

**WATERLOO COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

# Table of Contents

---

<b>Board of Education and School District Officials</b> .....	1
<b>Independent Auditor’s Report</b> .....	2-3
<b>Management’s Discussion and Analysis (MD&amp;A)</b> .....	4-13
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position .....	14
Statement of Activities.....	15
Governmental Fund Financial Statements	
Balance Sheet.....	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	17
Statement of Revenue, Expenditures and Changes in Fund Balances.....	18
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statements of Activities.....	19
Proprietary Fund Financial Statements	
Statement of Net Position .....	20
Statement of Revenue, Expenses and Changes in Net Position .....	21
Statement of Cash Flows .....	22
Fiduciary Fund Financial Statements	
Statement of Fiduciary Assets and Liabilities - Agency Fund .....	23
Notes to the Financial Statements .....	24-41
<b>Required Supplementary Information</b>	
Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund .....	42
Schedule of Funding Progress for the Retiree Health Plan .....	43
<b>Supplementary Information</b>	
Nonmajor Governmental Funds	
Description of Funds .....	44
Combining Balance Sheet.....	45
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances .....	46
Schedule of Changes in Special Revenue Fund, Student Activity Accounts .....	47
Capital Projects Accounts	
Description of Accounts .....	48
Combining Balance Sheet.....	49
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances .....	50
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund .....	51
Schedule of Revenue By Source, Expenditures By Function and Other Financing Sources and Uses - All Governmental Fund Types (Modified Accrual Basis) .....	52
Schedule of Expenditures of Federal Awards .....	53-55
<b>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</b> .....	
	56-57
<b>Independent Auditor’s Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.....</b>	
	58-59
<b>Schedule of Findings and Questioned Costs</b> .....	60-63

## **Introductory Section**



# Board of Education and School District Officials

---

As of June 30, 2013

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Board of Education</b>		
Mike Young	President	September, 2015
Bernice Richard	Vice President	September, 2013
Sue Flynn	Board Member	September, 2015
Michael Kindschi	Board Member	September, 2013
Shanlee McNally	Board Member	September, 2013
Lyle Schmitt	Board Member	September, 2015
Andrea Sparks	Board Member	September, 2015
<b>School Officials</b>		
Dr. Gary Norris	Superintendent	Indefinite
Pam Arndorfer	District Secretary	2013
Michael Coughlin	District Treasurer	2013
Steve Weidner	Attorney	Indefinite
Timothy Luce	Attorney	Indefinite

**Financial Section**



## **Independent Auditor's Report**

---

Board of Education  
Waterloo Community School District  
Waterloo, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Waterloo Community School District, Waterloo, 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, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

### **Opinion**

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

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 13, 42 and 43 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterloo Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2008 through June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the years ended June 30, 2004 through June 30, 2007 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information on pages 44 through 55, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2014 on our consideration of Waterloo Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 22, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Financial Highlights

- The assets of Waterloo Community School District exceeded its liabilities at the close of the most recent fiscal year by \$113,062,773 (net position).
- The General Fund cash, cash equivalents and investments decreased \$5,982,510 and the General Fund balance decreased \$4,686,907.
- The general fund unspent balance ratio which measures the percent of authorized budget unspent balance decreased as anticipated from 9.3% in fiscal year 2012 to 6.8% in fiscal year 2013. This was due to reductions in budgeted revenue and a continued commitment to fund additional teaching/coaching positions to support the need for improved student achievement.
- The State of Iowa granted a 0% allowable growth rate for fiscal year 2013. The state previously granted 0% allowable growth in fiscal year 2012, 2% for fiscal years 2011 and 2010 and 4% per year for fiscal years 2006-2009.
- By 2008 State Legislative action, the Local Option Sales and Service Tax (LOSST) which had been voter approved in every county, was changed to a state tax, Secure an Advanced Vision for Education (SAVE). The one-cent sales tax will be in effect until 2029 and subject to review and extension. The state collections will be received by the districts based upon enrollment times an estimated three-year average which will reduce the actual funds received approximately 20%, but guarantees the longevity and ability for the District to bond against the proceeds for future facility projects.
- In June, 2013, the District completed construction of Orange Elementary. This completes the last elementary building to be addressed as a major remodel or new construction funded by LOSST/SAVE funding.
- Since the original LOSST/SAVE funding began in fiscal year 1999-2000, the District has constructed nine new elementary schools, one new middle school, completely remodeled two elementary schools and completed other significant projects.

Walter Cunningham School of Excellence	2001-2002	New Building
East High School	2001-2002	Commons Area
West High School	2001-2002	Commons Area
Irving Elementary	2002-2003	New Building
Bunger Middle School	2003-2004	Classrooms Addition
Lincoln Elementary	2003-2004	New Building
Lou Henry Elementary	2004-2005	New Building
Hoover Middle School	2004-2005	Classrooms Addition
Kingsley Elementary	2005-2006	Remodel Building
Lowell Elementary	2004-2008	Remodel Building
Poyner Elementary	2006-2007	New Building
East High School	2006-2007	Auditorium Project
West High School	2006-2007	Locker Room Project
East High School	2007-2008	Locker Room Project
West High School	2008-2009	Auditorium Project
George Washington Carver Academy	2008-2009	New Building
Kittrell Elementary School	2008-2009	New Building
Highland Elementary School	2008-2009	New Building
Expo Alternative Education Center	2010-2011	Remodel Building
Kittrell Early Childhood Center	2010-2011	Remodel Building
West High School	2011-2012	Remodel Classrooms
Fred Becker Elementary	2011-2012	New Building
Orange Elementary	2012-2013	New Building

- The District property tax rate of \$15.80265 per thousand dollars of taxable property valuation remains below the average for the 25 largest districts within Iowa.

## 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 Waterloo 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 Waterloo 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 Waterloo Community School District acts solely as an agent or custodian for the benefit of those outside of the 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 details of various federal programs benefiting the District.

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

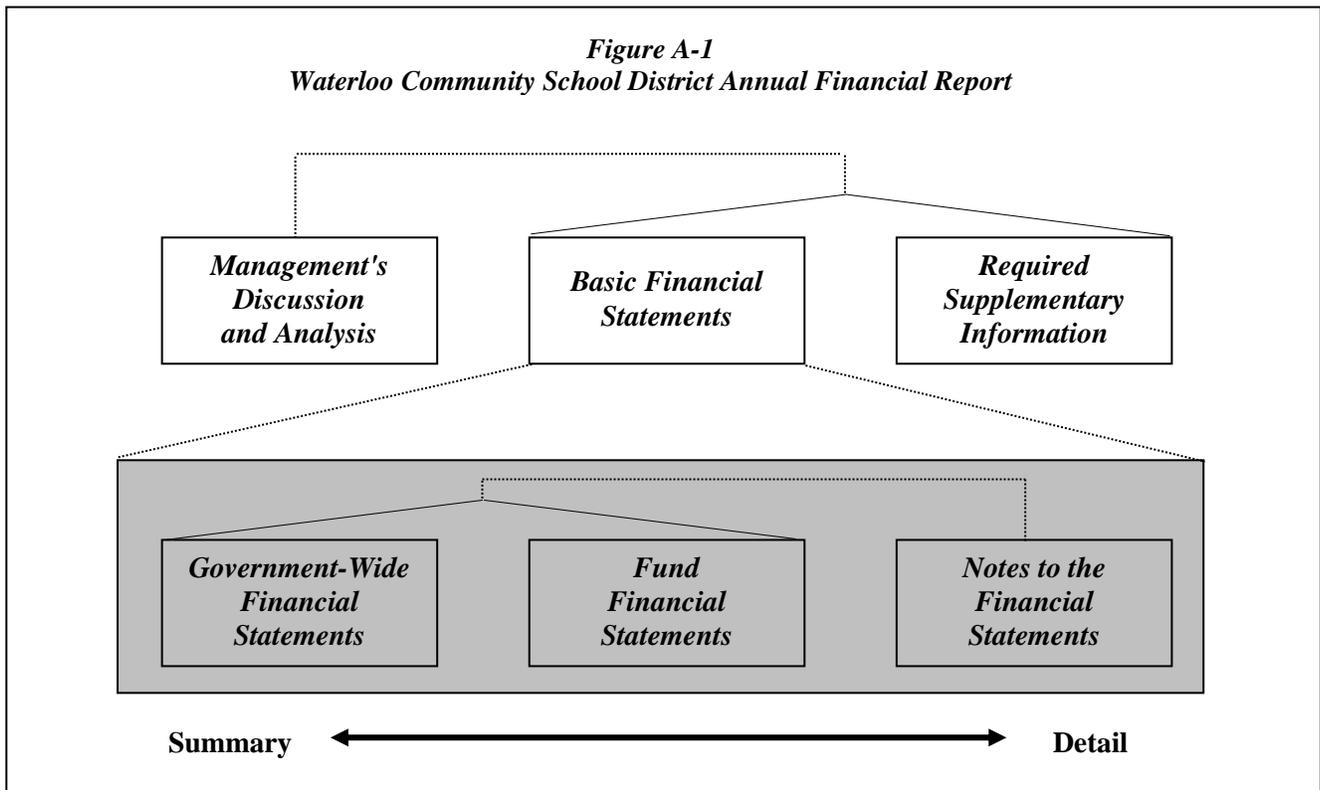


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and agency monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> <li>• Statement of changes in fiduciary assets and liabilities</li> </ul>
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 revenue and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-Wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The 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 it is properly using certain revenue 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 (a) how cash and other financial assets that can readily be converted to cash flow in and out and (b) 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, 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 statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, 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 the Agency Fund.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments for the purpose of scholarships, school uniforms and reading materials for students within the District.

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

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities and a statement of changes in fiduciary assets and liabilities.

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3  
Condensed Statement of Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change June 30, 2012-13</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		
	<u>2013</u>	<u>2012, As Restated</u>	<u>2013</u>	<u>2012, As Restated</u>	<u>2013</u>	<u>2012</u>	
Current and other assets	\$ 79,318,347	\$ 80,246,615	\$ 123,045	\$ 149,859	\$ 79,441,392	\$ 80,396,474	(1.2)%
Capital assets	<u>178,076,064</u>	<u>167,907,870</u>	<u>1,062,701</u>	<u>1,225,648</u>	<u>179,138,765</u>	<u>169,133,518</u>	5.9
<b>Total Assets</b>	<b><u>\$ 257,394,411</u></b>	<b><u>\$ 248,154,485</u></b>	<b><u>\$ 1,185,746</u></b>	<b><u>\$ 1,375,507</u></b>	<b><u>\$ 258,580,157</u></b>	<b><u>\$ 249,529,992</u></b>	<b>3.6</b>
Current liabilities	\$ 62,770,900	\$ 60,533,938	\$ 108,585	\$ 125,059	\$ 62,879,485	\$ 60,658,997	3.7
Long-term liabilities	<u>82,637,899</u>	<u>72,547,711</u>	<u>—</u>	<u>—</u>	<u>82,637,899</u>	<u>72,547,711</u>	13.9
<b>Total Liabilities</b>	<b><u>\$ 145,408,799</u></b>	<b><u>\$ 133,081,649</u></b>	<b><u>\$ 108,585</u></b>	<b><u>\$ 125,059</u></b>	<b><u>\$ 145,517,384</u></b>	<b><u>\$ 133,206,708</u></b>	<b>9.2</b>
<b>Net Position:</b>							
Net investment in capital assets	\$ 106,089,868	\$ 103,800,904	\$ 1,062,701	\$ 1,225,648	\$ 107,152,569	\$ 105,026,552	2.0
Restricted	7,080,103	12,162,708	—	—	7,080,103	12,162,708	(41.8)
Unrestricted	<u>(1,184,359)</u>	<u>(890,776)</u>	<u>14,460</u>	<u>24,800</u>	<u>(1,169,899)</u>	<u>(865,976)</u>	(35.1)
<b>Total Net Position</b>	<b><u>\$ 111,985,612</u></b>	<b><u>\$ 115,072,836</u></b>	<b><u>\$ 1,077,161</u></b>	<b><u>\$ 1,250,448</u></b>	<b><u>\$ 113,062,773</u></b>	<b><u>\$ 116,323,284</u></b>	<b>(2.8)</b>

The District's combined net position decreased 2.8%, or approximately \$3,261,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$5,083,000, or (41.8%), over the prior year. The decrease was primarily a result of classification sinking fund and reserve fund requirements for revenue bonds issued in the current year and prior years.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$304,000, or 35.1%. The decrease in unrestricted net position was primarily a result of the District's increased costs in the operation and maintenance of plant and transportation services, special instruction functional areas.

