	-	-	90,960	1,434,888	-93.66%
General revenues:							
Property tax	6,103,274	6,172,044	-	-	6,103,274	6,172,044	-1.11%
Income surtax	667,573	595,725	-	-	667,573	595,725	12.06%
Statewide sales, services and use tax	1,465,160	1,310,349	-	-	1,465,160	1,310,349	11.81%
Unrestricted state grants	9,970,458	9,686,288	-	-	9,970,458	9,686,288	2.93%
Nonspecific program federal grants	-	357,243	-	-	-	357,243	-100.00%
Unrestricted investment earnings	3,168	41,588	78	290	3,246	41,878	-92.25%
Other	36,851	97,696	-	-	36,851	97,696	-62.28%
Transfers	(325,979)	-	325,979	-	-	-	0.00%
Total revenues	21,343,791	22,624,114	1,156,792	822,035	22,500,583	23,446,149	-4.03%
Program expenses:							
Governmental activities:							
Instructional	12,653,453	12,972,234	-	-	12,653,453	12,972,234	-2.46%
Support services	5,736,225	5,331,772	-	-	5,736,225	5,331,772	7.59%
Non-instructional programs	-	-	983,869	844,534	983,869	844,534	16.50%
Other expenses	2,047,751	1,524,985	-	-	2,047,751	1,524,985	34.28%
Total expenses	20,437,429	19,828,991	983,869	844,534	21,421,298	20,673,525	3.62%
Changes in net position before special item	906,362	2,795,123	172,923	(22,499)	1,079,285	2,772,624	-61.07%
Other financing sources:							
Special item	-	352,210	-	-	-	352,210	-100.00%
Changes in net position	906,362	3,147,333	172,923	(22,499)	1,079,285	3,124,834	-65.46%
Beginning net position	15,287,386	12,140,053	320,248	342,747	15,607,634	12,482,800	25.03%
Ending net position	\$ 16,193,748	15,287,386	493,171	320,248	16,686,919	15,607,634	6.92%

In fiscal 2013, local tax (property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 85.30% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 71.81% of the revenue from business type activities.

The District's total revenues were approximately \$22.50 million of which approximately \$21.34 million was for governmental activities and approximately \$1.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.03% decrease in revenues and a 3.62% increase in expenses. The decrease in revenues is mainly attributable to decreases in federal sources during fiscal 2013. The increase in expenditures is mainly attributable to increases in salaries and benefits received by District employees.

Governmental Activities

Revenues for governmental activities were \$21,343,791 and expenses were \$20,437,429. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services		Change 2012-13	Net Cost of Services		Change 2012-13
	2013	2012		2013	2012	
Instruction	\$ 12,653,453	12,972,234	-2.46%	10,251,631	10,839,389	-5.42%
Support services	5,736,225	5,331,772	7.59%	5,394,127	3,761,222	43.41%
Other expenses	2,047,751	1,524,985	34.28%	1,368,385	865,199	58.16%
Totals	\$ 20,437,429	19,828,991	3.07%	17,014,143	15,465,810	10.01%

- The cost financed by users of the District's programs was \$1,423,692.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,999,594.
- The net cost of governmental activities was financed with \$6,103,274 in property tax, \$667,573 in income surtax, \$1,465,160 in statewide sales, service and use tax, \$9,970,458 in unrestricted state grants, \$3,168 in interest income, \$36,851 in other general revenues, and capital contributions to the nutrition fund shown as transfers of \$325,979.

Business type Activities

Revenues of the District's business type activity were \$1,156,792 and expenses were \$983,569. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and capital contributions from the governmental funds.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$8,903,339, below last year's ending fund balances of \$7,233,910. The main reason for the decrease in combined fund balances can be attributed to continuing construction costs associated with the new high school building and energy improvement projects.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. A decline during the year in state federal revenues was the primary reason for the decrease in revenues. The decrease in General Fund revenues was more than enough to outpace the increase in General Fund expenditures creating a net result of an increase in fund balance from \$3,647,539 in fiscal 2012 to \$4,253,807 in fiscal 2013.
- The Management Levy Fund balance increased from a balance of \$146,024 in fiscal 2012 to a balance of \$157,033 in fiscal 2013. The increase in overall fund balance can be attributed to the District receiving more local tax revenue than in the prior year.
- The Capital Projects Accounts balance increased from a balance of \$1,421,982 in fiscal 2012 to a balance of \$2,275,910 in fiscal 2013. The increase in overall fund balance can be attributed to the District finishing its construction projects during the year as well as issuing \$1,740,000 in revenue bonds during the year.
- The Debt Service Fund balance increased from a balance of \$1,857,673 at June 30, 2012, to a balance of \$2,129,767. The increase in fund balance is the result of the District paying less principal on its long-term debt in the current year than in the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$320,248 at June 30, 2012 to \$493,171 at June 30, 2013, representing an increase of 54.00%. This increase was primarily due to the increase in capital contributions received from the governmental funds during fiscal 2013.

BUDGETARY HIGHLIGHTS

The District's revenues were \$853,331 more than budgeted revenues, a variance of 3.95%. The most significant dollar difference resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practice, expenditures in the non-instructional programs and other expenditures functional areas exceeded the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$24,100,507, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.17% from the previous year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,118,635.

