

Waverly-Shell Rock Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2013

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Independent Auditor's Report

To the Board of Education of
Waverly-Shell Rock Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge we obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

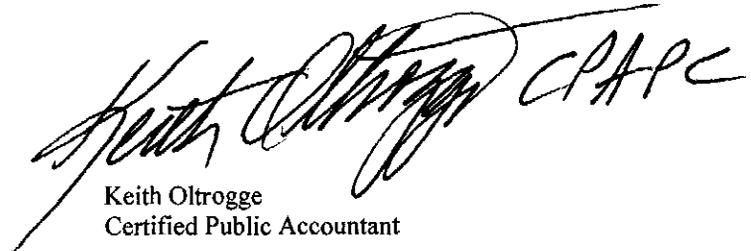
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waverly-Shell Rock Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year ended June 30, 2012, and a different accounting firm audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules I through II, 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 Government and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my 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, I have also issued my report dated March 20, 2014 on my consideration of the Waverly-Shell Rock Community School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Waverly-Shell Rock Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

March 20, 2014

Waverly-Shell Rock Community School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

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

2013 FINANCIAL HIGHLIGHTS

- The District had General Fund revenues of \$21,665,339 and expenditures of \$21,953,907 during the fiscal year. The District's financial solvency ratio at June 30, 2013 was -11.2%. The financial solvency ratio as of June 30, 2012 was -12.7%.
- The District experienced an increase in certified enrollment. The October 2011 enrollment was 1,883.72 while the October 1, 2012 enrollment was 1,968.95.
- The number of net open-enrolled students increased from 101 in FY2012 to 158 in FY2013.
- The District's alternative high school is continuing to become a regional alternative high school with a growing number of students from other districts enrolling in the program. This is having a positive financial impact on the District.
- The State of Iowa revenue increased a total of \$10,783 during the fiscal year 2013 from state aid payments.

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 Waverly-Shell Rock 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 Waverly-Shell Rock 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 Waverly-Shell Rock Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the non-major 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-1
Waverly-Shell Rock Community School District Annual Financial Report

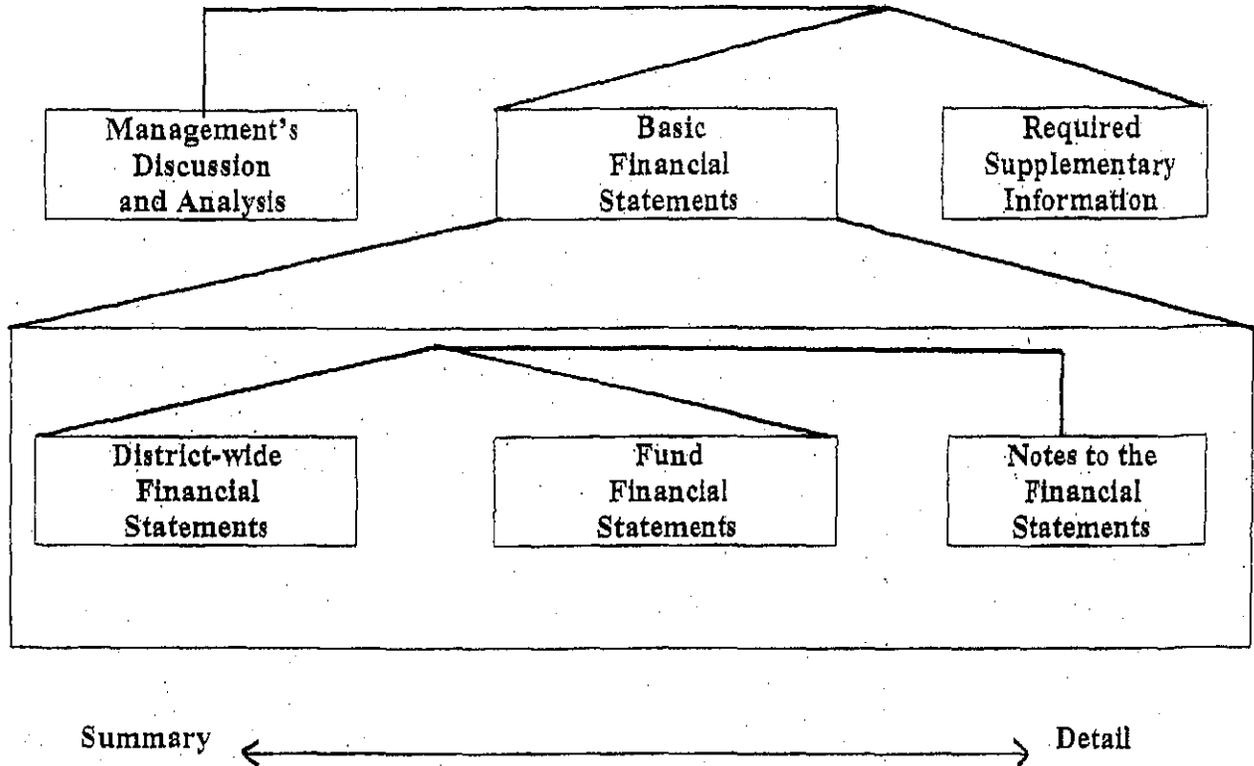


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary Net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

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

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These funds through which the District administers and accounts for certain federal and/or state grants on behalf of other District’s and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$18,649	\$14,470	\$587	\$512	\$19,236	\$14,982	28.3%
Capital assets	43,142	43,774	20	21	43,162	43,795	-1.5%
Total assets	\$61,791	\$58,244	\$607	\$533	\$62,398	\$58,777	6.1%
Current liabilities	\$14,336	\$11,306	\$65	\$50	\$14,401	\$11,356	26.8%
Non-current liabilities	18,790	22,039	-	-	18,790	22,039	-14.8%
Total liabilities	\$33,126	\$33,345	\$65	\$50	\$33,191	\$33,395	-0.7%
Net position:							
Net investment in capital assets	\$24,627	\$21,949	\$20	\$21	\$24,647	\$21,970	12.1%
Restricted	7,831	5,641	-	-	7,831	5,641	38.8%
Unrestricted	-3,703	-2,637	432	407	-3,271	-2,230	-53.4%
Total net position	\$28,755	\$24,953	\$452	\$428	\$29,207	\$25,381	15.0%

The District’s combined net position increased 15.0%, or approximately \$3,826,000, from the prior year. The largest portion of the District’s net position is in the “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt”. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The increase is primarily due to construction of the new 5-8 building.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased approximately \$2,190,000, or 38.8% over the prior year due to the decrease in expenditures in the capital projects funds.

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 \$1,041,000, or 53.4%. This reduction in unrestricted net position was primarily a result of the District’s decrease in the Debt Service Fund.

Changes in Net Position – Figure A-4 shows the change 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
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$4,466	\$3,054	\$2,411	\$2,207	\$6,877	\$5,261	30.7%
Operating grants, contributions and restricted interest	2,887	2,788	370	330	3,257	3,118	4.5%
Capital grants, contributions and restricted interest	1,776	699	-	-	1,776	699	154.1%
General revenues:							
Property tax	8,270	7,927	-	-	8,270	7,927	4.3%
Income surtax	763	665	-	-	763	665	14.7%
Statewide sales, service and use tax	1,240	1,423	-	-	1,240	1,423	-12.9%
Unrestricted state grants	8,422	7,892	-	-	8,422	7,892	6.7%
Unrestricted investment earnings	16	24	-	4	16	28	-42.9%
Other	124	98	-	-	124	98	12.5%
Total revenues	\$27,964	\$24,570	\$2,781	\$2,541	\$30,745	\$27,111	13.4%
Program expenses:							
Governmental activities:							
Instruction	\$18,128	\$16,552	\$1,616	\$1,340	\$19,744	\$17,892	10.4%
Support services	5,582	5,321	-	-	5,582	5,321	4.9%
Non-instructional programs	28	27	1,141	1,159	1,169	1,186	-1.4%
Other expenses	1,417	-1,267	-	-	1,417	-1,267	11.8%
Total expenses	\$25,155	\$20,633	\$2,757	\$2,499	\$27,912	\$23,132	20.7%
Change in net position	\$2,809	\$3,937	\$24	\$42	\$2,833	\$3,979	-28.8%

In fiscal year 2013, property tax and unrestricted state grants account for 54.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$30.7 million, of which approximately \$28.0 million was for governmental activities and less than \$2.7 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 13.4% increase in revenues and a 20.7% increase in expenses. Property tax increased approximately \$343,000.