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 in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change 2012-13</u>
	<u>2013</u>	<u>2012, As Restated</u>	<u>2013</u>	<u>2012, As Restated</u>	<u>2013</u>	<u>2012</u>	
<b>Revenue</b>							
Program Revenue							
Charges for service	\$ 6,095,328	\$ 3,026,559	\$ 1,356,317	\$ 1,305,905	\$ 7,451,645	\$ 4,332,464	72.0%
Operating grants, contributions and restricted interest	23,905,197	27,448,605	4,203,271	4,070,794	28,108,468	31,519,399	(10.8)
Capital grants, contributions and restricted interest	264,917	657,430	94,772	187,346	359,689	844,776	(57.4)
General Revenue							
Property tax	41,296,023	39,848,166	—	—	41,296,023	39,848,166	3.6
Statewide sales, services and use tax	9,320,460	9,394,228	—	—	9,320,460	9,394,228	(0.8)
Unrestricted state grants	55,215,455	53,082,417	—	—	55,215,455	53,082,417	4.0
Unrestricted investment earnings	119,390	28,056	347	—	119,737	28,056	326.8
<b>Total Revenue</b>	<b><u>136,216,770</u></b>	<b><u>133,485,461</u></b>	<b><u>5,654,707</u></b>	<b><u>5,564,045</u></b>	<b><u>141,871,477</u></b>	<b><u>139,049,506</u></b>	<b>2.0</b>
<b>Program Expenses</b>							
Instruction	92,811,021	89,327,949	—	—	92,811,021	89,327,949	3.9
Support services	38,724,810	35,914,939	—	—	38,724,810	35,914,939	7.8
Noninstructional programs	7,312	7,272	5,827,994	5,817,098	5,835,306	5,824,370	0.2
Other	7,760,851	7,713,929	—	—	7,760,851	7,713,929	0.6
<b>Total Expenses</b>	<b><u>139,303,994</u></b>	<b><u>132,964,089</u></b>	<b><u>5,827,994</u></b>	<b><u>5,817,098</u></b>	<b><u>145,131,988</u></b>	<b><u>138,781,187</u></b>	<b>4.6</b>
<b>Excess (Deficiency) Before Transfers</b>	<b>(3,087,224)</b>	<b>521,372</b>	<b>(173,287)</b>	<b>(253,053)</b>	<b>(3,260,511)</b>	<b>268,319</b>	<b>(1,315.2)</b>
Transfers	—	133,409	—	(133,409)	—	—	0.0
<b>Change in Net Position</b>	<b>(3,087,224)</b>	<b>654,781</b>	<b>(173,287)</b>	<b>(386,462)</b>	<b>(3,260,511)</b>	<b>268,319</b>	<b>(1,315.2)</b>
Net Position - Beginning of Year	<u>115,072,836</u>	<u>114,418,055</u>	<u>1,250,448</u>	<u>1,636,910</u>	<u>116,323,284</u>	<u>116,054,965</u>	0.2
<b>Net Position - End of Year</b>	<b><u>\$ 111,985,612</u></b>	<b><u>\$ 115,072,836</u></b>	<b><u>\$ 1,077,161</u></b>	<b><u>\$ 1,250,448</u></b>	<b><u>\$ 113,062,773</u></b>	<b><u>\$ 116,323,284</u></b>	<b>(2.8)</b>

In fiscal year 2013, property tax and unrestricted state grants accounted for 70.9% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.3% of business-type activities revenue. The District's total revenue was approximately \$141.9 million, of which approximately \$136.2 million was for governmental activities and \$5.7 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 2.0% increase in revenue and a 4.6% increase in expenses. Charges for service increased approximately \$3,119,000 and unrestricted state grants increased approximately \$2,133,000 to fund the increase in expenses. The increase in expenses is related to more costs in the operation and maintenance of plant and transportation services, special instruction functional areas.

## Governmental Activities

Revenue for governmental activities was \$136,216,770 and expenses were \$139,303,994, which amounted to a decrease in net position of \$3,087,224.

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

**Figure A-5**  
**Total and Net Cost of Governmental Activities**

	Total			Total		
	Total Cost of Services		Change 2012-13	Net Cost of Services		Change 2012-13
	2013	2012		2013	2012	
Instruction	\$ 92,811,021	\$ 89,327,949	3.9%	\$ 64,538,069	\$ 60,970,014	5.9%
Support services	38,724,810	35,914,939	7.8	37,578,340	34,184,476	9.9
Noninstructional programs	7,312	7,272	0.6	7,312	7,272	0.6
Other	<u>7,760,851</u>	<u>7,713,929</u>	0.6	<u>6,914,831</u>	<u>6,669,733</u>	3.4
<b>Total</b>	<b><u>\$ 139,303,994</u></b>	<b><u>\$ 132,964,089</u></b>	<b>4.8</b>	<b><u>\$ 109,038,552</u></b>	<b><u>\$ 101,831,495</u></b>	<b>7.1</b>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$6,095,328.
- Federal and state governments and private entities subsidized certain programs with grants and contributions totaling \$24,170,114.
- The net remaining cost of governmental activities was financed with \$50,616,483 in property and other taxes, \$55,215,455 in unrestricted state grants and \$119,390 in unrestricted investment earnings.

## Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2013 was \$5,654,707, represent a 1.6% increase over the prior year, while expenses totaled \$5,827,994, a 0.2% increase over the prior year. The District's business-type activities include the School Nutrition Fund.

Revenue of these activities was comprised of charges for service, federal and state reimbursements, capital contributions and investment earnings.

- Business-type activities expenses exceeded revenue by \$173,287 for 2012-2013 and \$386,462 for 2011-2012.
- Charges for service represent 24% of total revenue compared to 23.5% for 2011-2012. This represents the amount paid by students/staff for daily food service.
- Federal and state operating grants, included reimbursement for meals, payments for free and reduced lunches, commodities provided to the District and other miscellaneous grants, totaled \$4,203,271, or 74.3%, of total revenue. This is reflective of the District's population of "free and reduced" students, which was approximately 65% of total students.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Waterloo 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 the District completed the year, its governmental funds reported combined fund balances of \$17,810,867 which was well below last year's ending fund balances of \$20,984,896. The primary reason for the decrease in combined fund balances at the end of fiscal year 2013 was an increase in General Fund instruction and support services expenditures and a decrease in federal funding received.

1.4% of the governmental fund balance constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending.

### **Governmental Fund Highlights**

The General Fund is the chief operating fund of the District. At the end of fiscal year 2013, unassigned fund balance of the General Fund was \$334,586 while total fund balance decreased to \$3,960,186.

The fund balance of the District's General Fund decreased by \$4,686,907, or 54.2%, during the current fiscal year. The main reasons for this decrease were an increase in instruction and support services expenditures and a decrease in federal funding received.

The Debt Service Fund balance increased from \$9,251,902 at the end of fiscal year 2012 to \$11,871,946 at the end of fiscal year 2013. Current year expenditures included bond interest and principal payments. The increase in fund balance is related to statewide sales, services and use tax revenue held and restricted for future bond interest and principal payments.

The Capital Project Fund balance decreased from \$1,137,600 at the end of fiscal year 2012 to \$559,773 at the end of fiscal year 2013 due to increased spending on various facilities acquisition and construction projects throughout the District including a new elementary school.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$1,250,448 as of June 30, 2012 to \$1,077,161 as of June 30, 2013, representing a decrease of approximately 13.9%. The decrease was primarily a result of increased food and supplies costs in the current year.

## **BUDGETARY HIGHLIGHTS**

The District adopts a budget in April for the following year and at the same time considers a budget amendment for expenditures for the current year. The District did not amend its original budget for 2012-2013.

A schedule showing the original budget amounts compared to the District's actual financial activity is provided in this report as required supplementary information.

The District's total revenue was \$547,658 less than total budgeted revenue, a variance of 0.4%. The revenue received did not vary significantly from budgeted amounts.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. The District significantly under budgeted in the support services and other expenditures functional areas. Specifically, the District under budgeted for student support and transportation services in the General Fund.

The certified budget was exceeded in the instruction, support services and other expenditures functional areas. The District's total spending authority was not exceeded.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2013, the District had invested \$179,138,765, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, equipment, furniture and construction in progress. (See Figure A-6). This represents a net increase of 5.9% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense was \$4,945,798 for Governmental Activities and \$259,689 for Business-Type Activities.

The original cost of the District's capital assets was approximately \$237.3 million. Governmental funds account for approximately \$233.7 million with the remainder of approximately \$3.6 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, Net of Depreciation**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change June 30, 2012-13</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		
	<u>2013</u>	<u>2012, As Restated</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Land	\$ 3,293,867	\$ 3,298,132	\$ —	\$ —	\$ 3,293,867	\$ 3,298,132	(0.1)%
Construction in progress	32,642,947	19,483,678	—	—	32,642,947	19,483,678	67.5
Buildings and improvements	130,334,707	132,652,716	—	—	130,334,707	132,652,716	(1.7)
Improvements other than buildings	6,847,605	7,189,948	—	—	6,847,605	7,189,948	(4.8)
Furniture and equipment	<u>4,956,938</u>	<u>5,283,396</u>	<u>1,062,701</u>	<u>1,225,648</u>	<u>6,019,639</u>	<u>6,509,044</u>	(7.5)
<b>Total</b>	<b><u>\$ 178,076,064</u></b>	<b><u>\$ 167,907,870</u></b>	<b><u>\$ 1,062,701</u></b>	<b><u>\$ 1,225,648</u></b>	<b><u>\$ 179,138,765</u></b>	<b><u>\$ 169,133,518</u></b>	<b>5.9</b>

The increase from 2011-2012 to 2012-2013 is due to the continued work on several construction projects. The amount of construction in progress increased by \$13,159,269.

Construction in progress activities during the year ended June 30, 2012 included:

- New construction of Fred Becker Elementary
- New construction at Highland Elementary
- New construction of Orange Elementary
- Renovation of Education Service Center
- Renovation of East High School auditorium
- Renovation of Kittrell Elementary School Early Childhood Center
- Renovation of West High School

Construction in progress activities during the year ended June 30, 2013 included:

- New construction of Fred Becker Elementary
- New construction of Orange Elementary
- Renovation of Hoover Middle School commons and music wing
- Various roofing projects

## Long-Term Debt

As of June 30, 2013, the District had \$78,264,196 in total long-term debt outstanding. This represents an increase of 12.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The Constitution of the State of Iowa limits the amount of debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding debt is significantly below its constitutional debt limit of approximately \$130 million.

**Figure A-7  
Outstanding Long-Term Debt**

	<u>Total District</u>		<b>Total Change June 30, 2012-13</b>
	<u>June 30,</u>		
	<u>2013</u>	<u>2012</u>	
Revenue bonds	\$ 77,809,539	\$ 69,159,539	12.5%
Revenue bonds premium	454,657	225,427	101.7
<b>Total</b>	<b><u>\$ 78,264,196</u></b>	<b><u>\$ 69,384,966</u></b>	<b>12.8</b>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Beginning in 2008 and continuing in 2013, the United States and the world are experiencing financial upheaval and it is affecting Iowa revenue. The Governor, in October, 2009, announced a 10% across-the-board cut reducing the District's budget by \$5.5 million. In addition, the Iowa Legislature set the 2012-2013 budget allowable growth at 0% which required operational efficiencies. As state budget struggles continue, allowable growth for 2013-2014 was set at 2%, plus an additional one-time payment of 2% of regular weighted enrollment. An increase in allowable growth will increase cash received and the spending authority of the District for 2013-2014.
- Growth in employee wages and benefits has outpaced state funding to schools. Salary and benefits represent approximately 74.8% of general fund expenditures. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's general fund budget.
- Budget shortfalls usually mean staff reductions, but the District has maintained all instructional positions to invest in student achievement goals. This will result in a reduction of the authorized budget unspent balance for 2013-2014. Also overhead costs, such as heating and vehicle fuel are volatile due to the world economic status which allows little flexibility for budget planning.
- District enrollment declined approximately 300 students in 2007-2010 but showed a recovery by increasing 85 students in the Fall of 2011, 83 students in the Fall of 2012, and 188 students in the Fall of 2013. Under Iowa's school funding formula, District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Effective July 1, 2013, an incremental increase in the employee's and employer's share of Iowa Public Employees Retirement System (IPERS) contributions went into effect.
- Effective January, 2014, the Affordable Health Care Reform Act for healthcare will add a new dimension of tracking for part-time employees, such as substitute teachers, that don't normally qualify for healthcare coverage. If a person works enough hours to qualify, the District is required to offer an affordable plan that meets the federal guidelines of coverage. Regulations continue to be established for the future.