The original cost of the District's capital assets was \$31,090,695. Governmental funds account for \$30,311,127 with the remainder of \$779,568 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013 as compared to \$15,429,183 at June 30, 2012. This decrease in construction in progress was primarily due to the District finishing construction on its new high school building and capitalizing it as part of the District's capital asset listing during the year.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 710,542	710,542	-	-	710,542	710,542	0.00%
Construction in progress	-	15,429,183	-	-	-	15,429,183	-100.00%
Buildings	21,522,362	5,830,236	-	-	21,522,362	5,830,236	269.15%
Land improvements	278,333	304,404	-	-	278,333	304,404	-8.56%
Machinery and equipment	1,092,032	869,424	497,238	216,129	1,589,270	1,085,553	46.40%
Total	\$ 23,603,269	23,143,789	497,238	216,129	24,100,507	23,359,918	3.17%

Long-Term Debt

At June 30, 2013, the District had \$16,627,030 in revenue bonds, energy capital loan notes and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

	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
Revenue Bonds	\$ 14,930,000	13,630,000	-	-	14,930,000	13,630,000	9.54%
Energy Capital Loan Notes	700,000	700,000	-	-	700,000	700,000	0.00%
Computer Loan	525,000	700,000	-	-	525,000	700,000	-25.00%
Termination benefits	-	33,333	-	-	-	33,333	-100.00%
Net OPEB Liability	465,102	326,142	6,928	4,858	472,030	331,000	42.61%
Total	\$ 16,620,102	15,389,475	6,928	4,858	16,627,030	15,394,333	8.01%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment showed a slight increase over last year. Current projections forecast that enrollment will remain stable for the next few years.
- Kirkwood Community College will open a regional center here in Washington in the fall of 2014, this will increase student opportunities in our district and should have a positive effect on supplemental enrollment figures.
- We have three groups promoting an auditorium for the school district, the construction of a new community Y, and the construction of a wellness park. While none of these projects are fully funded, considerable progress has been made on each, showing signs that the community continues to grow. Also, large employers in the District are hiring, which seems to indicate that the local economy is gaining strength.
- On July 1, 2013, the IPERS increase to 8.93% will increase the Washington Community Schools employer benefits 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 Jeff Dieleman, Business Manager/District Secretary, Washington Community School District, P.O. Box 926, Washington, Iowa, 52353.

Basic Financial Statements

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

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 10,086,031	59,069	10,145,100
Receivables:			
Property tax:			
Delinquent	99,194	-	99,194
Succeeding year	5,822,253	-	5,822,253
Income surtax	626,479	-	626,479
Accounts	11,013	-	11,013
Due from other funds	38,021	-	38,021
Due from other governments	934,209	17,510	951,719
Inventories	-	5,428	5,428
Capital assets, net of accumulated depreciation	23,603,269	497,238	24,100,507
TOTAL ASSETS	41,220,469	579,245	41,799,714
LIABILITIES			
Due to other funds	39,083	-	39,083
Accounts payable	242,395	7,185	249,580
Retainage payable	214,626	-	214,626
Salaries and benefits payable	1,760,753	56,134	1,816,887
Accrued interest payable	319,237	-	319,237
Deferred revenue:			
Succeeding year property tax	5,822,253	-	5,822,253
Unearned revenue	-	15,827	15,827
Other	8,272	-	8,272
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	460,000	-	460,000
Capital loan notes payable	95,000	-	95,000
Computer loan payable	175,000	-	175,000
Portion due after one year:			
Revenue bonds payable	14,470,000	-	14,470,000
Capital loan notes payable	605,000	-	605,000
Computer loan payable	350,000	-	350,000
Net OPEB liability	465,102	6,928	472,030
TOTAL LIABILITIES	25,026,721	86,074	25,112,795
NET POSITION			
Invested in capital assets, net of related debt	8,457,079	497,238	8,954,317
Restricted for:			
Categorical funding	528,923	-	528,923
Debt service	1,810,530	-	1,810,530
Management levy purposes	157,033	-	157,033
Student activities	86,822	-	86,822
School infrastructure	1,014,413	-	1,014,413
Physical plant and equipment	777,687	-	777,687
Unrestricted	3,361,261	(4,067)	3,357,194
TOTAL NET POSITION	\$ 16,193,748	493,171	16,686,919