Governmental Activities

Revenues for governmental activities were \$27,963,890 and expenses were \$25,155,382 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

**Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$18,128	\$16,552	9.5%	\$10,856	\$10,949	-0.9%
Support services	5,582	5,321	4.9%	5,502	5,101	7.8%
Non-instructional programs	28	27	3.7%	28	27	3.7%
Other expenses	1,417	-1,267	11.8%	-359	-1,985	18.0%
Totals	\$25,155	\$20,633	21.9%	\$16,027	\$14,092	11.5%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$4,465,659.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,887,173.
- The net cost of governmental activities was financed with \$8,269,451 in property tax, \$8,422,205 in state foundation aid, and \$15,988 in interest income.

Business Type Activities

Revenues for the District's School Nutrition Fund were \$1,161,917 and expenses were \$1,141,036. The revenues include: charges for services, contributions and federal and state reimbursements.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks, and checks brought in by retiree's that continue to stay on the plan.

Fiduciary Funds

The Trust Funds are funds given and designated by outside groups and people to be given as scholarships. These funds are not to be used to support the operations of the District.

The Agency Funds are funds belonging to parent groups, and school employee groups such as the Athletic Boosters. The school merely holds these funds in a bank account for these groups and writes checks when directed by the group. These funds are not to be used to support the regular operations of the District.

INDIVIDUAL FUND ANALYSIS

The Waverly-Shell Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$29,207,123, which is more than last year's ending adjusted fund balance of \$26,365,645.

Governmental Fund Highlights

- The District has been controlling the decline of the General Fund balance by greatly reducing travel and field trips, and reducing staff slightly where possible.
- Increased open enrollments and tuition from special educational programs into the District have helped maintain instructional programs with the increased number of students and tuition-in dollars. The revenue from tuition increased by \$1,747,038 or a 123.3% increase from the prior year.
- The General Fund balance decreased from an adjusted balance of -\$1,457,266 to -\$1,736,757, due to an overall increase in expenditures.
- The Debt Service Fund balance decreased from \$1,226,003 to -\$1,632,807, due to the lack of a transfer from the Capital Projects Fund for the payment of debt for revenue bond of \$627,522 in principal and interest. The District also paid \$2,245,689 more in general obligation bonds than property taxes collected.
- The Capital Projects Fund balance increased from an adjusted balance of \$3,009,582 to \$6,215,578, due to the lack of a transfer to Debt Service and the decrease in expenditures for facilities acquisition.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from an adjusted \$33,230 at June 30, 2012 to \$54,111 at June 30, 2013, representing an increase of \$20,881 or 62.8%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Waverly-Shell Rock Community School District amended its budget one time to reflect additional revenue and expenditures associated with the building capital project activity and special education tuition.

The District's total revenues were \$1,952,897 more than total budgeted revenues, a variance of 7.1%. All revenue sources increased which caused the total amount received to be more than originally anticipated.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$43.1 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net decrease of 1.5% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation/amortization expense for the year was \$1,185,435.

The original cost of the District's capital assets was approximately \$54.2 million. Governmental funds account for approximately \$54.1 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation/Amortization
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$678	\$678	\$-	\$-	\$678	\$678	-
Construction in progress	179	-	-	-	179	-	100%
Buildings	40,511	41,425	-	-	40,511	41,425	-2.3%
Improvements other than buildings	806	806	-	-	806	806	-
Furniture and equipment	968	865	20	21	988	886	11.5%
Totals	\$43,142	\$43,774	\$20	\$21	\$43,162	\$43,795	-1.5%

Long-Term Debt

At June 30, 2013, the District had \$18,515,000 in total long-term debt outstanding. This represents a decrease of approximately 15.2% 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 District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$51.7 million.

Figure A-7
Outstanding Long-term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2013	2013	2013-2013
General obligation bonds	\$15,130	\$17,855	-15.3%
Revenue bonds	3,385	3,970	-14.8%
Totals	\$18,515	\$21,825	-15.2%

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 which could significantly affect its financial health in the future:

- FEMA and Iowa Homeland Security provided the school significant financial help to build the new middle school.
- The District levied \$178,317 allowable growth for dropout prevention.
- The District's employee group health insurance did not increase. This was welcome news to the employees and the Board.
- State Foundation Aid dollars to the District increased \$10,783 from FY2012 to FY2013. Property tax dollars for the General Fund increased \$367,394 from FY2012 to FY2013.
- The District began receiving payments in December 2005 for Instructional Support Income Surtax.
- The Greenview Alternative High School in Waverly is becoming a regional alternative high school. Many students come from a variety of neighboring school districts to Greenview. The tuition in, for these students, has been a real positive for the Waverly-Shell Rock Community School District.

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 accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Stufflebeam, School Business Manager, Waverly-Shell Rock Community School District, 1415 4th Ave, SW, Waverly IA 50677.

Basic Financial Statements

Waverly-Shell Rock Community School District

Statement of Net Position

June 30, 2013

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 6,393,074	\$ 553,921	\$ 6,946,995
Receivables:			
Property tax:			
Delinquent	40,447	-	40,447
Succeeding year	9,552,741	-	9,552,741
Income surtax	703,588	-	703,588
Accounts	999,050	16,911	1,015,961
Due from other governments	960,381	-	960,381
Inventories	-	16,409	16,409
Capital assets, net of accumulated depreciation	43,142,049	19,685	43,161,734
Total Assets	\$ 61,791,330	\$ 606,926	\$ 62,398,256
Liabilities			
Bank overdrafts	\$ 2,135,450	\$ -	\$ 2,135,450
Accounts payable	461,967	44,909	506,876
Salaries and benefits payable	2,147,524	232	2,147,756
Accrued interest payable	33,052	-	33,052
Deferred revenue-succeeding year property tax	9,552,741	-	9,552,741
Deferred revenue-other	5,039	20,159	25,198
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,820,000	-	1,820,000
Revenue bonds	605,000	-	605,000
Early retirement	9,137	-	9,137
Portion due after one year:			
General obligation bonds	13,310,000	-	13,310,000
Revenue bonds	2,780,000	-	2,780,000
Early retirement	2,924	-	2,924
Net OPEB liability	262,999	-	262,999
Total Liabilities	\$ 33,125,833	\$ 65,300	\$ 33,191,133
Net Position			
Net investment in capital assets	\$ 24,627,049	\$ 19,685	\$ 24,646,734
Restricted for:			
Categorical funding	740,696	-	740,696
Debt service sinking	792,120	-	792,120
Management levy purposes	454,239	-	454,239
Student activities	420,658	-	420,658
Physical plant and equipment	897,923	-	897,923
Capital projects	4,525,535	-	4,525,535
Unrestricted	-3,702,723	431,941	-3,270,782
Total Net Position	\$ 28,755,497	\$ 451,626	\$ 29,207,123

See notes to financial statements.

Waverly-Shell Rock Community School District

Statement of Activities

Year Ended June 30, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 9,989,692	\$ 1,013,256	\$ 2,352,400	\$ -
Special instruction	5,373,882	2,230,192	437,945	-
Other instruction	2,764,741	1,179,186	59,312	-
	<u>\$ 18,128,315</u>	<u>\$ 4,422,634</u>	<u>\$ 2,849,657</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 455,216	\$ -	\$ 13,332	\$ -
Instructional staff services	951,384	-	-	-
Administration services	1,755,798	-	-	-
Operation and maintenance of plant services	1,661,766	4,403	-	-
Transportation services	758,321	38,622	24,184	-
	<u>\$ 5,582,485</u>	<u>\$ 43,025</u>	<u>\$ 37,516</u>	<u>\$ -</u>
Non-instructional programs	\$ 27,640	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ -27,563	\$ -	\$ -	\$ 1,775,504
Long-term debt interest	685,255	-	-	-
AEA flow-through	759,250	-	-	-
	<u>\$ 1,416,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,775,504</u>
Total Governmental Activities	<u>\$ 25,155,382</u>	<u>\$ 4,465,659</u>	<u>\$ 2,887,173</u>	<u>\$ 1,775,504</u>
Business Type Activities:				
Instruction:				
Benefits	\$ 1,616,366	\$ 1,619,378	\$ -	\$ -
Non-Instructional Programs:				
Food service operations	1,141,036	791,488	370,429	-
Total business type activities	<u>\$ 2,757,402</u>	<u>\$ 2,410,866</u>	<u>\$ 370,429</u>	<u>\$ -</u>
Total	<u>\$ 27,912,784</u>	<u>\$ 6,876,525</u>	<u>\$ 3,257,602</u>	<u>\$ 1,775,504</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -6,624,036	\$ -	\$ -6,624,036
-2,705,745	-	-2,705,745
-1,526,243	-	-1,526,243
<u>\$ -10,856,024</u>	<u>\$ -</u>	<u>\$ -10,856,024</u>
\$ -441,884	\$ -	\$ -441,884
-951,384	-	-951,384
-1,755,798	-	-1,755,798
-1,657,363	-	-1,657,363
-695,515	-	-695,515
<u>\$ -5,501,944</u>	<u>\$ -</u>	<u>\$ -5,501,944</u>
<u>\$ -27,640</u>	<u>\$ -</u>	<u>\$ -27,640</u>
\$ 1,803,067	\$ -	\$ 1,803,067
-685,255	-	-685,255
-759,250	-	-759,250
<u>\$ 358,562</u>	<u>\$ -</u>	<u>\$ 358,562</u>
<u>\$ -16,027,046</u>	<u>\$ -</u>	<u>\$ -16,027,046</u>
\$ -	\$ 3,012	\$ 3,012
-	20,881	20,881
<u>\$ -</u>	<u>\$ 23,893</u>	<u>\$ 23,893</u>
<u>\$ -16,027,046</u>	<u>\$ 23,893</u>	<u>\$ -16,003,153</u>