## 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 Michael L. Coughlin, Chief Financial Officer, Waterloo Community School District, 1516 Washington Street, Waterloo, Iowa 50702.

## **Basic Financial Statements**

---

## Statement of Net Position

As of June 30, 2013

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and investments.....	\$ 28,790,476	\$ 1,789	\$ 28,792,265
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent.....	495,643	—	495,643
Succeeding year.....	42,842,013	—	42,842,013
Due from other governments.....	5,789,415	468,050	6,257,465
Accounts.....	478,482	—	478,482
Note - portion due within one year.....	60,658	—	60,658
Due from (to) other funds.....	47,902	(47,902)	—
Interfund loan receivable (payable).....	349,991	(349,991)	—
Inventories.....	244,425	51,099	295,524
Note receivable - portion due after one year.....	219,342	—	219,342
Capital assets, net of accumulated depreciation	142,139,250	1,062,701	143,201,951
Capital assets not being depreciated.....	35,936,814	—	35,936,814
<b>Total Assets</b> .....	<b><u>\$ 257,394,411</u></b>	<b><u>\$ 1,185,746</u></b>	<b><u>\$ 258,580,157</u></b>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Accounts payable .....	\$ 6,522,748	\$ 30,123	\$ 6,552,871
Salaries and benefits payable.....	11,217,672	29,400	11,247,072
Accrued interest payable .....	1,728,420	—	1,728,420
Unearned Revenue			
Succeeding year property tax.....	42,842,013	—	42,842,013
Other.....	460,047	49,062	509,109
Long-Term Liabilities			
Portion Due Within One Year			
Revenue bonds payable and unamortized premium.....	1,737,093	—	1,737,093
Early retirement payable .....	835,000	—	835,000
Compensated absences.....	390,527	—	390,527
Portion Due After One Year			
Revenue bonds payable and unamortized premium.....	76,527,103	—	76,527,103
Early retirement payable .....	420,000	—	420,000
Compensated absences.....	130,176	—	130,176
Net OPEB liability.....	2,598,000	—	2,598,000
<b>Total Liabilities</b> .....	<b><u>145,408,799</u></b>	<b><u>108,585</u></b>	<b><u>145,517,384</u></b>
<b>Net Position</b>			
Net investment in capital assets .....	106,089,868	1,062,701	107,152,569
Restricted for			
Categorical funding .....	1,157,380	—	1,157,380
Debt service.....	3,865,526	—	3,865,526
School infrastructure .....	884,321	—	884,321
Student activities.....	1,172,876	—	1,172,876
Unrestricted.....	(1,184,359)	14,460	(1,169,899)
<b>Total Net Position</b> .....	<b><u>111,985,612</u></b>	<b><u>1,077,161</u></b>	<b><u>113,062,773</u></b>
<b>Total Liabilities and Net Position</b> .....	<b><u>\$ 257,394,411</u></b>	<b><u>\$ 1,185,746</u></b>	<b><u>\$ 258,580,157</u></b>

See accompanying notes to the financial statements.

# Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction							
Regular instruction .....	\$ 58,238,851	\$ 2,203,704	\$ 15,801,453	\$ —	\$ (40,233,694)	\$ —	\$ (40,233,694)
Special instruction .....	31,738,428	1,630,654	6,517,005	—	(23,590,769)	—	(23,590,769)
Vocational instruction .....	181,182	—	405,650	—	224,468	—	224,468
Other instruction .....	2,652,560	1,714,486	—	—	(938,074)	—	(938,074)
Total Instruction .....	<u>92,811,021</u>	<u>5,548,844</u>	<u>22,724,108</u>	<u>—</u>	<u>(64,538,069)</u>	<u>—</u>	<u>(64,538,069)</u>
Support Services							
Student services .....	4,231,296	—	—	—	(4,231,296)	—	(4,231,296)
Instructional staff services .....	4,692,572	—	175,754	—	(4,516,818)	—	(4,516,818)
General administration services .....	1,326,175	—	—	—	(1,326,175)	—	(1,326,175)
School administration services .....	6,747,138	—	—	—	(6,747,138)	—	(6,747,138)
Business and central administration services .....	4,163,107	—	—	—	(4,163,107)	—	(4,163,107)
Operation and maintenance of plant services .....	12,193,086	535,972	—	264,917	(11,392,197)	—	(11,392,197)
Transportation services .....	5,371,436	10,512	159,315	—	(5,201,609)	—	(5,201,609)
Total Support Services .....	<u>38,724,810</u>	<u>546,484</u>	<u>335,069</u>	<u>264,917</u>	<u>(37,578,340)</u>	<u>—</u>	<u>(37,578,340)</u>
Noninstructional Programs .....	7,312	—	—	—	(7,312)	—	(7,312)
Debt Service							
Interest and fiscal charges .....	3,467,624	—	846,020	—	(2,621,604)	—	(2,621,604)
Depreciation - unallocated* .....	4,293,227	—	—	—	(4,293,227)	—	(4,293,227)
<b>Total Governmental Activities .....</b>	<b><u>139,303,994</u></b>	<b><u>6,095,328</u></b>	<b><u>23,905,197</u></b>	<b><u>264,917</u></b>	<b><u>(109,038,552)</u></b>	<b><u>—</u></b>	<b><u>(109,038,552)</u></b>
<b>Business-Type Activities</b>							
Noninstructional Programs							
Food service operations .....	5,827,994	1,356,317	4,203,271	94,772	—	(173,634)	(173,634)
<b>Total .....</b>	<b><u>\$ 145,131,988</u></b>	<b><u>\$ 7,451,645</u></b>	<b><u>\$ 28,108,468</u></b>	<b><u>\$ 359,689</u></b>	<b><u>(109,038,552)</u></b>	<b><u>(173,634)</u></b>	<b><u>(109,212,186)</u></b>
<b>General Revenue</b>							
Property Taxes Levied for							
General purposes .....					35,717,313	—	35,717,313
Management levy purposes .....					2,779,240	—	2,779,240
Capital outlay .....					2,799,470	—	2,799,470
Statewide sales, services and use tax .....					9,320,460	—	9,320,460
Unrestricted state grants .....					55,215,455	—	55,215,455
Unrestricted investment earnings .....					119,390	347	119,737
<b>Total General Revenue .....</b>					<b><u>105,951,328</u></b>	<b><u>347</u></b>	<b><u>105,951,675</u></b>
<b>Change in Net Position .....</b>					<b><u>(3,087,224)</u></b>	<b><u>(173,287)</u></b>	<b><u>(3,260,511)</u></b>
Net Position - Beginning of Year, as Restated (Note 15) .....					115,072,836	1,250,448	116,323,284
<b>Net Position - End of Year .....</b>					<b><u>\$ 111,985,612</u></b>	<b><u>\$ 1,077,161</u></b>	<b><u>\$ 113,062,773</u></b>

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

See accompanying notes to the financial statements.

## Balance Sheet - Governmental Funds

As of June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash, cash equivalents and investments.....	\$ 13,497,824	\$ 11,871,946	\$ 1,007,197	\$ 2,413,509	\$ 28,790,476
Receivables, Net of Allowance for Uncollectible Amounts					
Property Tax					
Current year delinquent.....	428,058	—	34,277	33,308	495,643
Succeeding year.....	36,748,808	—	2,893,218	3,199,987	42,842,013
Due from other governments.....	3,849,807	—	1,939,375	233	5,789,415
Accounts.....	478,482	—	—	—	478,482
Due from other funds.....	174,827	—	—	—	174,827
Interfund loan.....	349,991	—	—	—	349,991
Inventories.....	244,425	—	—	—	244,425
Note receivable.....	—	—	280,000	—	280,000
<b>Total Assets.....</b>	<b><u>\$ 55,772,222</u></b>	<b><u>\$ 11,871,946</u></b>	<b><u>\$ 6,154,067</u></b>	<b><u>\$ 5,647,037</u></b>	<b><u>\$ 79,445,272</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable.....	\$ 3,386,161	\$ —	\$ 2,109,131	\$ 1,027,456	\$ 6,522,748
Salaries and benefits payable.....	11,217,020	—	—	652	11,217,672
Due to other funds.....	—	—	126,925	—	126,925
Deferred Revenue					
Succeeding year property tax.....	36,748,808	—	2,893,218	3,199,987	42,842,013
Other.....	460,047	—	465,000	—	925,047
<b>Total Liabilities.....</b>	<b><u>51,812,036</u></b>	<b><u>—</u></b>	<b><u>5,594,274</u></b>	<b><u>4,228,095</u></b>	<b><u>61,634,405</u></b>
<b>Fund Balances</b>					
Nonspendable					
Inventory.....	244,425	—	—	—	244,425
Note receivable.....	—	—	280,000	—	280,000
Restricted for					
Categorical funding.....	1,157,380	—	—	—	1,157,380
Debt service.....	—	11,871,946	—	—	11,871,946
Management levy purposes.....	—	—	—	246,066	246,066
School infrastructure.....	—	—	419,321	—	419,321
Student activities.....	—	—	—	1,172,876	1,172,876
Committed for					
Potential alternate health insurance plan.....	2,223,795	—	—	—	2,223,795
Unassigned.....	334,586	—	(139,528)	—	195,058
<b>Total Fund Balances.....</b>	<b><u>3,960,186</u></b>	<b><u>11,871,946</u></b>	<b><u>559,793</u></b>	<b><u>1,418,942</u></b>	<b><u>17,810,867</u></b>
<b>Total Liabilities and Fund Balances.....</b>	<b><u>\$ 55,772,222</u></b>	<b><u>\$ 11,871,946</u></b>	<b><u>\$ 6,154,067</u></b>	<b><u>\$ 5,647,037</u></b>	<b><u>\$ 79,445,272</u></b>

See accompanying notes to the financial statements.