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,698,053	460,235	385,562	-	(6,852,256)	-	(6,852,256)
Special	2,610,805	93,894	181,005	-	(2,335,906)	-	(2,335,906)
Other	2,344,595	637,771	643,355	-	(1,063,469)	-	(1,063,469)
	<u>12,653,453</u>	<u>1,191,900</u>	<u>1,209,922</u>	<u>-</u>	<u>(10,251,631)</u>	<u>-</u>	<u>(10,251,631)</u>
Support services:							
Student	386,255	2,000	-	-	(384,255)	-	(384,255)
Instructional staff	703,456	-	-	-	(703,456)	-	(703,456)
Administration	1,941,831	165,251	-	-	(1,776,580)	-	(1,776,580)
Operation and maintenance of plant	1,829,550	11,381	-	90,960	(1,727,209)	-	(1,727,209)
Transportation	875,133	53,160	19,346	-	(802,627)	-	(802,627)
	<u>5,736,225</u>	<u>231,792</u>	<u>19,346</u>	<u>90,960</u>	<u>(5,394,127)</u>	<u>-</u>	<u>(5,394,127)</u>
Long-term debt interest	625,440	-	-	-	(625,440)	-	(625,440)
Other expenses:							
AEA flowthrough	679,366	-	679,366	-	-	-	-
Depreciation (unallocated)*	742,945	-	-	-	(742,945)	-	(742,945)
	<u>1,422,311</u>	<u>-</u>	<u>679,366</u>	<u>-</u>	<u>(742,945)</u>	<u>-</u>	<u>(742,945)</u>
Total governmental activities	20,437,429	1,423,692	1,908,634	90,960	(17,014,143)	-	(17,014,143)
Business type activities:							
Non-instructional programs:							
Nutrition services	983,869	340,852	489,883	-	-	(153,134)	(153,134)
Total	\$ 21,421,298	1,764,544	2,398,517	90,960	(17,014,143)	(153,134)	(17,167,277)
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 5,583,234	-		5,583,234
Capital outlay				520,040	-		520,040
Income surtax				667,573	-		667,573
Statewide sales, services and use tax				1,465,160	-		1,465,160
Unrestricted state grants				9,970,458	-		9,970,458
Unrestricted investment earnings				3,168	78		3,246
Other				36,851	-		36,851
Transfers				(325,979)	325,979		-
Total general revenues and transfers				<u>17,920,505</u>	<u>326,057</u>		<u>18,246,562</u>
Changes in net position				906,362	172,923		1,079,285
Net position beginning of year				<u>15,287,386</u>	<u>320,248</u>		<u>15,607,634</u>
Net position end of year				<u>\$ 16,193,748</u>	<u>493,171</u>		<u>16,686,919</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 5,644,968	149,714	2,061,774	2,129,767	99,808	10,086,031
Receivables:						
Property tax:						
Delinquent	83,493	7,319	8,382	-	-	99,194
Succeeding year	4,077,440	1,200,000	544,813	-	-	5,822,253
Income surtax	626,479	-	-	-	-	626,479
Accounts	9,565	-	-	-	1,448	11,013
Due from other funds	38,021	-	-	-	-	38,021
Due from other governments	451,863	-	482,346	-	-	934,209
TOTAL ASSETS	\$ 10,931,829	1,357,033	3,097,315	2,129,767	101,256	17,617,200
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ 1,062	-	38,021	-	-	39,083
Accounts payable	204,016	-	23,945	-	14,434	242,395
Retainage payable	-	-	214,626	-	-	214,626
Salaries and benefits payable	1,760,753	-	-	-	-	1,760,753
Deferred revenue:						
Succeeding year property tax	4,077,440	1,200,000	544,813	-	-	5,822,253
Income surtax	626,479	-	-	-	-	626,479
Other	8,272	-	-	-	-	8,272
Total liabilities	6,678,022	1,200,000	821,405	-	14,434	8,713,861
Fund balances:						
Restricted for:						
Categorical funding	528,923	-	-	-	-	528,923
Debt service	-	-	-	2,129,767	-	2,129,767
Management levy purposes	-	157,033	-	-	-	157,033
Student activities	-	-	-	-	86,822	86,822
School infrastructure	-	-	1,498,223	-	-	1,498,223
Physical plant and equipment	-	-	777,687	-	-	777,687
Unassigned	3,724,884	-	-	-	-	3,724,884
Total fund balances	4,253,807	157,033	2,275,910	2,129,767	86,822	8,903,339
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,931,829	1,357,033	3,097,315	2,129,767	101,256	17,617,200

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON 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)	\$	8,903,339
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		23,603,269
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		626,479
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.		(319,237)
Long-term liabilities, including revenue bonds payable, capital loan notes payable, computer loan 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.		<u>(16,620,102)</u>
Net position of governmental activities(page 18)	\$	<u><u>16,193,748</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 5,777,832	449,972	1,985,200	-	-	8,213,004
Tuition	454,860	-	-	-	-	454,860
Other	920,294	8,356	6,692	91	373,524	1,308,957
State sources	10,938,723	262	301	-	-	10,939,286
Federal sources	645,312	-	85,348	-	-	730,660
TOTAL REVENUES	18,737,021	458,590	2,077,541	91	373,524	21,646,767
EXPENDITURES:						
Current:						
Instruction:						
Regular	7,546,571	115,955	-	-	-	7,662,526
Special	2,588,118	-	-	-	-	2,588,118
Other	1,972,343	-	-	-	447,394	2,419,737
	12,107,032	115,955	-	-	447,394	12,670,381
Support services:						
Student	383,286	-	-	-	-	383,286
Instructional staff	815,683	-	-	-	-	815,683
Administration	1,907,771	71,165	1,500	1,950	-	1,982,386
Operation and maintenance of plant	1,282,732	180,010	-	-	-	1,462,742
Transportation	647,464	80,451	100,143	-	-	828,058
	5,036,936	331,626	101,643	1,950	-	5,472,155
Capital outlay	-	-	1,656,052	-	-	1,656,052
Long-term debt:						
Principal	-	-	-	615,000	-	615,000
Interest and fiscal charges	-	-	-	610,517	-	610,517
	-	-	-	1,225,517	-	1,225,517
Other expenditures:						
AEA flowthrough	679,366	-	-	-	-	679,366
TOTAL EXPENDITURES	17,823,334	447,581	1,757,695	1,227,467	447,394	21,703,471
Excess(Deficiency) of revenues over(under) expenditures	913,687	11,009	319,846	(1,227,376)	(73,870)	(56,704)
Other financing sources(uses):						
Transfer in	-	-	1,571,555	1,499,470	-	3,071,025
Transfer out	(307,419)	-	(2,763,606)	-	-	(3,071,025)
Revenue bond issuance	-	-	1,740,000	-	-	1,740,000
Premium on revenue bond issuance	-	-	5,708	-	-	5,708
Discount on revenue bond issuance	-	-	(19,575)	-	-	(19,575)
Total other financing sources(uses)	(307,419)	-	534,082	1,499,470	-	1,726,133
Change in fund balances	606,268	11,009	853,928	272,094	(73,870)	1,669,429
Fund balance beginning of year	3,647,539	146,024	1,421,982	1,857,673	160,692	7,233,910
Fund balance end of year	\$ 4,253,807	157,033	2,275,910	2,129,767	86,822	8,903,339

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 1,669,429

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

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

Expenditures for capital assets	\$ 1,517,522	
Depreciation expense	<u>(1,058,042)</u>	459,480

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Current year issuances were the following:

Issued	\$ (1,740,000)	
Repaid	<u>615,000</u>	(1,125,000)

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

(14,923)

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

23,003

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.