Waverly-Shell Rock Community School District

Statement of Activities

Year Ended June 30, 2013

	<u>Program Revenues</u>		
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Expenses</u>	<u>Charges for Services</u>		

General Revenues:

Property Tax Levied For:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total General Revenues

Change in net position before other financing sources

 Other financing sources:
 Sale of assets

Net change in net position

Net position beginning of year (as restated, Note 17)

Prior period adjustment

Adjusted net position beginning of year

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 6,905,651	\$ -	\$ 6,905,651
1,161,906	-	1,161,906
201,894	-	201,894
763,411	-	793,411
1,240,113	-	1,240,113
8,422,205	-	8,422,205
15,988	-	15,988
124,386	-	124,386
<hr/>		
\$ 18,835,554	\$ -	\$ 18,835,554
<hr/>		
\$ 2,808,508	\$ 23,893	\$ 2,832,401
<hr/>		
9,077	-	9,077
<hr/>		
\$ 2,817,585	\$ 23,893	\$ 2,841,478
<hr/>		
\$ 25,618,738	\$ 427,869	\$ 26,046,607
319,174	-136	319,038
<hr/>		
\$ 25,937,912	\$ 427,733	\$ 26,365,645
<hr/>		
\$ 28,755,497	\$ 451,626	\$ 29,207,123
<hr/>		

Waverly-Shell Rock Community School District

Balance Sheet
Governmental Funds

June 30, 2013

Assets	General	Debt Service	Capital Projects	Non-major Funds	Total
Cash and Pooled Investments	\$ 1,534,601	\$ -	\$ 3,961,488	\$ 896,985	\$ 6,393,074
Receivables:					
Property Tax:					
Delinquent	31,713	6,259	1,088	1,387	40,447
Succeeding year	7,261,327	1,801,258	220,154	270,002	9,552,741
Accounts	997,941	-	-	1,109	999,050
Income surtax	703,588	-	-	-	703,588
Due from other funds	116,000	496,384	1,740,518	535	2,353,437
Due from other governments	421,897	-	538,484	-	960,381
Total Assets	\$ 11,067,067	\$ 2,303,901	\$ 6,461,732	\$ 1,170,018	\$ 21,002,718
Liabilities and Fund Balances					
Liabilities:					
Bank overdrafts	\$ -	\$ 2,135,450	\$ -	\$ -	\$ 2,135,450
Accounts payable	458,046	-	-	3,921	461,967
Salaries and benefits payable	2,138,387	-	-	9,137	2,147,524
Due to other funds	2,237,437	-	26,000	-	2,263,437
Deferred Revenue:					
Succeeding year property tax	7,261,327	1,801,258	220,154	270,002	9,552,741
Other	708,627	-	-	-	708,627
Total Liabilities	\$ 12,803,824	\$ 3,936,708	\$ 246,154	\$ 283,060	\$ 17,269,746
Fund Balances:					
Restricted for:					
Categorical funding	\$ 740,696	\$ -	\$ -	\$ -	\$ 740,696
Debt service-sinking	-	-	792,120	-	792,120
Management levy purposes	-	-	-	466,300	466,300
Student activities	-	-	-	420,658	420,658
School infrastructure	-	-	4,525,535	-	4,525,535
Physical plant and equipment	-	-	897,923	-	897,923
Unassigned	-2,477,453	-1,632,807	-	-	-4,110,260
Total Fund Balances	\$ -1,736,757	\$ -1,632,807	\$ 6,215,578	\$ 886,958	\$ 3,732,972
Total Liabilities and Fund Balances	\$ 11,067,067	\$ 2,303,901	\$ 6,461,732	\$ 1,170,018	\$ 21,002,718

See notes to financial statements.

Waverly-Shell Rock Community School District
Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Position

June 30, 2013

Total fund balances of governmental funds (page 17)	\$ 3,732,972
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	43,142,049
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	703,588
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.	-33,052
Long-term liabilities, including bonds and notes payable, compensated absences payable, and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>-18,790,060</u>
Net position of governmental activities (page 14)	<u>\$ 28,755,497</u>

Waverly-Shell Rock Community School District

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

Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Non-Major Funds	Total
Revenues:					
Local Sources:					
Local tax	\$ 7,351,011	\$ 1,161,906	\$ 1,442,007	\$ 279,656	\$ 10,234,580
Tuition	3,163,448	-	-	-	3,163,448
Other	191,929	-	68,636	1,182,020	1,442,585
Intermediate sources	-	-	-	-	-
State sources	10,382,147	642	1,377,345	165	11,760,299
Federal sources	576,804	-	747,779	-	1,324,583
Total Revenues	\$ 21,665,339	\$ 1,162,548	\$ 3,635,767	\$ 1,461,841	\$ 27,925,495
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 8,953,976	\$ -	\$ -	\$ 9,137	\$ 8,963,113
Special instruction	5,373,882	-	-	-	5,373,882
Other instruction	1,604,763	-	-	1,171,951	2,776,714
	\$ 15,932,621	\$ -	\$ -	\$ 1,181,088	\$ 17,113,709
Support Services:					
Student services	\$ 454,820	\$ -	\$ -	\$ -	\$ 454,820
Instructional staff services	976,561	-	-	-	976,561
Administration services	1,622,275	-	-	120,976	1,743,251
Operation and maintenance of plant services	1,557,566	-	5,567	74,881	1,638,014
Transportation services	650,814	-	178,762	15,944	845,520
	\$ 5,262,036	\$ -	\$ 184,329	\$ 211,801	\$ 5,658,166
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 245,442	\$ -	\$ 245,442
Long-Term Debt:					
Principal	-	3,310,000	-	-	3,310,000
Interest and fiscal charges	-	711,358	-	-	711,358
AEA flow-through	759,250	-	-	-	759,250
	\$ 759,250	\$ 4,021,358	\$ 245,442	\$ -	\$ 5,026,050
Total Expenditures	\$ 21,953,907	\$ 4,021,358	\$ 429,771	\$ 1,392,889	\$ 27,797,925
Excess (deficiency) of revenues over (under) expenditures	\$ -288,568	\$ -2,858,810	\$ 3,205,996	\$ 68,952	\$ 127,570

Waverly-Shell Rock Community School District

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

Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Non-Major Funds	Total
Other Financing Sources (Uses):					
Sale of assets	\$ 9,077	\$ -	\$ -	\$ -	\$ 9,077
Net change in fund balances	\$ -279,491	\$ -2,858,810	\$ 3,205,996	\$ 68,952	\$ 136,647
Fund balances beginning of year	\$ -1,777,040	\$ 1,226,003	\$ 3,010,182	\$ 818,006	\$ 3,277,151
Prior period adjustment	319,774	-	-600	-	319,174
Adjusted fund balances beginning of year	\$ -1,457,266	\$ 1,226,003	\$ 3,009,582	\$ 818,006	\$ 3,596,325
Fund Balances End of Year	\$ -1,736,757	\$ -1,632,807	\$ 6,215,578	\$ 886,958	\$ 3,732,972

Waverly-Shell Rock Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2013

Net change in fund balances – total governmental funds (page 20) \$ 136,647

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

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

Expenditures for capital assets	\$ 549,533	
Depreciation expense	<u>-1,181,681</u>	-632,148

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 38,395

Proceeds from the issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments, as follows:

Repaid	3,310,000
--------	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 26,103

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

Early retirement	\$ 9,137	
Other postemployment benefits	<u>-70,549</u>	-61,412

Change in Net Position of Governmental Activities (page 16) \$ 2,817,585

Waverly-Shell Rock Community School District

Statement of Net Position
Proprietary Funds

June 30, 2013

	Internal Service	School Nutrition
Assets		
Current Assets:		
Cash and cash equivalents	\$ 397,715	\$ 156,206
Accounts receivable	-	16,911
Due from other funds	-	26,000
Inventories	-	16,409
Total Current Assets	\$ 397,715	\$ 215,526
Non-Current Assets		
Capital assets, net of accumulated depreciation	\$ -	\$ 19,685
Total Non-Current Assets	\$ -	\$ 19,685
Total Assets	\$ 397,715	\$ 235,211
Liabilities		
Current Liabilities:		
Accounts payable	\$ 200	\$ 44,709
Salaries and benefits payable	-	232
Due to other funds	-	116,000
Deferred revenue	-	20,159
Total Current Liabilities	\$ 200	\$ 181,100
Total Liabilities	\$ 200	\$ 181,100
Net Position		
Net investment in capital assets	\$ -	\$ 19,685
Unrestricted	397,515	34,426
Total Net Position	\$ 397,515	\$ 54,111

Waverly-Shell Rock Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 791,488
Non-instructional programs:	
Food service operations:	
Salaries	\$ 444,532
Benefits	92,289
Purchased services	8,112
Supplies	592,317
Depreciation	3,754
Other	32
Total operating expenses	\$ 1,141,036
Operating loss	\$ -349,548
Non-operating revenues:	
State sources	\$ 10,581
Federal sources	359,848
Total non-operating revenues	\$ 370,429
Decrease in net position	\$ 20,881
Net position beginning of year	\$ 33,230
Net Position End of Year	\$ 54,111

See notes to financial statements.