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

---

As of June 30, 2013

**Total Fund Balances for Governmental Funds (Page 16)....** \$ 17,810,867

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 178,076,064

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds..... 465,000

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (1,728,420)

Long-term liabilities, including revenue bonds payable, early retirement payable, compensated absences and other post-employment benefits, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

Revenue bonds payable and unamortized bond premium	\$ (78,264,196)	
Early retirement payable .....	(1,255,000)	
Compensated absences.....	(520,703)	
Other postemployment benefits.....	<u>(2,598,000)</u>	<u>(82,637,899)</u>

**Net Position of Governmental Activities (Page 14) .....** **\$ 111,985,612**

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

Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenue</b>					
Local Sources					
Local tax.....	\$ 35,717,313	\$ —	\$ 12,103,088	\$ 2,779,240	\$ 50,599,641
Tuition .....	1,881,058	—	—	—	1,881,058
Other .....	2,614,894	53,811	16,144	1,727,641	4,412,490
State sources .....	67,886,162	—	1,629	1,711	67,889,502
Federal sources .....	10,566,243	—	850,994	—	11,417,237
<b>Total Revenue.....</b>	<b><u>118,665,670</u></b>	<b><u>53,811</u></b>	<b><u>12,971,855</u></b>	<b><u>4,508,592</u></b>	<b><u>136,199,928</u></b>
<b>Expenditures</b>					
Current					
Instruction					
Regular instruction.....	55,967,667	—	271,003	1,634,317	57,872,987
Special instruction .....	26,726,207	—	—	127,699	26,853,906
Vocational instruction .....	201,367	—	—	—	201,367
Other instruction .....	873,106	—	—	1,737,608	2,610,714
Total Instruction.....	<u>83,768,347</u>	<u>—</u>	<u>271,003</u>	<u>3,499,624</u>	<u>87,538,974</u>
Support Services					
Student services .....	4,189,344	—	—	—	4,189,344
Instructional staff services .....	4,391,658	—	—	250,303	4,641,961
General administration services .....	1,298,133	—	3,460	11,686	1,313,279
School administration services .....	6,548,440	—	—	112,582	6,661,022
Business and central administration services.....	3,868,768	—	122,006	38,113	4,028,887
Operation and maintenance of plant services .....	9,486,688	—	103,820	1,118,331	10,708,839
Transportation services .....	5,153,119	—	200,000	—	5,353,119
Total Support Services.....	<u>34,936,150</u>	<u>—</u>	<u>429,286</u>	<u>1,531,015</u>	<u>36,896,451</u>
Noninstructional Programs .....	—	—	—	7,312	7,312
AEA Flowthrough.....	4,648,080	—	—	—	4,648,080
Facilities Acquisition and Construction.....					
	—	—	16,032,792	—	16,032,792
Debt Service					
Principal .....	—	1,350,000	—	—	1,350,000
Interest and fiscal charges .....	—	3,416,753	59,744	—	3,476,497
Total Debt Service .....	—	4,766,753	59,744	—	4,826,497
<b>Total Expenditures.....</b>	<b><u>123,352,577</u></b>	<b><u>4,766,753</u></b>	<b><u>16,792,825</u></b>	<b><u>5,037,951</u></b>	<b><u>149,950,106</u></b>
<b>Deficiency of Revenue Under Expenditures .....</b>	<b><u>(4,686,907)</u></b>	<b><u>(4,712,942)</u></b>	<b><u>(3,820,970)</u></b>	<b><u>(529,359)</u></b>	<b><u>(13,750,178)</u></b>
<b>Other Financing Sources (Uses)</b>					
Revenue bonds issued .....	—	—	10,000,000	—	10,000,000
Premium on sale of revenue bonds .....	—	—	246,146	—	246,146
Proceeds from sale of capital assets .....	—	—	50,003	—	50,003
Long-term note receivable from sale of capital assets .....	—	—	280,000	—	280,000
Transfers in .....	—	7,332,986	—	—	7,332,986
Transfers out .....	—	—	(7,332,986)	—	(7,332,986)
<b>Total Other Financing Sources (Uses).....</b>	<b><u>—</u></b>	<b><u>7,332,986</u></b>	<b><u>3,243,163</u></b>	<b><u>—</u></b>	<b><u>10,576,149</u></b>
<b>Net Change in Fund Balances .....</b>	<b><u>(4,686,907)</u></b>	<b><u>2,620,044</u></b>	<b><u>(577,807)</u></b>	<b><u>(529,359)</u></b>	<b><u>(3,174,029)</u></b>
Fund Balances - Beginning of Year .....	8,647,093	9,251,902	1,137,600	1,948,301	20,984,896
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 3,960,186</u></b>	<b><u>\$ 11,871,946</u></b>	<b><u>\$ 559,793</u></b>	<b><u>\$ 1,418,942</u></b>	<b><u>\$ 17,810,867</u></b>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2013

**Change in Fund Balances - Total Governmental Funds (Page 18) \$ (3,174,029)**

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

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

Capital outlay .....	\$ 15,174,826	
Depreciation expense.....	<u>(4,945,798)</u>	10,229,028

The net book value of capital assets disposed of during the year.....		(60,834)
---	--	----------

Certain local option sales tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. ....		16,842
--	--	--------

Proceeds from issuing long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of issues and repayments for the year is as follows:

Issued .....	\$ (10,246,146)	
Repaid .....	<u>1,350,000</u>	(8,896,146)

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 governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. ....		(8,043)
--	--	---------

Amortization of premiums on bonds payable does not change current financial resources to governmental funds but it decreases liabilities in the statement of net position. ...		16,916
--	--	--------

Payments on early retirement packages approved in the current year and prior years are an expenditure in the governmental funds, but the payments reduce long-term liabilities in the statement of net position. ....		(425,000)
---	--	-----------

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

Compensated absences.....	\$ (58,958)	
Other postemployment benefits.....	<u>(727,000)</u>	<u>(785,958)</u>

**Change in Net Position of Governmental Activities (Page 15) \$ (3,087,224)**

# Statement of Net Position - Proprietary Fund

As of June 30, 2013

**Nonmajor  
Enterprise Fund  
School Nutrition**

**Assets**

**Current Assets**

Cash, cash equivalents and investments.....	\$ 1,789
Receivables, Net of Allowance for Uncollectible Amounts	
Due from other governments.....	468,050
Inventories.....	<u>51,099</u>
<b>Total Current Assets</b> .....	<b><u>520,938</u></b>

Capital assets, net of accumulated depreciation .....	<u>1,062,701</u>
---	------------------

Total Assets .....	<b><u>\$ 1,583,639</u></b>
--------------------	----------------------------

**Liabilities and Net Position**

**Current Liabilities**

Accounts payable .....	\$ 30,123
Salaries and benefits payable.....	29,400
Unearned revenue.....	49,062
Due to other funds .....	47,902
Interfund loan payable .....	<u>349,991</u>
<b>Total Current Liabilities</b> .....	<b><u>506,478</u></b>

**Net Position**

Investment in capital assets.....	1,062,701
Unrestricted .....	<u>14,460</u>
<b>Total Net Position</b> .....	<b><u>1,077,161</u></b>

Total Liabilities and Net Position .....	<b><u>\$ 1,583,639</u></b>
--	----------------------------

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

---

Year Ended June 30, 2013

	<b>Nonmajor Enterprise Fund School Nutrition</b>
<b>Revenue</b>	
Local Sources	
Charges for service .....	\$ 1,330,271
Other receipts .....	<u>26,046</u>
<b>Total Operating Revenue</b> .....	<b><u>1,356,317</u></b>
<b>Operating Expenses</b>	
Noninstructional Programs	
Food Service Operations	
Salaries .....	1,706,582
Benefits .....	722,207
Purchased services .....	94,462
Supplies .....	3,038,465
Other .....	6,589
Depreciation .....	<u>259,689</u>
<b>Total Operating Expenses</b> .....	<b><u>5,827,994</u></b>
<b>Loss From Operations</b> .....	<b><u>(4,471,677)</u></b>
<b>Nonoperating Revenue</b>	
State sources .....	59,297
Federal sources .....	4,143,974
Interest on investments .....	<u>347</u>
<b>Total Nonoperating Revenue</b> .....	<b><u>4,203,618</u></b>
<b>Loss Before Capital Contributions</b> .....	<b>(268,059)</b>
Capital contributions .....	<u>94,772</u>
<b>Change in Net Position</b> .....	<b>(173,287)</b>
Net Position - Beginning of Year, as Restated (Note 15) .....	<u>1,250,448</u>
<b>Net Position - End of Year</b> .....	<b><u>\$ 1,077,161</u></b>

# Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2013

**Nonmajor  
Enterprise Fund  
School Nutrition**

**Cash Flows From Operating Activities**

Cash received from sale of lunches and breakfasts.....	\$ 1,336,534
Cash received from other .....	26,046
Cash paid to employees for services .....	(2,427,326)
Cash paid to suppliers for goods or services .....	<u>(2,817,628)</u>
<b>Net Cash Used in Operating Activities .....</b>	<b><u>(3,882,374)</u></b>

**Cash Flows Provided by Noncapital Financing Activities**

State grants received.....	59,297
Federal grants received.....	3,378,172
Proceeds from interfund loans .....	3,234,893
Repayment of interfund loans.....	<u>(2,837,000)</u>
<b>Net Cash Provided by Noncapital Financing Activities.....</b>	<b><u>3,835,362</u></b>

**Cash Flows Used in Capital and Related Financing Activities**

Acquisition of capital assets.....	<u>(1,970)</u>
------------------------------------	----------------

**Cash Flows From Investing Activities**

Interest on investments .....	<u>347</u>
-------------------------------	------------

**Net Decrease in Cash, Cash Equivalents and Investments.....** **(48,635)**

Cash, Cash Equivalents and Investments - Beginning of Year ..... 50,424

**Cash, Cash Equivalents and Investments - End of Year .....** **\$ 1,789**

**Reconciliation of Loss From Operations to Net Cash Used in Operating Activities**

Loss from operations.....	\$ (4,471,677)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Commodities used.....	317,797
Depreciation .....	259,689
Changes in Assets and Liabilities	
Decrease in inventories.....	1,166
Increase in accounts payable .....	2,925
Increase in salaries and benefits payable.....	1,463
Increase in unearned revenue.....	<u>6,263</u>

**Net Cash Used in Operating Activities.....** **\$ (3,882,374)**

**Noncash Investing, Capital and Related Financing Activities**

During the year ended June 30, 2013, the District received \$306,206 of federal commodities.

The District received \$94,772 of equipment contributed from the Capital Projects Fund and purchased additional equipment, resulting in total cash paid of \$1,970 for the year ended June 30, 2013.

# Statement of Fiduciary Assets and Liabilities - Agency Fund ---

As of June 30, 2013

## Assets

Cash.....	\$ 47,074
Accounts receivable .....	<u>15,728</u>

<b>Total Assets .....</b>	<b><u>\$ 62,802</u></b>
---------------------------	-------------------------

## Liabilities

<b>Due to Other Governments .....</b>	<b><u>\$ 62,802</u></b>
---------------------------------------	-------------------------

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

Waterloo Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District also either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreation courses. The geographic area served includes the Cities of Waterloo, Evansdale, Elk Run Heights, Raymond, Gilbertville and a portion of Cedar Falls, Iowa, and the surrounding predominate agricultural territory in Black Hawk County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

### Reporting Entity

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

### Jointly Governed Organizations

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

### 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 the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed 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.

## (1) Summary of Significant Accounting Policies

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

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

### ***Fund Financial Statements***

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

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

The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments for the purpose of scholarships, school uniforms and reading materials for students within the District. The Agency Fund is custodial in nature, assets equal liabilities and does not involve measurement of results of operations.

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

### Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. The agency fund is custodial in nature and has no measurement focus; however, it uses the accrual basis of accounting.

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

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

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

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

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

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

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

### Assets, Liabilities and Fund Equity

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

#### ***Cash, Cash Equivalents and Investments***

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

For purposes of the statement of cash flows, all short-term capital 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 tax in the governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

#### ***Due From Other Governments***

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

#### ***Food and Supplies Inventories***

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. General Fund supplies inventory is accounted for under the consumption method. Expenses are recognized when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements. As of June 30, 2013, School Nutrition Fund food and supplies inventory valued at \$51,099 and General Fund supplies inventory valued at \$244,425 were on hand.

# Notes to the Financial Statements

## (1) Summary of Significant Accounting Policies

### **Note Receivable**

During the year ended June 30, 2013, the District sold land and a building for \$330,000 under a noninterest-bearing note to a local nonprofit agency. Monthly payments of \$4,666 are to be received on the note through May, 2018. As of June 30, 2013, \$280,000 was receivable on the note.

### **Capital Assets**

Capital assets, which include property and furniture and equipment 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 value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Buildings and improvements .....	7 - 50 Years
Improvements other than buildings .....	20 - 30 Years
Furniture and equipment .....	5 - 25 Years

### **Salaries and Benefits Payable**

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

### **Deferred Revenue**

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

Unearned 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 and unspent grant proceeds that will not be recognized as revenue until spent for the intended purpose of the grant.

## (1) Summary of Significant Accounting Policies

### ***Compensated Absences***

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

### ***Long-Term Liabilities***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

### ***Fund Balances***

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

***Nonspendable*** - Amounts that cannot be spent because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

***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.

Fund balance restricted through enabling legislation as of June 30, 2013 consists of categorical funding \$1,157,380, debt service \$11,871,946, management levy purposes \$246,066, school infrastructure \$419,321 and student activities \$1,172,876.