Termination benefits	\$ 33,333	
Other postemployment benefits	<u>(138,960)</u>	<u>(105,627)</u>

Changes in net position of governmental activities(page 19) \$ 906,362

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 59,069
Due from other governments	17,510
Inventories	5,428
Total current assets	82,007
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	497,238
Total non-current assets	497,238
TOTAL ASSETS	579,245
LIABILITIES	
Current liabilities:	
Accounts payable	7,185
Salaries and benefits payable	56,134
Unearned revenue	15,827
Total current liabilities	79,146
Long-term liabilities:	
Net OPEB liability	6,928
TOTAL LIABILITIES	86,074
NET POSITION	
Invested in capital assets	497,238
Unrestricted	(4,067)
TOTAL NET POSITION	\$ 493,171

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 340,852</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	322,822
Benefits	70,118
Services	14,514
Supplies	515,822
Depreciation	60,593
TOTAL OPERATING EXPENSES	<u>983,869</u>
OPERATING LOSS	<u>(643,017)</u>
NON-OPERATING REVENUES:	
Interest	78
State sources	7,363
Federal sources	482,520
TOTAL NON-OPERATING REVENUES	<u>489,961</u>
Change in net position before capital contributions	(153,056)
Capital contributions	<u>325,979</u>
Change in net position	172,923
Net position beginning of year	<u>320,248</u>
Net position end of year	<u>\$ 493,171</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT I

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

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 344,659
Cash payments to employees for services	(387,426)
Cash payments to suppliers for goods or services	(495,733)
Net cash used in operating activities	<u>(538,500)</u>
Cash flows from non-capital financing activities:	
State grants received	7,363
Federal grants received	446,470
Net cash provided by non-capital financing activities	<u>453,833</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(15,723)</u>
Cash flows from investing activities:	
Interest on investments	<u>78</u>
Net decrease in cash and cash equivalents	(100,312)
Cash and cash equivalents at beginning of year	<u>159,381</u>
Cash and cash equivalents at end of year	<u>\$ 59,069</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (643,017)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	36,184
Depreciation	60,593
Increase in inventories	(604)
Decrease in accounts payable	(977)
Increase in salaries and benefits payable	3,444
Increase in unearned revenue	3,807
Increase in other postemployment benefits	2,070
Net cash used in operating activities	<u>\$ (538,500)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$36,184,

During the year ended June 30, 2013, the Nutrition Fund received capital contributions from the General Fund of \$28,155 and the Capital Projects: High School Building Fund of \$297,824 for a total of \$325,979.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 1,304,656
Due from other funds	1,062
TOTAL ASSETS	<u>1,305,718</u>
LIABILITIES	
	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 1,305,718</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 37,381
Contributions	15,000
Total additions	<u>52,381</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>31,975</u>
Change in net position	20,406
Net position beginning of year	<u>1,285,312</u>
Net position end of year	<u>\$ 1,305,718</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Washington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District also operates or sponsors various adult education programs. The geographic area served includes the City of Washington, Iowa, and the predominate agricultural territory of Washington and Jefferson 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, Washington 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 Washington Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Washington and Jefferson County Assessors' 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:

Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 is 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 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 Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

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

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

The District also reports the non-major following proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measureable 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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	40 years
Land improvements	15 years
Intangibles	2-5 years
Machinery and equipment	4-12 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.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

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 in the non-instructional programs and other expenditure functional areas exceeded the budgeted amounts.

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 Obligation Portfolio which are valued at an amortized cost of \$5,297,163 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Private Purpose Trust	General	\$ 1,062
General Fund	Capital Projects: Property Plant, and Equipment Levy	38,021
Total		<u>\$ 39,083</u>

The General Fund is repaying the Private Purpose Trust Fund for interest earned on certificates of deposit that was deposited in the wrong checking account by the bank in prior year.

The Capital Projects: Physical, Plant and Equipment Levy Fund is repaying the General Fund for the purchase of two vehicles which were coded to the incorrect fund.

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 307,419
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	1,192,051
Capital Projects: High School Building	Capital Projects: Statewide Sales, Services and Use Tax	1,571,555
Total		<u>\$ 3,071,025</u>

The transfer of from the General Fund to the Debt Service Fund was needed to pay principal and interest payments on the District energy capital loan note and computer loan indebtedness during fiscal 2013.

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

The transfer from the Capital Projects: Statewide, Sales, Service and Use tax Fund to the Capital Projects: High School Building Fund was needed to transfer bond proceeds from the District December 12, 2012 revenue bond issuance to the correct 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 710,542	-	-	710,542
Construction in progress	15,429,183	979,817	16,409,000	-
Total capital assets not being depreciated	<u>16,139,725</u>	<u>979,817</u>	<u>16,409,000</u>	<u>710,542</u>
Capital assets being depreciated:				
Buildings	8,259,994	16,409,000	-	24,668,994
Land improvements	1,169,825	-	-	1,169,825
Machinery and equipment	3,224,061	537,705	-	3,761,766
Total capital assets being depreciated	<u>12,653,880</u>	<u>16,946,705</u>	<u>-</u>	<u>29,600,585</u>
Less accumulated depreciation for:				
Buildings	2,429,758	716,874	-	3,146,632
Land improvements	865,421	26,071	-	891,492
Machinery and equipment	2,354,637	315,097	-	2,669,734
Total accumulated depreciation	<u>5,649,816</u>	<u>1,058,042</u>	<u>-</u>	<u>6,707,858</u>
Total capital assets being depreciated, net	<u>7,004,064</u>	<u>15,888,663</u>	<u>-</u>	<u>22,892,727</u>
Governmental activities capital assets, net	<u>\$ 23,143,789</u>	<u>16,868,480</u>	<u>16,409,000</u>	<u>23,603,269</u>
Business type activities:				
Machinery and equipment	\$ 437,866	341,702	-	779,568
Less accumulated depreciation	221,737	60,593	-	282,330
Business type activities capital assets, net	<u>\$ 216,129</u>	<u>281,109</u>	<u>-</u>	<u>497,238</u>
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular			\$	14,913
Special				2,494
Other				29,231
Support services:				
Instructional services				52,432
Administration				39,841
Operation and maintenance				32,211
Transportation				<u>143,975</u>
Unallocated depreciation				<u>315,097</u>
				<u>742,945</u>
Total governmental activities depreciation expense			\$	<u>1,058,042</u>
Business type activities:				
Food services			\$	<u>60,593</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
Governmental Activities:					
Revenue Bonds	\$ 13,630,000	1,740,000	440,000	14,930,000	460,000
Capital Loan Notes	700,000	-	-	700,000	95,000
Computer Loan	700,000	-	175,000	525,000	175,000
Termination Benefits	33,333	-	33,333	-	-
Net OPEB Liability	326,142	138,960	-	465,102	-
Total	\$ 15,389,475	1,878,960	648,333	16,620,102	730,000
Business Type Activities:					
Net OPEB Liability	\$ 4,858	2,070	-	6,928	-