Waverly-Shell Rock Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2013

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 791,192
Cash paid to employees for services	-563,571
Cash paid to suppliers for goods or services	-492,004
Net cash provided by operating activities	<u>\$ -264,383</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 10,581
Federal grants received	296,974
Net cash provided by non-capital financing activities	<u>\$ 307,555</u>
Cash flows from capital and related financing activities:	
Interfund loans	\$ 35,000
Acquisition of capital assets	-2,154
Net cash used by capital and related financing activities	<u>\$ 32,846</u>
Net increase in cash and cash equivalents	\$ 76,018
Cash and cash equivalents beginning of year	<u>80,188</u>
Cash and Cash Equivalents End of Year	<u>\$ 156,206</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -349,548
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	62,874
Depreciation	3,754
Decrease in inventories	7,825
(Increase) in accounts receivable	-4,245
Increase in accounts payable	42,440
(Decrease) in salaries and benefits payable	-31,432
Increase in deferred revenue	3,949
Net Cash Used by Operating Activities	<u>\$ -264,383</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$62,874 of federal commodities.

Waverly-Shell Rock Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2013

	Internal Service
Operating revenues:	
Local sources:	
Other revenue	\$ 1,619,378
Operating expenses:	
Instruction:	
Benefits	\$ 1,616,366
Operating income	\$ 3,012
Non-operating revenues:	
Interest income	\$ -
Change in net position	\$ 3,012
Net position beginning of year	\$ 394,639
Prior period adjustment	-136
Adjusted net position, beginning of year	\$ 394,503
Net Position End of Year	\$ 397,515

See notes to financial statements.

Waverly-Shell Rock Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2013

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from collections	\$ 1,619,378
Cash payments for employee benefits	-1,616,166
Net cash provided by operating activities	<u>\$ 3,212</u>
Cash flows from investing activities:	
Interest on investments – prior period adjustment	<u>\$ -136</u>
Net increase in cash and cash equivalents	\$ 3,076
Cash and cash equivalents beginning of year	<u>394,639</u>
Cash and Cash Equivalents End of Year	<u>\$ 397,715</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,012
Adjustments to reconcile operating income to net cash used by operating activities	
Increase in accounts payable	200
Net cash provided by operating activities	<u>\$ 3,212</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:	
Current Assets:	
Cash	<u>\$ 397,715</u>

See notes to financial statements.

Waverly-Shell Rock Community School District

Statement of Fiduciary Net Position
Fiduciary Fund

Year Ended June 30, 2013

	Private Purpose Trust <u>Scholarship</u>	Agency Funds <u></u>
Assets		
Cash and pooled investments	\$ 109,525	\$ 90,672
Accounts receivable	-	4,574
	<u>109,525</u>	<u>95,246</u>
Total assets	\$ 109,525	\$ 95,246
Liabilities		
Bank overdrafts	\$ 100	\$ -
Accounts payable	46	84,107
Due to other funds	-	11,139
	<u>146</u>	<u>95,246</u>
Net position		
Reserved for scholarships/other	\$ 109,379	\$ -

Waverly-Shell Rock Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Fiduciary Fund
Year Ended June 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 55,808
Interest income	1,010
Total additions	\$ 56,818
Deductions:	
Instruction:	
Regular:	
Scholarships awarded/other	\$ 62,203
Change in net position	\$ -5,385
Net position beginning of year	114,764
Net Position End of Year	\$ 109,379

Waverly-Shell Rock Community School District

Notes to the Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Waverly, and Shell Rock, Iowa and the predominately agricultural territory in Black Hawk, Bremer and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Waverly-Shell Rock 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. Waverly-Shell Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 Bremer County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general 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's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Services Fund is used to account for the District's medical insurance plan.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

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

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

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

Salaries and Benefits Payable – Payroll and related expenditures for support staff corresponding to the current school year, which were paid in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

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

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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Committed – Amounts which can be used only for specific 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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

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

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

The District had no investments at June 30, 2013.

(3) **Due From and Due To Other Funds**

The detail of inter-fund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise – School Nutrition	\$ 116,000
Enterprise – School Nutrition	Capital Projects – Statewide Sales Services and Use Tax	26,000
Capital Projects – Statewide Sales Services and Use Tax	General Fund	1,654,264
Capital Projects – Physical Plant and Equipment Levy	General Fund	86,254
Debt Service	General Fund	496,384
Special Revenue – Student Activity	General Fund	535
		<u>\$ 2,379,437</u>

The Enterprise – School Nutrition Fund owes the General Fund for loan advances made during the last couple of years.

The Capital Projects – Statewide Sales Services and Use Tax Fund owes the Enterprise – School Nutrition Fund for loan advances made during prior years.

The General Fund owes the Capital Projects – Statewide Sales Services and Use Tax Fund for loan advances made during the current year and prior years

The General Fund owes the Capital Projects – Physical Plant and Equipment Levy for property taxes deposited into the General Fund, but not transferred to the Physical Plant and Equipment Levy account.

The General Fund owes the Debt Service Fund for property taxes deposited into the General Fund but not transferred to the Debt Service account.

The General Fund owes the Student Activity for general fund expenditures paid by the wrong fund.

(4) **Inter-fund Transfers**

No transfers were made for the year ended June 30, 2013.

(5) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2012-2013ONE included taxable warrants only. The interest rates on the Series 2012-2013ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. The LIBOR rate as of June 30, 2013 was 0.1932%. A summary of the District's ISCAP activity for the year ended June 30, 2013 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12B	1/31/12	1/22/13	\$-	\$-	\$-	\$-
2012-13ONE	6/27/12	12/1/13	-	-	-	-
Total			\$-	\$-	\$-	\$-

During the year ended June 30, 2013, the District paid \$15,450 in fees to participate in ISCAP.

(6) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 678,470	\$ -	\$ -	\$ 678,470
Construction in progress	-	179,042	-	179,042
Total capital assets not being depreciated	\$ 678,470	\$ 179,042	\$ -	\$ 857,512
Capital assets being depreciated:				
Buildings	\$ 47,902,630	\$ 30,937	\$ -	\$ 47,933,567
Improvements other than buildings	1,955,603	68,593	-	2,024,196
Furniture and equipment	3,065,333	270,961	-	3,336,294
Total capital assets being depreciated	\$ 52,923,566	\$ 370,491	\$ -	\$ 53,294,057
Less accumulated depreciation for:				
Buildings	\$ 6,477,301	\$ 945,756	\$ -	\$ 7,423,057
Improvements other than buildings	1,149,844	68,753	-	1,218,597
Furniture and equipment	2,200,694	167,172	-	2,367,866
Total accumulated depreciation	\$ 9,827,839	\$ 1,181,681	\$ -	\$ 11,009,520
Total capital assets being depreciated, net	\$ 43,095,727	\$ -811,190	\$ -	\$ 42,284,537
Governmental Activities Capital Assets, Net	\$ 43,774,197	\$ -632,148	\$ -	\$ 43,142,049

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 62,691	\$ 2,154	\$ 19,800	\$ 45,045
Less accumulated depreciation	41,406	3,754	19,800	25,360
Business Type Activities Capital Assets, Net	\$ 21,283	\$ -1,600	\$ -	\$ 19,685

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 1,019,129
Other	12,977

Support services:

Administration	7,791
Operation and maintenance of plant	24,959
Transportation	89,978
Non instructional	26,847

Total Depreciation Expense – Governmental Activities \$ 1,181,681

Business Type Activities:

Food service operations \$ 3,754

(7) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 17,855,000	\$ -	\$ 2,725,000	\$ 15,130,000	\$ 1,820,000
Revenue bonds	3,970,000	-	585,000	3,385,000	605,000
Early retirement	21,198	-	9,137	12,061	9,137
Net OPEB liability	192,450	70,549	-	262,999	-
Total	\$ 22,038,648	\$ 70,549	\$ 3,319,137	\$ 18,790,060	\$ 2,434,137

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2013 totaled \$9,137.