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

***Unassigned*** - All amounts not included in the preceding classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

### **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the instruction, support services and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

## **(1) Summary of Significant Accounting Policies**

### **Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **(2) Cash, Cash Equivalents and Investments**

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

As of June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio of \$4,774. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The value of the investment is the same as the value of the pool shares. The Iowa Schools Joint Investment Trust is registered with and regulated by the Securities and Exchange Commission.

### **Interest Rate Risk**

The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District. The District did not own any investments as of June 30, 2013 other than deposits held in the Iowa Schools Joint Investment Trust and a certificate of deposit.

### **Credit Risk**

The Board authorizes the District to invest funds in excess of current needs in interest-bearing savings, money market and checking accounts in the District's authorized depositories; the Iowa Schools Joint Investment Trust; obligations of the United States governments, its agencies and instrumentalities; and certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions. The Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services. The District's policy does not further limit the District's investments in relation to credit risk.

### **Concentration of Credit Risk**

The District's general investment policy is to apply the prudent-person rule: In making investments, the District shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

The investment in the Iowa Schools Joint Investment Trust and certificate of deposit are not subject to concentration of credit risk.

## Notes to the Financial Statements

---

### (2) Cash, Cash Equivalents and Investments

#### Custodial Credit Risk

For deposits, custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

### (3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 126,925
General	Enterprise - School Nutrition	<u>47,902</u>
		<u>\$ 174,827</u>

The Capital Projects Fund and School Nutrition Fund are repaying the General Fund for various year-end expenditures due to a lack of cash flow. The balances are to be repaid by June 30, 2014.

### (4) Interfund Loans

During the year ended June 30, 2013, the General Fund made several loans to the Capital Projects Fund and School Nutrition Fund for operating expenditures as needed. The loans bear interest at 1% and are required to be repaid to the General Fund as funding is available or in full by October 1, 2013. The detail of interfund loan receivables and payables as of June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise - School Nutrition	<u>\$ 349,991</u>

### (5) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 7,332,986</u>

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenue collected in a certain fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

## Notes to the Financial Statements

### (6) Capital Assets

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

	Balance - Beginning of Year, as Restated (Note 15)	Increases	Decreases	Balance - End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land.....	\$ 3,298,132	\$ 16,904	\$ 21,169	\$ 3,293,867
Construction in progress .....	<u>19,483,678</u>	<u>14,885,411</u>	<u>1,726,142</u>	<u>32,642,947</u>
Total Capital Assets Not Being Depreciated.....	<u>22,781,810</u>	<u>14,902,315</u>	<u>1,747,311</u>	<u>35,936,814</u>
Capital Assets Being Depreciated				
Buildings and improvements .....	174,141,894	1,441,897	546,659	175,037,132
Improvements other than buildings.....	9,306,333	76,442	—	9,382,775
Furniture and equipment .....	<u>13,301,719</u>	<u>480,314</u>	<u>487,576</u>	<u>13,294,457</u>
Total Capital Assets Being Depreciated.....	<u>196,749,946</u>	<u>1,998,653</u>	<u>1,034,235</u>	<u>197,714,364</u>
Less Accumulated Depreciation for				
Buildings and improvements .....	41,489,178	3,730,895	517,648	44,702,425
Improvements other than buildings.....	2,116,385	418,785	—	2,535,170
Furniture and equipment .....	<u>8,018,323</u>	<u>796,118</u>	<u>476,922</u>	<u>8,337,519</u>
Total Accumulated Depreciation.....	<u>51,623,886</u>	<u>4,945,798</u>	<u>994,570</u>	<u>55,575,114</u>
Total Capital Assets Being Depreciated, Net .....	<u>145,126,060</u>	<u>(2,947,145)</u>	<u>39,665</u>	<u>142,139,250</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net .....</b>	<b><u>\$ 167,907,870</u></b>	<b><u>\$ 11,955,170</u></b>	<b><u>\$ 1,786,976</u></b>	<b><u>\$ 178,076,064</u></b>
<b>Business-Type Activities</b>				
Furniture, equipment, vehicles.....	\$ 3,528,376	\$ 96,742	\$ —	\$ 3,625,118
Less accumulated depreciation .....	<u>2,302,728</u>	<u>259,689</u>	<u>—</u>	<u>2,562,417</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, Net.....</b>	<b><u>\$ 1,225,648</u></b>	<b><u>\$ (162,947)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 1,062,701</u></b>

## Notes to the Financial Statements

### (6) Capital Assets

The changes in capital assets used in the operation of governmental funds by function and activity as of June 30, 2013 are as follows:

Function and Activity	Balance - Beginning of Year, as Restated (Note 15)	Increases	Decreases	Balance - End of Year
Education .....	\$ 213,203,463	\$ 16,732,115	\$ 2,649,148	\$ 227,286,430
Transportation .....	241,625	—	50,875	190,750
Maintenance.....	3,369,596	150,616	10,593	3,509,619
Administration.....	2,717,072	18,237	70,930	2,664,379
	<u>\$ 219,531,756</u>	<u>\$ 16,900,968</u>	<u>\$ 2,781,546</u>	<u>\$ 233,651,178</u>

The capital assets used in the operation of governmental funds by function and activity as of June 30, 2013 are as follows:

Function and Activity	Construction in Progress	Land and Site Improve- ments	Buildings	Machinery and Equipment	Total
Education .....	\$ 32,642,947	\$ 12,152,825	\$ 174,116,047	\$ 8,374,611	\$ 227,286,430
Transportation .....	—	7,000	52,000	131,750	190,750
Maintenance.....	—	458,638	516,364	2,534,617	3,509,619
Administration.....	—	58,179	352,721	2,253,479	2,664,379
	<u>\$ 32,642,947</u>	<u>\$ 12,676,642</u>	<u>\$ 175,037,132</u>	<u>\$ 13,294,457</u>	<u>\$ 233,651,178</u>

Depreciation expense was charged to the following functions:

#### Governmental Activities

##### Instruction

Regular instruction .....	\$ 58,981
Special instruction .....	1,644
Vocational instruction .....	29,174
Other instruction.....	69,478

##### Support Services

Student services .....	295
Instructional staff services .....	1,084
General administration services .....	424
School administration services .....	623
Business and central administration services .....	154,182
Operation and maintenance of plant services.....	318,369
Transportation services .....	18,317

Unallocated depreciation .....	4,293,227
<b>Total Governmental Activities Depreciation Expense .....</b>	<b><u>\$ 4,945,798</u></b>

#### Business-Type Activities

Food Service Operations.....	<u>\$ 259,689</u>
------------------------------	-------------------

## Notes to the Financial Statements

### (7) Long-Term Liabilities

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
<b>Governmental Activities</b>					
Revenue bonds .....	\$ 69,159,539	\$ 10,000,000	\$ 1,350,000	\$ 77,809,539	\$ 1,700,000
Revenue bonds premium.....	225,427	246,146	16,916	454,657	37,093
Early retirement benefit.....	830,000	840,000	415,000	1,255,000	835,000
Compensated absences .....	461,745	405,267	346,309	520,703	390,527
Net OPEB liability ...	<u>1,871,000</u>	<u>727,000</u>	<u>—</u>	<u>2,598,000</u>	<u>—</u>
<b>Total .....</b>	<b><u>\$ 72,547,711</u></b>	<b><u>\$ 12,218,413</u></b>	<b><u>\$ 2,128,225</u></b>	<b><u>\$ 82,637,899</u></b>	<b><u>\$ 2,962,620</u></b>

### Compensated Absences

Compensated absences are generally liquidated by the General Fund. The District's compensated absences are generally liquidated within one year. District employees are allowed to carryover paid time off from prior years, but based on previous activity, employees do not carry over material amounts of paid time off.

### Revenue Bonds

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

Year Ending June 30,	Bond Issue April 26, 2011 - Series A			Bond Issue April 26, 2011 - Series B				Interest Net of Credit
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Credit	
2014 .....	4.00%	\$ 1,700,000	\$ 2,394,550	5.85%	\$ —	\$ 958,203	\$ (884,495)	\$ 73,708
2015 .....	4.00	1,700,000	2,326,550	5.85	—	958,203	(884,495)	73,708
2016 .....	4.00	1,800,000	2,256,550	5.85	—	958,203	(884,495)	73,708
2017 .....	4.00	1,900,000	2,182,550	5.85	—	958,203	(884,495)	73,708
2018 .....	4.00	1,900,000	2,106,550	5.85	—	958,203	(884,495)	73,708
2019-2023 .	4.00 - 5.00	10,500,000	9,266,250	5.85	—	4,791,015	(4,422,475)	368,540
2024-2028 .	5.00	17,450,000	6,199,000	5.85	16,379,539	2,395,508	(2,211,238)	184,270
2029-2030 .	5.00 - 5.25	<u>14,480,000</u>	<u>929,600</u>		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total.....</b>		<b><u>\$ 51,430,000</u></b>	<b><u>\$ 27,661,600</u></b>		<b><u>\$ 16,379,539</u></b>	<b><u>\$ 11,977,538</u></b>	<b><u>\$ (11,056,188)</u></b>	<b><u>\$ 921,350</u></b>

Year Ending June 30,	Bond Issue April 22, 2013			Total		
	Interest Rate	Principal	Interest	Principal	Interest Net of Credit	Total
2014 .....	2.00%	\$ —	\$ 140,175	\$ 1,700,000	\$ 2,608,433	\$ 4,308,433
2015 .....	2.00	955,000	193,112	2,655,000	2,593,370	5,248,370
2016 .....	2.00	960,000	173,963	2,760,000	2,504,221	5,264,221
2017 .....	2.00	970,000	154,662	2,870,000	2,410,920	5,280,920
2018 .....	2.00	975,000	135,213	2,875,000	2,315,471	5,190,471
2019-2023 .	2.00	5,075,000	376,363	15,575,000	10,011,153	25,586,153
2024-2028 .	2.25	1,065,000	11,981	34,894,539	6,395,251	41,289,790
2029-2030 .		<u>—</u>	<u>—</u>	<u>14,480,000</u>	<u>929,600</u>	<u>15,409,600</u>
<b>Total.....</b>		<b><u>\$ 10,000,000</u></b>	<b><u>\$ 1,185,469</u></b>	<b><u>\$ 77,809,539</u></b>	<b><u>\$ 29,768,419</u></b>	<b><u>\$ 107,577,958</u></b>

## Notes to the Financial Statements

---

### (7) Long-Term Liabilities

The District has pledged future statewide sales, services and use tax revenue to repay the \$62,780,000 of bonds issued in April, 2011 (Series A) and April, 2013. The bonds were issued for the purpose of financing a portion of the costs associated with site acquisition, construction, reconstruction, remodeling and refurbishing certain District facilities, refunding the District's outstanding school infrastructure (statewide) sales, services and use tax revenue bonds, Series 2009 (2011 issue only) and paying the costs of issuing the bonds. The bonds are payable solely from proceeds of the statewide sales, services and use tax revenue received by the District. The 2011 and 2013 issues mature January 1, 2030 and July 1, 2023, respectively. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the bonds is \$90,277,069. For the current year, principal of \$1,350,000 and interest of \$2,455,550 was paid on the bonds.

The District has also pledged future statewide sales, services and use tax revenue to repay the \$16,379,539 of qualified school construction bonds Series B (direct pay) issued in April, 2011. The bonds were issued for the purpose of financing a portion of the costs associated with site acquisition and construction of a new elementary school. The bonds are payable solely from proceeds of the statewide sales, services and use tax revenue received by the District and mature July 1, 2025. The bonds have an interest rate of 5.85% but the District is entitled to a credit from the federal government at a rate of 5.4% (Build America Bonds). The District must remit interest net of any credits received to the bondholder semi-annually. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest net of credits remaining to be paid on the bonds is \$17,300,889. For the current year, no principal and interest net of credit of \$112,183 was paid on the 2011 Series B bonds.

Annual principal and interest payments on all outstanding bonds are expected to require nearly 58% of the statewide sales, services and use tax revenue. For the current year, total statewide sales, services and use tax revenue was \$9,303,618.