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 December 1, 2009			Bond Issue of December 12, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	3.00 %	\$ 460,000	569,653	1.00 %	\$ 0	36,621	460,000	606,274	1,066,274
2015	3.00	560,000	554,353	1.00	0	34,785	560,000	589,138	1,149,138
2016	3.25	565,000	520,953	1.00	100,000	34,285	665,000	555,238	1,220,238
2017	3.50	590,000	517,265	1.00	100,000	33,285	690,000	550,550	1,240,550
2018	3.75	610,000	495,502	1.50	100,000	32,035	710,000	527,537	1,237,537
2019-2023	4.00-4.50	3,440,000	2,039,280	1.50-1.90	525,000	136,213	3,965,000	2,175,493	6,140,493
2024-2028	4.60-5.00	4,275,000	1,257,662	2.05-2.50	585,000	81,171	4,860,000	1,338,833	6,198,833
2029-2030	5.00	2,690,000	169,750	2.65-2.80	330,000	11,316	3,020,000	181,066	3,201,066
Total		\$ 13,190,000	6,124,418		1,740,000	399,711	14,930,000	6,524,129	21,454,129

The District has pledged future statewide sales, services and use tax revenues to repay the \$13,985,000 of bonds issued on December 2009, and the \$1,740,000 of bonds issued in December 2012. The bonds were issued for the purpose of defraying a portion of the costs of school infrastructure within the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 73% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$21,454,129. For the current year \$440,000 in principal and \$583,153 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,465,160.

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

- a) \$1,259,931 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers from the District's Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Energy Capital Loan Notes

Details of the District's June 30, 2013, energy capital loan note indebtedness that will be paid from the General Fund area as follows:

Year Ending June 30,	Capital Loan Note Issue of July 1, 2010			
	Interest Rates	Principal	Interest	Total
2014	1.55	% \$ 95,000	17,710	112,710
2015	2.00	95,000	16,238	111,238
2016	2.50	95,000	14,338	109,338
2017	2.65	100,000	10,638	110,638
2018-2020	2.75-3.15	315,000	11,809	326,809
Total		<u>\$ 700,000</u>	<u>70,733</u>	<u>770,733</u>

Computer Loan

Details of the District's June 30, 2013, computer loan indebtedness is as follows:

Year Ending June 30,	Computer Loan Dated June 15, 2012			
	Interest Rates	Principal	Interest	Total
2014	2.00	% \$ 175,000	9,625	184,625
2015	2.00	175,000	6,125	181,125
2016	2.00	175,000	2,625	177,625
Total		<u>\$ 525,000</u>	<u>18,375</u>	<u>543,375</u>

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered 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 \$904,502, \$801,811 and \$663,425, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits(OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees, and their spouses. There are 263 active members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Iowa School Employee Benefits Association. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), 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 June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 168,000
Interest on net OPEB obligation	11,585
Adjustment of annual required contribution	<u>(12,555)</u>
Annual OPEB cost	167,030
Contributions made	<u>(26,000)</u>
Increase in net OPEB obligation	141,030
Net OPEB obligation - beginning of year	<u>331,000</u>
Net OPEB obligation - end of year	<u><u>\$ 472,030</u></u>

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

For the year ended June 30, 2013, the District contributed \$26,000 to the medical plan. Plan members receiving benefits contributed \$43,000 or 62% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 79,787	37.60%	\$ 170,121
2012	169,879	5.30%	331,000
2013	167,030	15.57%	472,030

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.160 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.160 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8.551 million and the ratio of the UAAL to covered payroll was 13.6%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table Projected to 2015 using scale AA, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2013 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2013.

Projected claim costs of the medical plan are \$634 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental insurance. District contributions to ISEBA for the year ended June 30, 2013 were \$1,619,993.

Washington 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 \$679,366 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. Categorical Funding

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

Project	Amount
Home school assistance program	\$ 21,997
Gifted and talented programs	105,122
Beginning teacher mentoring and induction programs	20,395
Teacher salary supplement	68,249
Iowa early intervention block grant	86,972
Professional development for model core curriculum	55,689
Professional development	170,499
Total	<u>\$ 528,923</u>

Note 12. City Street Assessment Agreement

During the year ended June 30, 2013, the District entered into a city street assessment agreement with the City of Washington. The city agreed to fix the streets and water mains around the high school in exchange for the District paying the city \$8,000 a year for ten years to cover some of the costs of the repairs. The District made \$8,000 in payments towards this agreement during the year ended June 30, 2013.

Note 13. 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, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

Note 14. Deficit Unrestricted Net Position

During the year ended June 30, 2013, the District had a deficit unrestricted net position in the Enterprise: School Nutrition Fund of \$4,067.