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 1, 2010			
	Interest Rate	Principal	Interest	Total
2014	3.00%	\$ 665,000	\$ 505,019	\$ 1,170,019
2015	3.00%	680,000	485,069	1,165,069
2016	3.00%	700,000	464,668	1,164,668
2017-2021	3.25-3.50%	3,880,000	1,963,619	5,843,619
2022-2026	3.50-3.875%	4,705,000	1,222,181	5,927,181
2027-2029	4.00-4.125%	3,345,000	275,969	3,620,969
		<u>\$ 13,975,000</u>	<u>\$ 4,916,525</u>	<u>\$ 18,891,525</u>

Year Ending June 30,	Bond Issue of September 2, 2011			
	Interest Rate	Principal	Interest	Total
2014	0.550%	\$ 1,155,000	\$ 6,353	\$ 1,161,353
		<u>\$ 1,155,000</u>	<u>\$ 6,353</u>	<u>\$ 1,161,353</u>

For the current year \$3,267,406 principal and interest was paid on the bonds.

Revenue Bonds Payable

Details of the District's June 30, 2013 revenue bonded are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rate	Principal	Interest	Total
2014	3.56%	\$ 605,000	\$ 21,538	\$ 626,538
		<u>\$ 605,000</u>	<u>\$ 21,538</u>	<u>\$ 626,538</u>

Year Ending June 30,	Bond Issue of September 1, 2007			
	Interest Rate	Principal	Interest	Total
2014	4.50%	\$ -	\$ 125,100	\$ 125,100
2015	4.50%	400,000	125,100	525,100
2016	4.50%	390,000	107,100	497,100
2017-2021	4.50%	1,700,000	287,550	1,987,550
2022	4.50%	290,000	13,050	303,050
		<u>\$ 2,780,000</u>	<u>\$ 657,900</u>	<u>\$ 3,437,900</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in May 2006 and September 2007. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,064,438. For the current year, \$752,352 principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,589,622.

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

- a) \$678,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account. That account currently has a balance of \$792,120.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into 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.

The District is in compliance with all of these items.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll 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 2010 were \$1,121,491, \$870,687 and \$740,959, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 212 active, 53 waived coverage, one died, and 21 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding 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 obligations:

Annual required contribution	\$ 104,322
Interest on net OPEB obligation	4,811
Adjustment to annual required contribution	-20,111
Annual OPEB cost	<u>\$ 89,022</u>
Contributions made	-18,473
Increase in net OPEB obligation	<u>\$ 70,549</u>
Net OPEB obligation beginning of year	<u>192,450</u>
 Net OPEB obligation end of year	 <u>\$ 262,999</u>

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

For the year ended June 30, 2013, the District contributed \$1,144,238 to the medical plan. Plan members eligible for benefits contributed \$455,131, or 28.4% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$65,671	0.0%	\$65,671
2010	\$70,634	72.8%	\$85,133
2011	\$78,100	0.0%	\$163,233
2012	\$94,574	25.8%	\$192,450
2013	\$89,022	20.7%	\$262,999

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$415,770, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$415,770. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,452,168 and the ratio of the UAAL to covered payroll was 3.9%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District’s funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$482.37 per month for retirees less than age 65 and \$368.06 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(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.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$759,250 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

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

Program	Amount
Dropout Prevention	\$ 198,817
4 Year Old Preschool	124,244
Teacher Mentoring	93
Market Factor	7,715
Core Curriculum	128,451
Professional Development	276,331
Market Factor	5,045
Total	<u>\$ 740,696</u>

(13) Subsequent Events

The District has evaluated subsequent events through March 20, 2014 which is the date that the financial statement were available to be issued.

(14) Related Party Activity

The District had transactions totaling \$3,463 with District officials or employees.

(15) Financial Condition

The General Fund had a deficit balance of \$1,736,757 at June 30, 2013. The Activity Fund had three student activity accounts with deficit balances at June 30, 2013. The Debt Service Fund had a deficit balance of \$1,632,807 at June 30, 2013.

(16) Prior Period Adjustments

Prior period adjustments are as follows:

Funds	Amount
General Fund	\$ 319,774
Capital Projects – Statewide Sales, Services and Use Tax	\$ 600

(17) Restatement of Net Position

The levy for the District’s income surtaxes applicable to and collected during the year ended June 30, 2012 were levied and certified during the year ended June 30, 2011. Under the modified accrual basis of accounting as described in Note 1 to the financial statements, because those taxes were not collected within sixty days after year end for application to current obligations, those taxes were properly deferred in the fund financial statements. However, those taxes related directly to the fiscal year ended June 30, 2012 and should have been recognized as revenue in the District-wide financial statements which are prepared on the full accrual basis of accounting, as described in Note 1 to the financial statements.

The District has corrected this item for the year ended June 30, 2013 and the effects of this correction on the related financial statement item are as follows:

	Net Position, Governmental Activities
Balance as reported at June 30, 2012	\$ 24,953,545
Adjustments:	
Income surtax recognition	665,193
Balance as restated on July 1, 2012	\$ 25,618,738

Required Supplementary Information

Waverly-Shell Rock Community School District

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

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 14,840,613	\$ 791,488
Intermediate sources	-	-
State sources	11,760,299	10,581
Federal sources	1,324,583	359,848
Total Receipts	<u>\$ 27,925,495</u>	<u>\$ 1,161,917</u>
Disbursements:		
Instruction	\$ 17,113,709	\$ -
Support services	5,658,166	-
Non-instructional programs	-	1,141,036
Other expenditures	5,026,050	-
Total Disbursements	<u>\$ 27,797,925</u>	<u>\$ 1,141,036</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 127,570	\$ 20,881
Other financing sources (uses), net	<u>9,077</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses)	\$ 136,647	\$ 20,881
Balances beginning of year	\$ 3,277,151	\$ 33,230
Prior period adjustment	319,174	-
Adjusted balances beginning of year	<u>\$ 3,596,325</u>	<u>\$ 33,230</u>
Balances End of Year	<u>\$ 3,732,972</u>	<u>\$ 54,111</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	15,632,101	\$ 15,309,094	\$ 15,309,094	\$ 323,007
	-	-	-	-
	11,770,880	10,854,421	10,854,421	916,459
	1,684,431	971,000	971,000	713,431
\$	29,087,412	\$ 27,134,515	\$ 27,134,515	\$ 1,952,897
\$	17,113,709	\$ 16,047,172	\$ 16,047,172	\$ -1,066,537
	5,658,166	6,008,165	6,342,738	684,572
	1,141,036	1,952,816	1,952,816	811,780
	5,026,050	3,765,857	6,911,084	1,885,034
\$	28,938,961	\$ 27,774,010	\$ 31,253,810	\$ 2,314,849
\$	148,451	\$ -639,495	\$ -4,119,295	\$ 4,267,746
	9,077	-	-	9,077
\$	157,528	\$ -639,495	\$ -4,119,295	\$ 4,276,823
\$	3,310,381	\$ 1,428,870	\$ 1,428,870	\$ 1,881,511
	319,174	-	-	319,174
\$	3,629,555	\$ 1,428,870	\$ 1,428,870	\$ 2,200,685
\$	3,787,083	\$ 789,375	\$ -2,690,425	\$ 6,477,508

Waverly-Shell Rock Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$3,479,800.

During the year ended June 30, 2013, expenditures in the instruction function exceeded the amount budgeted.

Waverly-Shell Rock Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$546	\$546	0.0%	\$10,095	5.4%
2010	July 1, 2008	-	\$541	\$541	0.0%	\$11,120	4.9%
2011	July 1, 2008	-	\$541	\$541	0.0%	\$10,380	5.2%
2012	July 1, 2011	-	\$439	\$439	0.0%	\$8,567	5.2%
2013	July 1, 2011	-	\$416	\$416	0.0%	\$10,452	3.9%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Waverly-Shell Rock Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 474,050	\$ 422,935	\$ 896,985
Receivables:			
Property Tax:			
Delinquent	1,387	-	1,387
Succeeding year	270,002	-	270,002
Accounts	-	1,109	1,109
Due from other funds	-	535	535
Total Assets	\$ 745,439	\$ 424,579	\$ 1,170,018
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 3,921	\$ 3,921
Salaries and benefits payable	9,137	-	9,137
Deferred revenue:			
Succeeding year property tax	270,002	-	270,002
Total Liabilities	\$ 279,139	\$ 3,921	\$ 283,060
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 466,300	\$ -	\$ 466,300
Student activities	-	420,658	420,658
Total fund balances	\$ 466,300	\$ 420,658	\$ 886,958
Total Liabilities and Fund Balances	\$ 745,439	\$ 424,579	\$ 1,170,018

See accompanying independent auditor's report.