The resolution providing for the issuance of the school infrastructure (statewide), sales, services and use tax revenue (and refunding) bonds include the following provisions:

- a. A portion of the proceeds from the issuance of the bonds be used to pay off any remaining principal and interest due on the 2009 series bonds (for 2011 Series A only).
- b. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account except for the reserve fund noted below.
- 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.
- e. A reserve fund of 10% of the net proceeds must be established (for 2011 Series A and Series 2013 only).

The District complied with all of the revenue bond provisions during the year ended June 30, 2013.

## Notes to the Financial Statements

---

### (7) Long-Term Liabilities

The District did not exceed its legal debt margin as of June 30, 2013, as follows:

<b>Total Assessed Valuation</b> .....	<b><u>\$ 4,151,533,171</u></b>
Debt limit, 5% of total assessed valuation.....	\$ 207,576,659
Amount of debt applicable to debt limit, total bonded debt.....	<u>77,809,539</u>
<b>Excess of Debt Limit Over Bonded Debt Outstanding, Legal Debt Margin</b> .....	<b><u>\$ 129,767,120</u></b>

### Lines of Credit

During the fiscal year ended June 30, 2013, the Board approved short-term lines of credit maturing on October 14, 2012 and May 1, 2013 with a local bank for a maximum of \$5,000,000. The lines of credit bore 2.5%-2.75% interest per annum. Funds were drawn to pay operating expenses and were repaid when funds were received from operations or other funding. During the fiscal year ended June 30, 2013, the outstanding balance did not exceed the \$5,000,000 maximum. In the fiscal year ended June 30, 2013, \$18,071,900 was drawn and repaid on the lines of credit. No balance was outstanding as of June 30, 2013. Current year interest paid was \$12,393.

### (8) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% (2013), 5.38% (2012) and 4.5% (2011) of their annual covered salary and the District is required to contribute 8.67% (2013), 8.07% (2012) and 6.95% (2011) of annual covered salary for the years ended June 30, 2013, 2012 and 2011. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$6,146,168, \$5,538,069 and \$4,461,095, respectively, equal to the required contributions for each year.

### (9) Contingent Liability for Sick Leave Time

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and therefore are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave as of June 30, 2013 was approximately \$12,600,000.

## Notes to the Financial Statements

---

### **(10) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year.

### **(11) Area Education Agency Support**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$4,648,080 for the year ended June 30, 2013, and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

### **(12) Early Retirement Plan**

The District offers a voluntary early retirement plan to its teachers, administrative support staff and administrators. The application for early retirement is subject to approval by the Board of Education.

The District provides a one-time supplemental benefit payment for administrative support staff and administrators. The District offers the plan on an annual basis. To be eligible for the benefit, the administrative support staff or administrator must have attained age 55 by August 1, have completed 13 years of service with the District and have submitted application for retirement by March 31. In addition, for administrators to qualify, at least ten of the years of service must have been as an administrator. Benefits are computed as 30%-40% of salary based on age at retirement. The administrative support staff and administrators are also eligible to continue participation in the District's group health insurance program to age 65, as described in Note 13.

As of June 30, 2013, seven administrative support staff and administrators requested early retirement under the fiscal year 2013 incentive. The District had no remaining obligation for this incentive as the one-time payments were made during the year.

The District adopted temporary supplemental early retirement incentives for teachers who applied for early retirement in fiscal year 2010 no later than January 30, 2010 or in fiscal year 2013 no later than March 15, 2013. Eligible teachers must have completed at least 13 years of full-time service to the District and must have reached the age of 55 on or before September 1 (fiscal year 2010 incentive) or June 30 (fiscal year 2013 incentive) in the calendar year in which early retirement commences. The benefit amount was \$25,000 per teacher paid over five years for the incentive approved in fiscal year 2010, final payment is due in July, 2014. The benefit amount was \$30,000 per teacher for the incentive approved in fiscal year 2013, final payment is due in July, 2015.

As of June 30, 2013, 125 teachers had requested early retirement under the fiscal year 2010 and 2013 incentives. The District's remaining obligation was \$1,255,000.

Early retirement expenditures for the year ended June 30, 2013 totaled \$1,027,456.

The early retirement plan liability is liquidated by the Management Fund, a nonmajor governmental fund.

## Notes to the Financial Statements

---

### (13) 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 1,624 active and 20 retired members in the plan. Retired participants must be age 55 or older at retirement. The plan does not issue a stand-alone financial report.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy rate and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

#### 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 liquidated primarily through the General Fund.

#### Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution .....	\$ 947,000
Interest on net OPEB obligation.....	84,000
Adjustment to annual required contribution.....	<u>(72,000)</u>
Annual OPEB Cost .....	959,000
Contributions made .....	<u>(232,000)</u>
Increase in Net OPEB Obligation .....	727,000
Net OPEB Obligation - Beginning of Year.....	<u>1,871,000</u>
Net OPEB Obligation - End of Year .....	<u><b>\$ 2,598,000</b></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 2013, the District contributed \$232,000 to the medical plan. Plan members eligible for benefits contributed \$19,082, or 7.6% of the premium costs.

## Notes to the Financial Statements

---

### (13) Other Postemployment Benefits (OPEB)

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 905,800	24.6%	\$ 1,307,000
June 30, 2012	911,000	38.1	1,871,000
June 30, 2013	959,000	24.2	2,598,000

### Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$7.112 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.112 million. The covered payroll (annual payroll of active employees covered by the plan) was \$65.305 million and the ratio of the UAAL to covered payroll was 10.9%. As of June 30, 2013, there were no trust fund assets.

### Actuarial Methods and Assumptions

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

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced by 0.5% each year until reaching the 5.0% ultimate trend rate. An inflation rate of 0.0% is assumed for the purpose of this computation.

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

## Notes to the Financial Statements

### (13) Other Postemployment Benefits (OPEB)

Projected claim costs of the medical plan are \$731 per month for retirees age 60. 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.

### (14) Categorical Funding

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

Beginning teacher mentoring and induction .....	\$ 13,529
Educator quality, professional development .....	165,359
Gifted and talented program .....	259,842
Home school assistance program.....	15,122
Professional development for model core curriculum.....	230,383
Teacher salary supplement .....	428,893
Textbook aid for nonpublic students .....	<u>44,252</u>
<b>Total .....</b>	<b><u>\$ 1,157,380</u></b>

### (15) Prior Period Restatement

During the year ended June 30, 2013, management determined the District should have capitalized \$185,495 of buildings and improvements related to a purchase made during the year ended June 30, 2010.

In addition, during the year ended June 30, 2013, management determined \$448,158 of local option sales tax revenue should have been recorded in the governmental activities on the government-wide financial statements in the prior year and \$34,255 of student meal account balances should have been recorded as deferred revenue in the business-type activities on the government-wide financial statements and in the School Nutrition Fund in the prior year.

The effect of the restatements on the District's beginning net position were as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities/School Nutrition</b>
Net Position - Beginning of Year, as previously reported .....	\$114,439,183	\$ 1,284,703
Capitalization of buildings and improvements .....	185,495	—
Student meal revenue .....	—	(34,255)
Local option sales tax revenue .....	<u>448,158</u>	<u>—</u>
<b>Net Position - Beginning of Year, as Restated .....</b>	<b><u>\$ 115,072,836</u></b>	<b><u>\$ 1,250,448</u></b>

## Notes to the Financial Statements

---

### **(16) Commitments**

The District has entered into agreements with various companies for nursing, management of the District's food service operations and operation of the District's student transportation services. Terms of the agreements range from one to five years, and all agreements contain provisions for renewal.

The District has entered into various contracts for several projects which are primarily being funded by the statewide sales, services and use tax. The projects include the construction of Orange Elementary School, roofing projects at several locations, the renovation of the Hoover Middle School music wing, the upgrade of the Bunger Middle School air conditioning system and other various projects. As of June 30, 2013, the remaining commitment on these contracts was approximately \$2,700,000.

### **(17) Subsequent Events**

Management has evaluated subsequent events through January 22, 2014, the date which the financial statements were available to be issued.

Subsequent to June 30, 2013, the District entered into contracts for the renovation of the Hoover Middle School commons and kitchen totaling approximately \$4.4 million.

Subsequent to June 30, 2013, the District engaged in short-term borrowing of up to \$5 million to meet cash flow needs.

Subsequent to June 30, 2013, the District approved interfund loans from the General Fund to the Capital Projects Fund of up to \$8 million and the School Nutrition Fund of up to \$1.2 million to meet cash flow needs. The loans bear interest at 1% and are to be repaid in full by October 1, 2014.

**Required Supplementary Information**

---

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

Year Ended June 30, 2013

	Actual		Total	Original and Final Budget	Over (Under) Budget
	Governmental Fund Types	Proprietary Fund Type			
<b>Revenue</b>					
Local sources .....	\$ 56,893,189	\$ 1,356,664	\$ 58,249,853	\$ 57,666,312	\$ 583,541
Intermediate sources.....	—	—	—	75,000	(75,000)
State sources .....	67,889,502	59,297	67,948,799	68,631,713	(682,914)
Federal sources .....	11,417,237	4,143,974	15,561,211	15,934,496	(373,285)
<b>Total Revenue .....</b>	<b><u>136,199,928</u></b>	<b><u>5,559,935</u></b>	<b><u>141,759,863</u></b>	<b><u>142,307,521</u></b>	<b><u>(547,658)</u></b>
<b>Expenditures/Expenses</b>					
Instruction.....	87,538,974	—	87,538,974	86,850,000	688,974
Support services .....	36,896,451	—	36,896,451	35,080,000	1,816,451
Noninstructional programs ..	7,312	5,827,994	5,835,306	6,100,000	(264,694)
Other expenditures.....	25,507,369	—	25,507,369	23,960,335	1,547,034
<b>Total Expenditures/ Expenses .....</b>	<b><u>149,950,106</u></b>	<b><u>5,827,994</u></b>	<b><u>155,778,100</u></b>	<b><u>151,990,335</u></b>	<b><u>3,787,765</u></b>
<b>Deficiency of Revenue Under Expenditures/ Expenses .....</b>	<b>(13,750,178)</b>	<b>(268,059)</b>	<b>(14,018,237)</b>	<b>(9,682,814)</b>	<b>(4,335,423)</b>
<b>Other Financing Sources (Uses) (Net) .....</b>	<b><u>10,576,149</u></b>	<b><u>94,772</u></b>	<b><u>10,670,921</u></b>	<b><u>—</u></b>	<b><u>10,670,921</u></b>
<b>Deficiency of Revenue and Other Financing Sources Under Expenditures/ Expenses and Other Financing Uses .....</b>	<b>(3,174,029)</b>	<b>(173,287)</b>	<b>(3,347,316)</b>	<b>(9,682,814)</b>	<b><u>\$ 6,335,498</u></b>
Balance - Beginning of Year, as Restated (Note 15)	<u>20,984,896</u>	<u>1,250,448</u>	<u>22,235,344</u>	<u>34,605,296</u>	
<b>Balance - End of Year .....</b>	<b><u>\$ 17,810,867</u></b>	<b><u>\$ 1,077,161</u></b>	<b><u>\$ 18,888,028</u></b>	<b><u>\$ 24,922,482</u></b>	

This budgetary comparison is presented as required supplementary information in accordance with Governmental 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 and statutorily prescribed procedures. The District's budget is prepared on a 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 functional areas are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend their original budget.

During the year ended June 30, 2013, expenditures in the instruction, support services and other expenditures functions exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 10,796,000	\$ 10,796,000	0%	\$ 50,106,000	21.5%
2010	7-1-08	—	10,796,000	10,796,000	0	50,106,000	21.5
2011	7-1-10	—	7,325,000	7,325,000	0	60,240,000	12.2
2012	7-1-10	—	7,325,000	7,325,000	0	60,240,000	12.2
2013	7-1-12	—	7,112,000	7,112,000	0	65,305,000	10.9

See Note 13 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Supplementary Information**

---

## Nonmajor Governmental Funds - Description of Funds ---

### Special Revenue Funds

Special revenue funds are used to account for specific revenue that is legally restricted to expenditures for particular purposes.