Note 15. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	<u>Invested in Capital Assets</u>	<u>School Infrastructure</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	1,498,223	2,129,767	3,724,884
Invested in capital assets, net of accumulated depreciation	23,603,269	-	-	-
Revenue bond capitalized indebtedness	(14,446,190)	-	-	-
Capital loan note capitalized indebtedness	(700,000)	-	-	-
Revenue bond proceeds not expended	-	(483,810)	-	-
Computer lease capitalized indebtedness	-	-	-	(525,000)
Accrued interest payable	-	-	(319,237)	-
Income surtax receivable	-	-	-	626,479
Net OPEB liability	-	-	-	(465,102)
Net position (Exhibit A)	<u>\$ 8,457,079</u>	<u>1,014,413</u>	<u>1,810,530</u>	<u>3,361,261</u>

Washington Community School District

Required Supplementary Information

WASHINGTON 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 Actual	Fund Type Actual		Original	Final	
Revenues:						
Local sources	\$ 9,976,821	340,930	10,317,751	9,758,340	9,758,340	559,411
State sources	10,939,286	7,363	10,946,649	11,015,909	11,015,909	(69,260)
Federal sources	730,660	482,520	1,213,180	850,000	850,000	363,180
Total revenues	21,646,767	830,813	22,477,580	21,624,249	21,624,249	853,331
Expenditures/Expenses:						
Instruction	12,670,381	-	12,670,381	14,100,000	14,100,000	1,429,619
Support services	5,472,155	-	5,472,155	8,830,000	8,830,000	3,357,845
Non-instructional programs	-	983,869	983,869	750,000	750,000	(233,869)
Other expenditures	3,560,935	-	3,560,935	1,215,451	1,215,451	(2,345,484)
Total expenditures/expenses	21,703,471	983,869	22,687,340	24,895,451	24,895,451	2,208,111
Deficiency of revenues under expenditures/expenses	(56,704)	(153,056)	(209,760)	(3,271,202)	(3,271,202)	3,061,442
Other financing sources, net	1,726,133	325,979	2,052,112	(1,150,000)	(1,150,000)	3,202,112
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,669,429	172,923	1,842,352	(4,421,202)	(4,421,202)	6,263,554
Balance beginning of year	7,233,910	320,248	7,554,158	5,009,580	5,009,580	(2,544,578)
Balance end of year	\$ 8,903,339	493,171	9,396,510	588,378	588,378	3,718,976

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON 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.

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 non-instructional programs and other expenditures functional areas exceeded the budgeted amount.

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 676	\$ 676	0.0	% \$ 8,430	8.0 %
2010	July 1, 2008	-	676	676	0.0	10,044	6.7
2011	July 1, 2008	-	676	676	0.0	9,788	6.9
2012	July 1, 2011	-	1,160	1,160	0.0	7,525	15.4
2013	July 1, 2011	-	1,160	1,160	0.0	8,551	13.6

See Note 8 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

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

	Capital Projects				Total
	High School Building	Auditorium Project	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
ASSETS					
Cash and pooled investments	\$ 402,919	5,658	832,041	821,156	2,061,774
Property tax:					
Delinquent	-	-	-	8,382	8,382
Succeeding year	-	-	-	544,813	544,813
Due from other governments	85,348	-	396,998	-	482,346
TOTAL ASSETS	\$ 488,267	5,658	1,229,039	1,374,351	3,097,315
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	-	-	38,021	38,021
Accounts payable	10,115	-	-	13,830	23,945
Retainage payable	-	-	214,626	-	214,626
Deferred revenue:					
Succeeding year property tax	-	-	-	544,813	544,813
Total liabilities	10,115	-	214,626	596,664	821,405
Fund balances:					
Restricted for:					
School infrastructure	478,152	5,658	1,014,413	-	1,498,223
Physical plant and equipment	-	-	-	777,687	777,687
Total fund balances	478,152	5,658	1,014,413	777,687	2,275,910
TOTAL LIABILITIES AND FUND BALANCES	\$ 488,267	5,658	1,229,039	1,374,351	3,097,315

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects				Total
	High School Building	Auditorium Project	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES					
Local sources:					
Local tax	\$ -	-	1,465,160	520,040	1,985,200
Other	5	5,612	350	725	6,692
State sources	-	-	-	301	301
Federal sources	85,348	-	-	-	85,348
TOTAL REVENUES	85,353	5,612	1,465,510	521,066	2,077,541
EXPENDITURES:					
Current:					
Support services:					
Administration	-	-	1,500	-	1,500
Student transportation	-	-	-	100,143	100,143
Capital outlay	1,364,145	-	-	291,907	1,656,052
TOTAL EXPENDITURES	1,364,145	-	1,500	392,050	1,757,695
Excess(Deficiency) of revenues over(under) expenditures	(1,278,792)	5,612	1,464,010	129,016	319,846
Other financing sources(uses):					
Transfer in	1,571,555	-	-	-	1,571,555
Transfer out	-	-	(2,763,606)	-	(2,763,606)
Revenue bond issuance	-	-	1,740,000	-	1,740,000
Premium on bond issuance	-	-	5,708	-	5,708
Discount on bond issuance	-	-	(19,575)	-	(19,575)
Total other financing sources(uses)	1,571,555	-	(1,037,473)	-	534,082
Change in fund balances	292,763	5,612	426,537	129,016	853,928
Fund balance beginning of year	185,389	46	587,876	648,671	1,421,982
Fund balance end of year	\$ 478,152	5,658	1,014,413	777,687	2,275,910