Waverly-Shell Rock Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 279,656	\$ -	\$ 279,656
Other	2,834	1,179,186	1,182,020
State sources	165	-	165
Total Revenues	\$ 282,655	\$ 1,179,186	\$ 1,461,841
Expenditures:			
Current:			
Instruction:			
Regular	\$ 9,137	\$ -	\$ 9,137
Other	-	1,171,951	1,171,951
Support Services:			
Administration	120,976	-	120,976
Operation and maintenance of plant	74,881	-	74,881
Transportation	15,944	-	15,944
Total Expenditures	\$ 220,938	\$ 1,171,951	\$ 1,392,889
Excess (deficiency) of revenues over (under) expenditures	\$ 61,717	\$ 7,235	\$ 68,952
Fund balances beginning of year	\$ 404,583	\$ 413,423	\$ 818,006
Fund Balances End of Year	\$ 466,300	\$ 420,658	\$ 886,958

See accompanying independent auditor's report.

Waverly-Shell Rock Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2013

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Vocal Music	\$ 11,145	\$ 11,382	\$ 9,883	\$ -	\$ 12,644
JH Variety Vocal	11,185	11,591	8,303	-	14,473
Instrumental Music	-358	84,037	81,923	-	1,756
Elementary Band	4,914	7,030	4,359	-	7,585
Miscellaneous Sports	1,539	25,389	25,616	-1,376	-64
JH Track	431	-	462	31	-
Cross Country	3,197	4,055	6,346	-825	81
Boys Basketball	743	52,799	52,693	-800	49
JH Boys Basketball	267	1,200	977	-	490
Football	282	43,248	45,428	1,950	52
JH Football	-	2,630	3,554	924	-
Boys Soccer	418	7,411	10,040	2,211	-
Baseball	-1,641	13,687	10,040	-	2,006
Boys Track	87	4,072	4,809	825	175
Boys Tennis	586	1,219	1,930	150	25
Boys Golf	170	3,446	3,740	124	-
Wrestling	-5,752	29,745	23,914	-	79
Weightlifting	157	3,440	3,618	50	29
JH Wrestling	-	500	549	49	-
Girls Basketball	-	21,109	24,371	3,262	-
JH Girls Basketball	179	1,200	780	-	599
Girls Volleyball	228	8,915	9,523	476	96
JH Girls Volleyball	76	1,814	1,636	-	254
Girls Soccer	1,054	12,142	15,389	2,233	40
Girls Softball	2,146	14,118	10,437	-5,038	789
Girls Track	60	6,432	8,771	2,300	21
Girls Tennis	479	3,267	3,778	50	18
Girls Golf	526	693	1,369	150	-
Dance Team	3,706	15,604	17,532	-	1,778
Masquers	6,331	4,364	4,619	-	6,076
Art Club	7,196	910	10	-	8,096
Boys W Club	699	-	-	-	699
Science Club	9,766	310	192	-	9,884
Energy Team	273	-	-	-	273
National Honor Society	445	1,876	1,110	-212	999
Publications	1,724	-	-	-	1,724
Student Senate	3,813	4,731	4,486	-	4,058
Student Lounge	10	-	-	-	10
SADD	92	-	20	-	72
Class of 2013	1,558	474	2,675	643	-
Class of 2014	-	2,439	1,707	-	732
Class of 2012	1,521	-	47	-	1,474
Varsity Club	-	2,373	2,285	-	88

See accompanying independent auditor's report.

Waverly-Shell Rock Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2013

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Annual	\$ 11,162	\$ 38,680	\$ 36,058	\$ -	\$ 13,784
Guidance Transcripts	4,145	374	-	-	4,519
French Club	1,565	-	1,435	-	130
Spanish Club Student Accounts	5,374	10,626	9,825	-13	6,162
Spanish Club Operating Accounts	9,494	2,766	5,073	-	7,187
FFA	6,228	39,257	41,834	-	3,651
German Club	1,292	-	705	-	587
DECA	4,843	7,922	6,646	-1,000	5,119
String Music	3,858	4,134	1,898	-12	6,082
HS Football Cheerleaders	68	9,243	8,249	-650	412
Band Uniform Cleaning	3,745	4,412	6,799	-	1,358
HS Basketball Cheerleaders	476	1,233	2,136	650	223
HS Wrestling Cheerleaders	61	2,586	1,893	-650	104
JH Cheerleaders	357	399	352	-	404
JH Student Council	1,801	4,326	4,739	-	1,388
JH Activity	130	52,630	17,801	-	34,959
JH Annual	361	3,345	2,406	-	1,300
Trapshooting	4,137	20,220	12,201	-	12,156
Junior High Band Rental & Repair	3,173	4,582	3,479	-	4,276
Irving Account	1,204	2,523	2,090	-	1,637
Buxton Tag	873	700	743	-	830
Shell Rock Activity Fund	3,125	6,042	7,773	-	1,394
Carey Account	166	2,126	1,936	-	356
Carey Second Grade – Mrs Howell	50	-	-	-	50
West Cedar Account	866	573	1,024	-	415
MOC	128	-	-	-	128
Elementary Chorus – Hansen	722	-	-	-	722
Athletic Director	-	21,523	21,691	250	82
Wizard of Oz	1,786	4,544	2,904	-	3,426
Middle School Popcorn	34	202	222	-	14
5-8 Grade Special Account	5,393	35,692	31,548	-	9,537
German Club Obligation	2,505	2,462	1,447	-	3,520
Other Activities	1,469	8,030	3,318	-5,263	918
Pictures	104,165	4,858	29,620	-3,007	76,396
Christmas Card	5,210	2,382	1,900	-	5,692
Change Fund	-	6,300	9,253	2,953	-
Books	14,481	77,201	89,535	-	2,147
Activity Tickets	40	21,632	20,036	-	1,636
School Lunch	1,061	72,307	68,799	-	4,569
Transportation Pop	3,230	497	3,104	-	623
W-SR Wilderness	1,787	-	576	-	1,211
Instrumental Repair	-	4,995	5,075	-	-80
HS Strings Fundraising	859	-	-	-	859

See accompanying independent auditor's report.

Waverly-Shell Rock Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2013

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
PE Stores	\$ 1,296	\$ 3,387	\$ 2,169	\$ -	\$ 2,514
String Music Stores	-	-	12	12	-
Band Stores – High School	225	2,500	2,743	-	-18
Calculators – HS Math Dept	1,526	1,887	3,140	-	273
HS Band Fundraiser	38,471	100,097	138,308	13	273
Home Ec Stores	546	5,635	5,163	-	1,018
Ind Tech Stores – HS	558	10,850	5,359	-	6,049
HS Pop	-87	6,154	6,450	559	176
High School Library	-	2,017	896	-	1,121
JH Courtesy	90	490	371	-	209
JH Band Stores	102	960	977	-	85
JH Tech Stores	310	200	190	-	320
JH Library	802	755	408	-	1,149
Shop Group Shell Rock	8,451	2,829	1,125	-	10,155
JH Industrial Technology	1,008	-	-	-	1,008
MS Concessions	1,745	8,064	4,828	-	4,981
Shell Rock Pop	647	613	422	-	838
Entrepreneurship Class	-	15,433	14,905	104	632
HS Engineering Club	1,746	6,269	4,843	-	3,172
JH Home Economics	11,596	8,859	6,273	-40	14,142
Southeast Library	223	15	135	-	103
Carey Library	173	971	299	-	845
Shell Rock Library	147	-	116	-	31
JH Art	1,040	987	1,192	40	875
West Cedar Library	465	594	1,027	-	32
Southeast School	8,965	6,087	5,756	-	9,296
Middle School Reading	3	369	87	-	285
Business Office – Miscellaneous	206	15,286	13,505	-	1,987
TAG Award	1,776	640	605	-	1,811
JH Plus Program	561	-	-	-	561
B & K Homeroom	286	-	-	-	286
HS Technology Grants	-	5,752	2,366	-	3,386
Irving Transportation Donation	888	554	821	-	621
Mr Winter's Account	754	32	15	-757	14
HS Character Counts	330	-	-	-	330
HS Vocal Music Fund Raising	-	-	12	12	-
Human Rights Group	1,110	10	-	-	1,120
HS Vocal Music Cheese and Sausage	1,758	5,519	4,939	-1,419	919