Management Levy Fund                      This fund accounts for the resources accumulated and payments made for property insurance, fidelity bonds, worker compensation, liability insurance premiums, unemployment insurance claims and early retirement incentives.

Student Activity Fund                      This fund accounts for the funds raised by student groups. Under state law, the Board retains responsibility for the Student Activity Fund's ultimate disposition.

# Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2013

	<u>Special Revenue</u>		Total
	Management Levy	Student Activity	
<b>Assets</b>			
Cash, cash equivalents and investments.....	\$ 1,239,981	\$ 1,173,528	\$ 2,413,509
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent.....	33,308	—	33,308
Succeeding year.....	3,199,987	—	3,199,987
Due from other governments.....	<u>233</u>	<u>—</u>	<u>233</u>
<b>Total Assets</b> .....	<b><u>\$ 4,473,509</u></b>	<b><u>\$ 1,173,528</u></b>	<b><u>\$ 5,647,037</u></b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable .....	\$ 1,027,456	\$ —	\$ 1,027,456
Salaries and benefits payable.....	—	652	652
Deferred Revenue			
Succeeding year property tax.....	<u>3,199,987</u>	<u>—</u>	<u>3,199,987</u>
<b>Total Liabilities</b> .....	<b><u>4,227,443</u></b>	<b><u>652</u></b>	<b><u>4,228,095</u></b>
<b>Fund Balances</b>			
Restricted for			
Management levy purposes .....	246,066	—	246,066
Student activities .....	<u>—</u>	<u>1,172,876</u>	<u>1,172,876</u>
<b>Total Fund Balances</b> .....	<b><u>246,066</u></b>	<b><u>1,172,876</u></b>	<b><u>1,418,942</u></b>
<b>Total Liabilities and Fund Balances</b> .....	<b><u>\$ 4,473,509</u></b>	<b><u>\$ 1,173,528</u></b>	<b><u>\$ 5,647,037</u></b>

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

---

Year Ended June 30, 2013

Revenue	Special Revenue		Total
	Management Levy	Student Activity	
Local Sources			
Local tax .....	\$ 2,779,240	\$ —	\$ 2,779,240
Other.....	9,031	1,718,610	1,727,641
State sources .....	1,711	—	1,711
<b>Total Revenue</b> .....	<b>2,789,982</b>	<b>1,718,610</b>	<b>4,508,592</b>
<b>Expenditures</b>			
Current			
Instruction			
Regular instruction .....	1,634,317	—	1,634,317
Special instruction.....	127,699	—	127,699
Other instruction.....	248	1,737,360	1,737,608
Total Instruction.....	1,762,264	1,737,360	3,499,624
Support Services			
Instructional staff services .....	250,303	—	250,303
General administration services .....	11,686	—	11,686
School administration services .....	112,582	—	112,582
Business and central administration services .....	33,601	4,512	38,113
Operation and maintenance of plant services .....	1,118,331	—	1,118,331
Total Support Services .....	1,526,503	4,512	1,531,015
Noninstructional Programs .....	7,312	—	7,312
<b>Total Expenditures</b> .....	<b>3,296,079</b>	<b>1,741,872</b>	<b>5,037,951</b>
<b>Net Change in Fund Balances</b> .....	<b>(506,097)</b>	<b>(23,262)</b>	<b>(529,359)</b>
Fund Balances - Beginning of Year .....	752,163	1,196,138	1,948,301
<b>Fund Balances - End of Year</b> .....	<b>\$ 246,066</b>	<b>\$ 1,172,876</b>	<b>\$ 1,418,942</b>

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

Year Ended June 30, 2013

Account	Balance - Beginning of Year	Revenue	Expenditures	Balance - End of Year
High Schools				
East .....	\$ 188,445	\$ 307,022	\$ 292,262	\$ 203,205
Expo .....	46,583	68,023	73,546	41,060
West .....	299,050	706,790	741,255	264,585
Middle Schools				
Bunger .....	54,156	36,230	26,514	63,872
Carver .....	27,581	29,467	26,748	30,300
Central .....	79,548	27,493	30,195	76,846
Hoover .....	68,702	49,872	53,029	65,545
Elementary Schools				
Cunningham .....	19,196	33,211	38,653	13,754
Elk Run Pre-K .....	1,215	572	482	1,305
Fred Becker .....	30,889	41,138	39,846	32,181
Highland .....	63,036	30,659	39,797	53,898
Irving .....	30,904	18,575	13,615	35,864
Kingsley .....	49,657	61,369	66,564	44,462
Kittrell .....	49,759	18,314	14,640	53,433
Lincoln .....	21,866	31,833	6,289	47,410
Lou Henry .....	51,825	61,560	65,615	47,770
Lowell .....	19,743	33,695	31,878	21,560
Orange .....	28,212	56,415	50,543	34,084
Poyner .....	56,806	53,929	76,193	34,542
Other .....	<u>8,965</u>	<u>52,443</u>	<u>54,208</u>	<u>7,200</u>
<b>Total .....</b>	<b><u>\$ 1,196,138</u></b>	<b><u>\$ 1,718,610</u></b>	<b><u>\$ 1,741,872</u></b>	<b><u>\$ 1,172,876</u></b>

## Capital Projects Accounts - Description of Accounts ---

The Capital projects fund is used to account for specific resources that are restricted to expenditures for capital outlays. The fund has two sets of accounts, as follows:

Statewide Sales, Services and Use Tax	This set of accounts is used to account for all resources used in the acquisition and construction of capital facilities and the payment of fees related to the issuance of bonds.
Physical Plant and Equipment Levy	This set of accounts is used to account for resources accumulated and payments made for the purchase and improvement of grounds; purchase of buildings; major repairs, remodeling, reconstructing, improving or expanding the schools or buildings; and for equipment purchases.

## Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2013

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Assets</b>			
Cash, cash equivalents and investments.....	\$ 1,007,197	\$ —	\$ 1,007,197
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent .....	—	34,277	34,277
Succeeding year .....	—	2,893,218	2,893,218
Due from other governments .....	1,938,770	605	1,939,375
Note receivable .....	—	280,000	280,000
<b>Total Assets .....</b>	<b><u>\$ 2,945,967</u></b>	<b><u>\$ 3,208,100</u></b>	<b><u>\$ 6,154,067</u></b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable .....	\$ 2,061,646	\$ 47,485	\$ 2,109,131
Due to other funds .....	—	126,925	126,925
Deferred Revenue			
Succeeding year property tax .....	—	2,893,218	2,893,218
Other .....	465,000	—	465,000
<b>Total Liabilities.....</b>	<b><u>2,526,646</u></b>	<b><u>3,067,628</u></b>	<b><u>5,594,274</u></b>
<b>Fund Balances</b>			
Nonspendable			
Note receivable.....	—	280,000	280,000
Restricted for			
School infrastructure.....	419,321	—	419,321
Unassigned .....	—	(139,528)	(139,528)
<b>Total Fund Balances.....</b>	<b><u>419,321</u></b>	<b><u>140,472</u></b>	<b><u>559,793</u></b>
<b>Total Liabilities and Fund Balances .....</b>	<b><u>\$ 2,945,967</u></b>	<b><u>\$ 3,208,100</u></b>	<b><u>\$ 6,154,067</u></b>

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

Year Ended June 30, 2013

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Revenue</b>			
Local Sources			
Local tax.....	\$ 9,303,618	\$ 2,799,470	\$ 12,103,088
Other .....	14,737	1,407	16,144
State sources .....	—	1,629	1,629
Federal sources.....	846,020	4,974	850,994
<b>Total Revenue .....</b>	<b><u>10,164,375</u></b>	<b><u>2,807,480</u></b>	<b><u>12,971,855</u></b>
<b>Expenditures</b>			
Current			
Instruction			
Regular instruction.....	<u>—</u>	<u>271,003</u>	<u>271,003</u>
Support Services			
General administration services.....	263	3,197	3,460
Business and central administration services .....	32,006	90,000	122,006
Operation and maintenance of plant services .....	—	103,820	103,820
Transportation services .....	<u>—</u>	<u>200,000</u>	<u>200,000</u>
Total Support Services.....	<u>32,269</u>	<u>397,017</u>	<u>429,286</u>
Facilities Acquisition and Construction.....	<u>13,608,377</u>	<u>2,424,415</u>	<u>16,032,792</u>
Debt Service			
Interest and fiscal charges.....	<u>59,744</u>	<u>—</u>	<u>59,744</u>
<b>Total Expenditures.....</b>	<b><u>13,700,390</u></b>	<b><u>3,092,435</u></b>	<b><u>16,792,825</u></b>
<b>Deficiency of Revenue Under Expenditures</b>	<b><u>(3,536,015)</u></b>	<b><u>(284,955)</u></b>	<b><u>(3,820,970)</u></b>
<b>Other Financing Sources (Uses)</b>			
Revenue bonds issued.....	10,000,000	—	10,000,000
Premium on sale of revenue bonds .....	246,146	—	246,146
Proceeds from the sale of capital assets .....	—	50,003	50,003
Long-term note receivable from sale of capital assets.....	—	280,000	280,000
Transfers out .....	<u>(7,332,986)</u>	<u>—</u>	<u>(7,332,986)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>2,913,160</u></b>	<b><u>330,003</u></b>	<b><u>3,243,163</u></b>
<b>Net Change in Fund Balances .....</b>	<b>(622,855)</b>	<b>45,048</b>	<b>(577,807)</b>
Fund Balance - Beginning of Year .....	<u>1,042,176</u>	<u>95,424</u>	<u>1,137,600</u>
<b>Fund Balance - End of Year .....</b>	<b><u>\$ 419,321</u></b>	<b><u>\$ 140,472</u></b>	<b><u>\$ 559,793</u></b>

# Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund ▬

Year Ended June 30, 2013

	<b>Balance - Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance - End of Year</b>
<b>Assets</b>				
Cash.....	\$ 38,945	\$ 47,074	\$ 38,945	\$ 47,074
Accounts receivable .....	<u>—</u>	<u>15,728</u>	<u>—</u>	<u>15,728</u>
<b>Total Assets .....</b>	<b><u>\$ 38,945</u></b>	<b><u>\$ 62,802</u></b>	<b><u>\$ 38,945</u></b>	<b><u>\$ 62,802</u></b>
 <b>Liabilities</b>				
Due to Other Governments .....	<b><u>\$ 38,945</u></b>	<b><u>\$ 62,802</u></b>	<b><u>\$ 38,945</u></b>	<b><u>\$ 62,802</u></b>

**Schedule of Revenue By Source, Expenditures By Function and Other  
Financing Sources and Uses - All Governmental Fund Types  
(Modified Accrual Basis)**