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON 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	Intrafund Transfers	Balance End of Year
Student activities	\$ 20,977	151	-	(20,980)	148
HS drama	2,407	3,692	5,060	(386)	653
HS speech	388	16	905	501	-
HS vocal music	2,689	65,709	65,132	50	3,316
HS instrumental music	-	6,676	5,481	1	1,196
HS cross country	-	420	626	206	-
HS cheerleaders	2,371	7,437	8,079	284	2,013
HS dance team	3,018	1,186	1,938	149	2,415
HS boys basketball	12,647	9,320	12,003	(9,600)	364
HS football	-	58,682	72,498	13,816	-
HS soccer	-	943	4,119	3,176	-
HS baseball	-	8,517	12,470	3,953	-
HS boys track	-	9,012	17,464	8,452	-
HS boys golf	-	2,660	5,212	2,552	-
HS wrestling	-	10,089	12,798	2,709	-
HS girls basketball	-	13,087	14,018	931	-
HS volleyball	5,473	10,812	8,988	(7,195)	102
HS girls soccer	-	1,088	3,563	2,475	-
HS softball	-	7,414	9,582	2,468	300
HS girls track	-	5,213	15,018	9,805	-
HS girls golf	-	78	1,971	1,893	-
HS girls bowling	290	-	-	-	290
HS annual	2,605	18,570	12,120	(9,000)	55
HS newspaper	118	-	-	-	118
HS foreign language	127	-	-	-	127
HS art club	2,784	1,991	1,649	-	3,126
HS dance marathon	354	-	-	(149)	205
HS NHS	248	207	568	113	-
HS earth book	376	730	634	-	472
HS FFA	8,700	2,197	4,758	-	6,139
HS student recognition	1,659	-	1,371	-	288
HS La Onda	1,808	-	38	-	1,770
HS SADD	88	-	-	-	88
VOW	1,282	-	1,320	38	-
HS office ed-BPA	4,157	20,511	20,587	-	4,081
HS science club	537	-	-	-	537
HS student congress	4,543	957	862	-	4,638
Class of 2013	3,445	-	-	(3,445)	-
Class of 2014	2,222	1,329	167	-	3,384
Class of 2015	1,424	144	60	-	1,508
Class of 2016	2,505	43	86	-	2,462
Class of 2017	1,321	-	-	2,234	3,555
Class of 2018	-	2,164	2,015	119	268

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 3

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
HS activities	13,139	40,735	48,335	(5,539)	-
HS fundraiser	310	97	-	-	407
HS general concessions	-	19,055	15,288	(3,400)	367
HS popcorn	8,732	-	-	(8,577)	155
HS candy sales	2,238	-	-	(2,000)	238
Demon café	1,286	-	-	-	1,286
MS drama	-	440	384	-	56
MS vocal music	990	677	-	-	1,667
MS instrumental music	554	4,172	2,217	-	2,509
MS cross country	65	140	316	822	711
MS cheerleaders	1,594	1,252	1,878	1,184	2,152
MS dance team	1,192	1,173	1,608	-	757
MS boys basketball	1,689	1,870	2,336	-	1,223
MS football	-	2,502	4,077	1,575	-
MS boys track	-	1,212	905	-	307
MS wrestling	142	1,101	420	-	823
MS girls basketball	774	1,196	1,326	-	644
MS volleyball	4,107	1,238	1,672	-	3,673
MS girls track	-	657	700	43	-
MS student recognition	-	-	433	433	-
MS student congress	2,920	929	2,104	-	1,745
MS odyssey	306	-	-	-	306
MS snowball	4,978	2,013	2,393	-	4,598
MS activities	4,950	-	1,532	-	3,418
MS general fundraising	10,427	13,398	28,191	13,324	8,958
MS general concessions	3,109	6,122	5,983	(3,035)	213
LN activities	4,434	200	-	-	4,634
Stewart bookfair	1,071	2,300	2,136	-	1,235
Stewart activities	827	-	-	-	827
Assure center	295	-	-	-	295
Total	\$ 160,692	373,524	447,394	-	86,822

WASHINGTON 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	\$ 8,213,004	8,108,901	7,799,945	7,345,214	6,633,278	6,203,595	5,950,653	5,860,594	5,042,238	4,878,498
Tuition	454,860	412,140	545,104	458,126	429,759	480,801	521,579	463,363	481,870	422,320
Other	1,308,957	1,207,424	1,488,240	901,746	937,456	713,819	923,221	622,688	574,431	470,914
Intermediate sources	-	-	-	-	-	-	20,117	-	-	-
State sources	10,939,286	10,638,525	9,938,932	8,916,552	9,653,403	9,349,024	8,550,259	8,380,075	7,863,313	7,394,727
Federal sources	730,660	2,287,907	1,132,390	1,962,111	1,240,984	1,474,441	1,340,093	1,250,747	1,557,552	1,333,779
Total	\$ 21,646,767	22,654,897	20,904,611	19,583,749	18,894,880	18,221,680	17,305,922	16,577,467	15,519,404	14,500,238
Expenditures:										
Instruction:										
Regular	\$ 7,662,526	7,559,036	6,375,174	6,770,744	6,825,611	6,609,575	6,370,101	6,246,527	5,706,369	5,633,256
Special	2,588,118	2,655,443	2,533,722	2,468,311	2,086,619	2,148,999	2,267,721	1,927,512	1,781,379	1,661,340
Other	2,419,737	2,841,409	2,822,744	2,542,839	2,464,786	2,182,943	2,237,144	1,585,794	1,539,347	1,103,684
Support services:										
Student	383,286	377,984	430,355	434,332	449,929	648,992	769,657	1,067,968	1,225,400	1,356,971
Instructional staff	815,683	635,050	804,727	602,734	1,053,063	884,585	899,178	1,061,102	1,102,230	1,054,190
Administration	1,982,386	1,786,876	1,739,505	1,662,499	1,669,948	1,562,848	1,505,329	1,400,167	1,317,264	1,209,895
Operation and maintenance of plant	1,462,742	1,278,694	1,082,160	1,302,650	1,369,223	1,332,687	1,365,133	1,349,345	1,184,544	1,039,827
Transportation	828,058	818,430	598,627	692,328	549,254	676,839	740,808	693,682	450,799	719,057
Capital outlay	1,656,052	7,037,987	8,412,217	2,060,495	536,100	3,778,154	1,327,430	239,146	197,846	563,676
Long-term debt:										
Principal	615,000	1,355,000	-	-	-	-	-	-	102,500	102,500
Interest and other charges	610,517	612,787	661,191	500	-	-	-	-	3,663	8,343
Other expenditures:										
AEA flow-through	679,366	659,786	718,584	717,214	638,141	611,128	583,693	545,029	516,270	509,219
Total	\$ 21,703,471	27,618,482	26,179,006	19,254,646	17,642,674	20,436,750	18,066,194	16,116,272	15,127,611	14,961,958