Waverly-Shell Rock Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2013

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
HS Vocal Music Account	\$ 4,917	\$ 1,565	\$ 1,263	\$ 1,407	\$ 6,626
HS Vocal Trips	2,643	-	-	-	2,643
HS Musical	6,643	6,310	5,202	-	7,751
Florida Band Trip	2,016	25,916	28,182	250	-
HS Vocal Music Uniform Account	2,129	2,970	3,765	-	1,334
D Wiltse Transportation Donation	-	-	54	54	-
High School Jazz	1,185	2,107	1,312	-250	1,730
Transportation – West Cedar	3,472	5,877	2,635	-	6,714
Advisor/Advisor	445	-	-	-445	-
Elem Art Contest	944	-	-	-	944
Elem Art	115	-	-	-	115
Chemistry Stores	473	360	40	-	793
Biology Stores	197	480	-	-	677
Science Stores	709	780	272	-	1,217
5 th Grade	195	76	-	-	271
6 th Grade	233	347	-	-	580
HS Physics	-	150	357	207	-
HS Anatomy	260	145	50	-207	148
5 th Grade Math and Science	900	196	287	-	809
Mrs Ribich Class Project	39	-	-	-	39
Elem and JH String Rentals	2,907	6,670	5,245	-	4,332
Elem and JH Strings Stores	-	1,597	1,303	-	294
JH Math	145	-	-	-	145
8 th Grade History Project	199	-	162	-	37
PLUS Program Math Competition	1,068	1,042	1,749	-	361
HS Transportation Monies	129	-	-	-	129
HS Front Door Donations	500	-	-	-	500
Prairie Project	5,878	-	-	-	5,878
Team Sigma	1,203	2,474	2,456	-	1,221
Team GR8	565	1,615	733	-	1,447
Dream Team	1,641	740	1,555	-	826
Team Axis	730	-	-	-	730
JH SLI	200	-	-	-	200
HS Advance Placement	1,983	4,053	3,853	-	2,183
JH Juice	333	6,300	4,301	-	2,332
Bowling Account	34	2,413	2,462	25	10
National Honor Society Banquet	-	212	212	-	-
Total	\$ 413,423	\$ 1,179,186	\$ 1,171,951	\$ -	\$ 420,658

See accompanying independent auditor's report.

Waverly-Shell Rock Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 3,150,907	\$ 810,581	\$ 3,961,488
Receivables:			
Property Tax:			
Delinquent	-	1,088	1,088
Succeeding year	-	220,154	220,154
Due from other governments	538,484	-	538,484
Due from other funds	1,654,264	86,254	1,740,518
Total Assets	\$ 5,343,655	\$ 1,118,077	\$ 6,461,732
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ 26,000	\$ -	\$ 26,000
Deferred revenue:			
Succeeding year property tax	-	220,154	220,154
Total Liabilities	\$ 26,000	\$ 220,154	\$ 246,154
Fund Balances:			
Restricted for:			
Debt service – Sinking	\$ 792,120	\$ -	\$ 792,120
School infrastructure	4,525,535	-	4,525,535
Physical plant and equipment	-	897,923	897,923
Total fund balances	\$ 5,317,655	\$ 897,923	\$ 6,215,578
Total Liabilities and Fund Balances	\$ 5,343,655	\$ 1,118,077	\$ 6,461,732

Waverly-Shell Rock Community School District

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

Year Ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 1,240,113	\$ 201,894	\$ 1,442,007
Other	67,085	1,551	68,636
State sources	1,377,234	111	1,377,345
Federal sources	747,779	-	747,779
Total Revenues	\$ 3,432,211	\$ 203,556	\$ 3,635,767
Expenditures:			
Support services:			
Operation and maintenance of plant	\$ -	\$ 5,567	\$ 5,567
Transportation	-	178,762	178,762
Other Expenditures:			
Facilities acquisition	163,744	81,698	245,442
Total Expenditures	\$ 163,744	\$ 266,027	\$ 429,771
Excess (deficiency) of revenues over (under) expenditures	\$ 3,268,467	\$ -62,471	\$ 3,205,996
Fund balances beginning of year	\$ 2,049,788	\$ 960,394	\$ 3,010,182
Prior period adjustment	-600	-	-600
Adjusted Fund balances, beginning of year	\$ 2,049,188	\$ 960,394	\$ 3,009,582
Fund Balances End of Year	\$ 5,317,655	\$ 897,923	\$ 6,215,578

Waverly-Shell Rock Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 82,300	\$ 243,590	\$ 235,218	\$ 90,672
Accounts receivable	-	4,574	-	4,574
Total Assets	\$ 82,300	\$ 248,164	\$ 235,218	\$ 95,246
Liabilities				
Accounts payable	\$ 79,268	\$ 232,186	\$ 227,347	\$ 84,107
Due to other funds	3,032	11,139	3,032	11,139
Total Liabilities	\$ 82,300	\$ 243,325	\$ 230,379	\$ 95,246

See accompanying independent auditor's report.

Waverly-Shell Rock Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Funds – Detail

June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Transfers	Balance End of Year
Catch the Spirit Foundation	\$ 4,686	\$ -	\$ 4,691	\$ -	\$ -5
HS Benevolent	79	387	281	-	185
Irving Social Fund	-	100	-	-	100
HS Food Drive	350	-	-	-	350
Maintenance Courtesy	-	50	-	-	50
Transportation Courtesy	154	61	76	-	139
Irving Parent Account	3,757	11,804	3,508	-	12,053
Junior High Athletics	-	6,883	3,566	-	3,317
Secretary Courtesy	-	160	73	-	87
Concessions – Athletic Booster	43,635	111,591	116,484	-25,000	13,742
Membership – Athletic Booster	1,740	45,825	42,592	-	4,973
Athletic Booster – Fac/Equip	913	160	-	25,000	26,073
Athletic Booster – Additional Events	14,670	24,193	34,118	-	4,745
Athletic Booster – Resale	5,905	13,308	14,869	-	4,344
Athletic Booster – Budgeted	380	-	125	-	255
Athletic Booster – Wish List	113	-	-	-	113
Athletic Booster – Operational	52	-	-	-	52
Employee Wellness	720	4,038	2,078	-	2,680
CPR/AED Fund	12	-	-	-	12
HS Choir Boosters	2,102	10,182	11,025	-	1,259
Coins for Cancer	-	2,594	-	-	2,594
Head Girls Basketball	-	8,346	4,244	-	4,102
Head Girls Soccer	-	1,761	1,233	-	528
Head Varsity Football	-	50	-	-	50
Head Varsity Softball	-	944	-	-	944
Head Wrestling	-	282	-	-	282
Head Volleyball/Girls Golf	-	5,445	4,362	-	1,083
	<u>\$ 79,268</u>	<u>\$ 248,164</u>	<u>\$ 243,325</u>	<u>\$ -</u>	<u>\$ 84,107</u>

See accompanying independent auditor's report.

Waverly-Shell Rock Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2013

	Diercks Scholarship	Wm Wood Scholarship	Kenneth Stumme Scholarship	HS Math Science
Assets				
Cash	\$ 931	\$ -	\$ 3,105	\$ 371
Investment	50,000	1,685	20,290	-
Total Assets	\$ 50,931	\$ 1,685	\$ 23,395	\$ 371
Liabilities and Fund Balances				
Liabilities				
Bank overdrafts	\$ -	\$ 100	\$ -	\$ -
Accounts payable	-	-	-	-
Total Liabilities	\$ -	\$ 100	\$ -	\$ -
Fund Balances:				
Unreserved, undesignated	\$ 50,931	\$ 1,585	\$ 23,395	\$ 371
Total Liabilities and Fund Balances	\$ 50,931	\$ 1,685	\$ 23,395	\$ 371

See accompanying independent auditor's report.

Elem PE Jana B	DECA Student Account	Carey Parents	Southeast Parents	West Cedar Parents
\$ 130	\$ 1,001	\$ 9,116	\$ 5,683	\$ 6,705
-	-	-	-	-
\$ 130	\$ 1,001	\$ 9,116	\$ 5,683	\$ 6,705
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	46
\$ -	\$ -	\$ -	\$ -	\$ 46
\$ 130	\$ 1,001	\$ 9,116	\$ 5,683	\$ 6,659
\$ 130	\$ 1,001	\$ 9,116	\$ 5,683	\$ 6,705

Waverly-Shell Rock Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2013

	HS Special Education Maria Peth	Hirst T Knights of Columbus	JH Kevin Rhone	Kline K Knights of Columbus
Assets				
Cash	\$ 36	\$ 194	\$ 3,656	\$ 458
Investment	-	-	-	-
Total Assets	\$ 36	\$ 194	\$ 3,656	\$ 458
Liabilities and Fund Equity				
Liabilities				
Bank overdrafts	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund Balances:				
Unreserved, undesignated	\$ 36	\$ 194	\$ 3,656	\$ 458
Total Liabilities and Fund Equity	\$ 36	\$ 194	\$ 3,656	\$ 458

See accompanying independent auditor's report.