For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenue</b>										
Local Sources										
Local tax .....	\$ 50,599,641	\$ 48,794,236	\$ 47,907,941	\$ 49,786,925	\$ 48,754,219	\$ 46,212,046	\$ 43,826,641	\$ 42,087,405	\$ 40,599,831	\$ 38,456,247
Tuition .....	1,881,058	645,002	724,552	647,364	—	—	—	—	—	—
Other .....	4,412,490	4,390,491	3,609,854	3,826,358	3,997,924	5,363,665	5,803,902	4,545,891	3,374,140	2,876,064
Intermediate sources .....	—	—	—	—	—	10,330	2,215	2,725	131,022	138,278
State sources .....	67,889,502	65,694,781	64,173,910	54,520,646	61,072,325	60,639,195	55,888,686	52,891,722	49,774,462	48,722,481
Federal sources .....	11,417,237	13,512,793	12,553,120	15,949,372	8,158,825	5,910,793	6,968,832	7,133,501	7,724,946	7,048,560
<b>Total .....</b>	<b>\$ 136,199,928</b>	<b>\$ 133,037,303</b>	<b>\$ 128,969,377</b>	<b>\$ 124,730,665</b>	<b>\$ 121,983,293</b>	<b>\$ 118,136,029</b>	<b>\$ 112,490,276</b>	<b>\$ 106,661,244</b>	<b>\$ 101,604,401</b>	<b>\$ 97,241,630</b>
<b>Expenditures</b>										
Instruction										
Regular instruction .....	\$ 57,872,987	\$ 57,358,965	\$ 54,334,602	\$ 53,410,072	\$ 49,745,136	\$ 47,238,480	\$ 39,294,245	\$ 36,854,924	\$ 36,885,149	\$ 36,547,236
Special instruction .....	26,853,906	24,233,590	21,298,386	22,045,710	19,210,024	17,777,102	17,764,190	23,909,417	20,432,358	18,270,906
Vocational instruction .....	201,367	181,479	161,738	197,814	185,276	225,193	1,238,916	1,441,783	1,225,442	1,281,012
Other instruction .....	2,610,714	2,515,742	2,413,216	2,478,531	2,672,282	2,725,126	7,171,142	2,610,481	3,065,679	2,531,422
Support Services										
Student services .....	4,189,344	3,943,132	2,853,555	2,559,696	3,133,821	2,487,719	2,828,831	2,995,164	2,950,960	2,932,722
Instructional staff services .....	4,641,961	4,382,606	3,564,947	4,373,003	3,390,257	3,173,912	2,776,296	1,744,630	2,650,565	2,175,810
General administration services .....	1,313,279	1,280,923	1,087,004	1,161,982	1,072,601	1,161,352	803,132	1,067,712	910,675	972,748
School administration services .....	6,661,022	6,351,790	5,879,252	5,758,327	5,471,176	5,720,145	5,915,315	5,656,379	4,851,254	4,728,914
Business and central administration services .....	4,028,887	3,897,856	4,683,782	3,909,258	5,325,264	2,766,553	2,663,198	3,308,954	2,801,451	2,303,284
Operation and maintenance of plant services .....	10,708,839	9,941,089	9,638,972	9,850,642	9,919,474	9,286,639	9,769,436	8,244,959	9,447,732	10,269,848
Transportation services .....	5,353,119	4,280,604	3,881,025	3,191,138	2,182,716	2,994,845	3,333,897	3,234,530	2,742,655	2,634,361
Noninstructional programs .....	7,312	7,272	11,533	17,099	14,950	27,082	30,907	5,264	99,458	169,691
AEA flowthrough .....	4,648,080	4,689,160	5,132,642	4,966,096	4,221,658	4,047,085	3,790,584	3,558,701	3,388,142	3,360,178
Facilities acquisition and construction .....	16,032,792	12,646,370	18,959,552	17,750,265	38,925,059	14,066,142	22,003,212	10,164,017	13,136,293	11,132,215
Debt Service										
Principal .....	1,350,000	—	—	—	35,000,000	—	—	—	—	—
Interest and other charges .....	3,476,497	2,343,124	3,015,301	1,740,400	1,663,100	1,663,891	1,662,500	—	—	—
<b>Total .....</b>	<b>\$ 149,950,106</b>	<b>\$ 138,053,702</b>	<b>\$ 136,915,507</b>	<b>\$ 133,410,033</b>	<b>\$ 182,132,794</b>	<b>\$ 115,361,266</b>	<b>\$ 121,045,801</b>	<b>\$ 104,796,915</b>	<b>\$ 104,587,813</b>	<b>\$ 99,310,347</b>
<b>Other Financing Sources (Uses)</b>										
Revenue bonds issued .....	\$ 10,000,000	\$ —	\$ 69,159,539	\$ —	\$ 46,400,000	\$ —	\$ —	\$ 35,000,000	\$ —	\$ —
Premium (discount) on sale of revenue bonds .....	246,146	—	240,456	—	(174,000)	—	—	608,150	—	—
Revenue bonds repaid .....	—	—	(46,400,000)	—	—	—	—	—	—	—
Proceeds from sale of capital assets .....	50,003	—	—	—	1,150	7,506	15,073	—	7,919	—
Long-term note receivable from sale of capital assets .....	280,000	—	—	—	—	—	—	—	—	—
Transfers (net) .....	—	133,409	—	(60,000)	(60,000)	(115,000)	(142,717)	(216,902)	(257,971)	(297,005)
<b>Total .....</b>	<b>\$ 10,576,149</b>	<b>\$ 133,409</b>	<b>\$ 22,999,995</b>	<b>\$ (60,000)</b>	<b>\$ 46,167,150</b>	<b>\$ (107,494)</b>	<b>\$ (127,644)</b>	<b>\$ 35,391,248</b>	<b>\$ (250,052)</b>	<b>\$ (297,005)</b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture - Indirect</b>			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	FY 13	\$ 748,214
National School Lunch Program .....	10.555	FY 13	2,987,261
National School Lunch Program - Food Donation (noncash).....	10.555	FY 13	306,296
Summer Food Service Program for Children .....	10.559	FY 13	<u>102,204</u>
Total Child Nutrition Cluster .....			<u><b>4,143,975</b></u>
<b>U.S. Department of Justice - Indirect</b>			
Pass-Through From City of Waterloo, Iowa			
Public Safety Partnership and Community Policing Grants .....	16.710	FY 11	<u><b>6,060</b></u>
<b>U.S. Department of Education</b>			
Direct			
Fund for the Improvement of Education .....	84.215	S215L080490	<u>375,725</u>
Indirect			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States .....	84.027	FY 13	676,572*
Parental Information and Resource Centers .....	84.310	FY 12	<u>2,670</u>
Total Pass-Through From Area Education Agency 267 .....			<u>679,242</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies.....	84.010	FY 13	<u>3,637,601</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth .....	84.013	FY 13	<u>24,656</u>
Special Education - Grants to States .....	84.027	FY 13	<u>22,095*</u>
Career and Technical Education - Basic Grants to States	84.048	FY 13	<u>202,261</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States .....	84.126	FY 13	<u>87,025</u>
Safe and Drug-Free Schools and Communities - National Programs .....	84.184	FY 13	<u>178,941</u>
Ready-to-Learn Television.....	84.295	FY 13	<u>1,046</u>
Special Education - State Personnel Development.....	84.323	FY 13	<u>3,714</u>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Indirect			
Pass-Through From Iowa Department of Education			
Advanced Placement Program - Advanced Placement Test Fee - Advanced Placement Incentive Program Grants .....	84.330	FY 13	\$ <u>887</u>
Gaining Early Awareness and Readiness for Undergraduate Programs.....	84.334	FY 13	<u>76,776</u>
English Language Acquisition State Grants .....	84.365	FY 13	<u>90,619</u>
Improving Teacher Quality State Grants .....	84.367	FY 13	<u>713,029</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>66,222</u>
School Improvement Grants Clusters			
School Improvement Grants.....	84.377	FY 12	739,569
ARRA - School Improvement Grants, Recovery Act	84.388	FY 11	<u>1,514,383</u>
Total School Improvement Grants Cluster.....			<u>2,253,952</u>
Total Pass-Through From Iowa Department of Education .....			<u>7,358,824</u>
<b>Total U.S. Department of Education .....</b>			<b><u>8,413,791</u></b>
<b>U.S. Department of Health and Human Services - Indirect</b>			
Pass-Through From Tri-County Child and Family Development Council, Inc.			
Head Start .....	93.600	FY 13	<u>700,200</u>
<b>Corporation for National and Community Service - Indirect</b>			
Pass-Through From Iowa State University Extension and Outreach			
Learn and Serve America - School and Community Based Programs .....	94.004	FY 12	<u>1,600</u>
<b>U.S. Department of Homeland Security - Indirect</b>			
Pass-Through From Iowa Homeland Security and Emergency Management			
Disaster Grants - Public Assistance - Presidentially Declared Disasters.....	97.036	FY 13	<u>1,085</u>
<b>Total .....</b>			<b><u>\$ 13,266,711</u></b>

\* Total for CFDA Number 84.027 is \$698,667.

## Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2013

### **Basis of Presentation**

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

### **Subrecipients**

Waterloo Community School District provided no federal awards to subrecipients.

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

---

Board of Education  
Waterloo Community School District  
Waterloo, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Waterloo Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 22, 2014.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

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

### **Waterloo Community School District's Responses to Findings**

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

### **Purpose of This Report**

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 22, 2014

---

# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

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

---

Board of Education  
Waterloo Community School District  
Waterloo, Iowa

### **Report on Compliance for Each Major Federal Program**

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

**Opinion on Each Major Federal Program**

In our opinion, Waterloo Community School District complied, in all material respects, with the types of compliance 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 Waterloo 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 Waterloo Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waterloo Community School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 22, 2014

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

### Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

### Federal Awards

Internal control over major programs:		
Material weakness identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency identified not considered to be material weakness?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
---	------------------------------	--

Identification of major programs:

#### **CFDA Numbers**

84.010

84.367

School Improvement Grants Cluster

84.377

84.388

#### **Name of Federal Program or Cluster**

Title I Grants to Local Educational Agencies

Improving Teacher Quality State Grants

School Improvement Grants

ARRA - School Improvement Grants, Recovery Act

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

\$398,001

Auditee qualified as low-risk auditee?

yes       no

# Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2013

## **Part II: Findings Related to the Financial Statements**

### **Internal Control Deficiencies**

There were no matters reported.

### **Instances of Noncompliance**

There were no current year reported instances of noncompliance.

## **Part III: Findings and Questioned Costs for Federal Awards**

### **Internal Control Deficiencies**

There were no matters reported.

### **Instances of Noncompliance**

There were no current year reported instances of noncompliance.

## **Part IV: Other Findings Related to Statutory Reporting**

### **13-IV-A Certified Budget**

**Finding** - Expenditures for the year ended June 30, 2013 exceeded the amounts budgeted in the instruction, support services and other expenditures functions. The District did not exceed its General Fund unspent authorized budget for the year ended June 30, 2013.

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

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

**Auditor's Conclusion** - Response accepted.

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

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

**13-IV-D Business Transactions** - No business transactions between the District and District officials or employees were noted.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2013

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

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

**13-IV-G Certified Enrollment**

**Finding** - The District's supporting documentation did not agree to the information reported in the Project Easier and Certified Enrollment (PEACE) database maintained by the Iowa Department of Education. The variances resulted in a decrease of certified students by 2.0 students.

**Auditor's Recommendation** - The District should ensure their supporting documentation reconciles to the PEACE database for the number of students being reported for certified enrollment. The Iowa Department of Management and Iowa Department of Education should be notified of the variances.

**District's Response and Corrective Action Plan** - The District will contact the Iowa Department of Education and Iowa Department of Management notifying them of the above changes. The District will continue to monitor reconciliations of District information to information submitted to and maintained in the PEACE database.

**Auditor's Conclusion** - Response accepted.

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

**13-IV-I Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

**13-IV-J Certified Annual Report** - The Certified Annual Report was certified timely to the Iowa Department of Education.

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

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**13-IV-L Statewide Sales, Services and Use Tax** - No instances of noncompliance with the allowable 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 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 Certified Annual Report:

Beginning balance.....		\$ 1,042,176
Revenue		
Sales tax revenue .....	\$ 9,303,618	
Other local revenue.....	14,737	
Federal revenue.....	846,020	
Sale of long-term debt.....	<u>10,246,146</u>	20,410,521
Expenditures/Transfers Out		
School infrastructure construction .....	\$ 13,608,377	
Other.....	92,013	
Transfer to Other Funds		
Debt service fund .....	<u>7,332,986</u>	<u>21,033,376</u>
<b>Ending Balance .....</b>		<b><u>\$ 419,321</u></b>

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.

**13-IV-M School Meal Reimbursement Request**

**Finding** - The District did not timely submit a request to the Iowa Department of Education for federal and state reimbursement of free and reduced priced meals served at Fred Becker Elementary in August, 2012.

**Auditor's Recommendation** - The District should contact the Iowa Department of Education to resolve this matter and reconcile information reported on monthly meal reimbursement requests submitted to the Iowa Department of Education to supporting documentation maintained by the District for all locations.

**District's Response and Corrective Action Plan** - The District has contacted the Iowa Department of Education and resolved this matter. The District will continue to reconcile supporting documentation maintained by the District to information reported on monthly meal reimbursement requests submitted to the Iowa Department of Education for all locations.

**Auditor's Conclusion** - Response accepted.