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	\$ 85,220
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	366,433 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	<u>30,867</u>
			<u>482,520</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 13	45,918
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	<u>323,706</u>
			<u>369,624</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANTS)			
	84.215	FY 13	<u>85,348</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)			
	84.365	FY 10	1,409
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 11	<u>3,935</u>
			<u>5,344</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)			
	84.367	FY 13	<u>64,534</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)			
	84.369	FY 13	<u>10,647</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 13	<u>97,437</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 13	<u>14,158</u>
TOTAL			<u>\$ 1,129,612</u>

* - Includes \$36,184 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Washington Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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 Washington 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 Washington 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 February 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington 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

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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 IV of the accompanying Schedule of Findings and Questioned Costs.

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

Washington Community School District's Responses to Findings

Washington Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Washington 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 Washington 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.

February 10, 2014
Newton, Iowa

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

To the Board of Education of Washington Community School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination on Washington Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Washington Community School District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

Washington Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Washington Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2014
Newton, Iowa

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - CFDA Number 84.010 - Title I - Schools in Need of Assistance
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Washington Community School District did not qualify as a low-risk auditee.

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) School lunch program - collecting, recording, journalizing, depositing, and posting.

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 District will work at identifying procedures that will result in the separating of duties listed so than an individual does not have sole control over the listed areas.

Conclusion - Response accepted.

II-B-13 Commodity Pricing - We noted during the audit that the commodity food listing was not priced out using the commodity values provided by the Department of Education and therefore the amount of inventory was under reported on the Balance Sheet.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will review and correct the procedures used in pricing commodities and will use the correct values provided by the Department of Education.

Conclusion - Response accepted.

WASHINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I - Grants to Local Educational Agencies
CFDA Number 84.010: Title I - Schools In Need of Assistance
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) School lunch program - collecting, recording, journalizing, depositing, and posting.

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 District will work at identifying procedures that will result in the separating of duties listed so than an individual does not have sole control over the listed areas.

Conclusion - Response accepted.

WASHINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas.

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

Response - The District will review budgeted expenditures and correctly amend the budget when required in accordance with Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in Attorney General’s opinion dated April 25, 1979.

IV-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Eric Turner, Board President Owns Washington Physical Therapy Services	Services	\$204
Mary Alice Smith, Special Education Director Spouse owns Community Medical	Supplies	\$2,900
Scott Danielson, Teacher Owner RDL Mowing Inc.	Services	\$4,375
Steven Roth, Teacher Owner RDL Mowing Inc.	Services	\$4,375
Curt Levetzow, Coach Owner RDL Mowing Inc.	Services	\$4,375
Bill Huisenga, Teacher Grounds Maintenance	Services	\$19,851

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board President do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1979, the above transactions with the spouse of the special education director does not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teachers and District coach do not appear to present a conflict of interest.

- IV-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.
- IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-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.
- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds. However, we noted during our audit that the District has several state allocation and categorical funding carryover balances.

Recommendation - The District should review the state allocation and categorical funding carryover balances. The District should develop a plan for expending the carryover balances.

Response - The District will continue to review carryover balances and work towards expending these funds.

Conclusion - Response accepted.

- IV-L-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for students.

Questionable Accounts: The HS popcorn, HS fundraiser, HS candy sales, MS activities, MS fundraising, and MS concessions accounts do not appear to be extracurricular or co-curricular in nature. The money in these accounts is used for fundraising purposes for other accounts in the Student Activity Fund.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in these accounts. It would appear that these accounts are administratively maintained, rather than maintained by a club or organization. The

District should review these accounts and reclassify/transfer to the appropriate accounts in the Student Activity Fund to be in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Response - The District will review the accounts in question and reclassify and transfer those accounts to the appropriate fund.

Conclusion - Response accepted.

IV-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		\$	587,876
Revenues:			
Sales tax revenues	\$	1,465,160	
Other local revenues		350	
Sale of revenue bond		<u>1,745,708</u>	<u>3,211,218</u>
			3,799,094
Expenditures/Transfers out:			
Other	\$	21,075	
Transfers to other funds:			
Debt service		1,192,051	
Other transfers		<u>1,571,555</u>	<u>2,784,681</u>
Ending Balance		\$	<u><u>1,014,413</u></u>

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

IV-N-13 Financial Condition - The District had a deficit unrestricted net position in the Enterprise, School Nutrition Fund of \$4,067 at June 30, 2013.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit fund balances.

Response - The District will monitor the Nutrition fund closely, and investigate ways to try and eliminate the deficit fund balance.

Conclusion - Response accepted.

IV-O-13 Interfund Loans - We noted during our audit that the District has an interfund loan between the General Fund and the Private Purpose Trust fund in the amount of \$1,062 which was on the balance sheets in the prior year and still on the current year balance sheets.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - The District has repaid the interfund loans identified.

Conclusion – Response accepted.