Carey J Clausing	Shell Rock G Huberg	Johnston N Knights of Columbus	Obemeier H Knights of Columbus	Junior High J Boerigter
\$ 260	\$ 487	\$ 656	\$ 419	\$ 434
-	-	-	-	-
\$ 260	\$ 487	\$ 656	\$ 419	\$ 434
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 260	\$ 487	\$ 656	\$ 419	\$ 434
\$ 260	\$ 487	\$ 656	\$ 419	\$ 434

Waverly-Shell Rock Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2013

	Junior High L Jamison	Junior High Patty Harrell	Crandall L Knights of Columbus	Buskohl L Knights of Columbus
Assets				
Cash	\$ 382	\$ 444	\$ 286	\$ 143
Investment	-	-	-	-
Total Assets	\$ 382	\$ 444	\$ 286	\$ 143
Liabilities and Fund Equity				
Liabilities				
Bank overdrafts	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund Balances:				
Unreserved, undesignated	\$ 382	\$ 444	\$ 286	\$ 143
Total Liabilities and Fund Equity	\$ 382	\$ 444	\$ 286	\$ 143

See accompanying independent auditor's report.

High School Knights of Columbus	HS Inclusion Marie Peth	Steinbronn B Knights of Columbus	Stensland G Knights of Columbus	Goodrich D Knights of Columbus
\$ 945	\$ 748	\$ 228	\$ 71	\$ 143
-	-	-	-	-
\$ 945	\$ 748	\$ 228	\$ 71	\$ 143
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 945	\$ 748	\$ 228	\$ 71	\$ 143
\$ 945	\$ 748	\$ 228	\$ 71	\$ 143

Waverly-Shell Rock Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2013

	Pierce Knight of Columbus	Brandel Knights of Columbus	Pepsi Donation for Athletics	Globe Project Scott Severson
Assets				
Cash	\$ 143	\$ 120	\$ 40	\$ 39
Investment	-	-	-	-
Total Assets	\$ 143	\$ 120	\$ 40	\$ 39
Liabilities and Fund Equity				
Liabilities				
Bank overdrafts	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund Balances:				
Unreserved, undesignated	\$ 143	\$ 120	\$ 40	\$ 39
Total Liabilities and Fund Equity	\$ 143	\$ 120	\$ 40	\$ 39

See accompanying independent auditor's report.

Joan Greenlee's Walmart Acct	Shell Rock Jessia Johnson	Sand D Knights of Columbus	National DECA Trip	Total
\$ 21	\$ 75	\$ 64	\$ 16	\$ 37,550
-	-	-	-	71,975
\$ 21	\$ 75	\$ 64	\$ 16	\$ 109,525
\$ -	\$ -	\$ -	\$ -	100
-	-	-	-	46
\$ -	\$ -	\$ -	\$ -	146
\$ 21	\$ 75	\$ 64	\$ 16	\$ 109,379
\$ 21	\$ 75	\$ 64	\$ 16	\$ 109,525

Waverly-Shell Rock Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2013

	Diercks Scholarship	Wm Wood Scholarship	Kenneth Stumme Scholarship	HS Math Science
Revenues:				
Local Sources:				
Interest on investment	\$ 852	\$ 158	\$ -	\$ -
Contributions/Other	-	-	745	-
Total Revenues	<u>\$ 852</u>	<u>\$ 158</u>	<u>\$ 745</u>	<u>\$ -</u>
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ 1,000	\$ -	\$ -	\$ -
Total Expenditures	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -148	\$ 158	\$ 745	\$ -
Other Financing Sources (Uses)				
Operating transfers	-	-	-	-
Net change in fund balance	\$ -148	\$ 158	\$ 745	\$ -
Fund balances beginning of year	<u>51,079</u>	<u>1,427</u>	<u>22,650</u>	<u>371</u>
Fund Balances End of Year	<u>\$ 50,931</u>	<u>\$ 1,585</u>	<u>\$ 23,395</u>	<u>\$ 371</u>

See accompanying independent auditor's report.

Elem PE Jana B	DECA Student Account	Carey Parents	Southeast Parents	West Cedar Parents
\$ -	\$ -	\$ -	\$ -	\$ -
-	1,706	12,615	4,384	21,956
\$ -	\$ 1,706	\$ 12,615	\$ 4,384	\$ 21,956
\$ -	\$ 1,938	\$ 12,076	\$ 6,340	\$ 29,596
\$ -	\$ 1,938	\$ 12,076	\$ 6,340	\$ 29,596
\$ -	\$ -232	\$ 539	\$ -1,956	\$ -7,640
-	-	-	-38	-125
\$ -	\$ -232	\$ 539	\$ -1,994	\$ -7,765
130	1,233	8,577	7,677	14,424
\$ 130	\$ 1,001	\$ 9,116	\$ 5,683	\$ 6,659

Waverly-Shell Rock Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2013

	Junior High L Jamison	Junior High Patty Harrell	Crandall L Knights of Columbus	Buskohol L Knights of Columbus
Revenues:				
Local Sources:				
Interest on investment	\$ -	\$ -	\$ -	\$ -
Contributions/Other	232	232	192	32
Total Revenues	<u>\$ 232</u>	<u>\$ 232</u>	<u>\$ 192</u>	<u>\$ 32</u>
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ 106	\$ 299	\$ 92	\$ -
Total Expenditures	<u>\$ 106</u>	<u>\$ 299</u>	<u>\$ 92</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 126	\$ -67	\$ 100	\$ 32
Other Financing Sources (Uses)				
Operating transfers	-	-	-	-
Net change in fund balance	\$ 126	\$ -67	\$ 100	\$ 32
Fund balances beginning of year	<u>256</u>	<u>511</u>	<u>186</u>	<u>111</u>
Fund Balances End of Year	<u>\$ 382</u>	<u>\$ 444</u>	<u>\$ 286</u>	<u>\$ 143</u>

See accompanying independent auditor's report.

	Carey J Clausing	Shell Rock G Huberg	Johnston N Knights of Columbus	Obemeier H Knights of Columbus	Junior High J Boerigter
\$	-	\$ -	\$ -	\$ -	\$ -
	32	32	32	32	436
\$	32	\$ 32	\$ 32	\$ 32	\$ 436
<hr/>					
\$	-	\$ -	\$ -	\$ -	\$ 550
\$	-	\$ -	\$ -	\$ -	\$ 550
<hr/>					
\$	32	\$ 32	\$ 32	\$ 32	\$ -114
	-	-	-	-	-
\$	32	\$ 32	\$ 32	\$ 32	\$ -114
	228	455	624	387	548
\$	260	\$ 487	\$ 656	\$ 419	\$ 434

Waverly-Shell Rock Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships

Year Ended June 30, 2013

	HS Spec Ed Maria Peth	Hirst T Knights of Columbus	JH Kevin Rohne	Kline K Knights of Columbus
Revenues:				
Local Sources:				
Interest on investment	\$ -	\$ -	\$ -	\$ -
Contributions/Other	12	32	3,358	32
Total Revenues	\$ 12	\$ 32	\$ 3,358	\$ 32
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ -	\$ -	\$ 305	\$ -
Total Expenditures	\$ -	\$ -	\$ 305	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ 12	\$ 32	\$ 3,053	\$ 32
Other Financing Sources (Uses)				
Operating transfers	-	-	-	-
Net change in fund balance	\$ 12	\$ 32	\$ 3,053	\$ 32
Fund balances beginning of year	24	162	603	426
Fund Balances End of Year	\$ 36	\$ 194	\$ 3,656	\$ 458

See accompanying independent auditor's report.

High School Knights of Columbus	HS Inclusion Marie Peth	Steinbronn B Knights of Columbus	Stensland G Knights of Columbus	Goodrich D Knights of Columbus	Jerry Greenke Memorial	Peggy Holdman
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	-	32	32	32	-	32
\$ 42	\$ -	\$ 32	\$ 32	\$ 32	\$ -	\$ 32
\$ 273	\$ -	\$ -	\$ -	\$ -	27	43
\$ 273	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 43
\$ -231	\$ -	\$ 32	\$ 32	\$ 32	\$ -27	\$ -11
-	-	-	-	-	27	11
\$ -231	\$ -	\$ 32	\$ 32	\$ 32	\$ -	\$ -
1,176	748	196	39	111	-	-
\$ 945	\$ 748	\$ 228	\$ 71	\$ 143	\$ -	\$ -

Waverly-Shell Rock Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2013

	Pierce Knights of Columbus		Brandel Knights of Columbus		Pepsi Donation For Athletics		Global Project Scott Severson
Revenues:							
Local Sources:							
Interest on investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions/Other	32		32		-		1
Total Revenues	\$ 32	\$	\$ 32	\$	\$ -	\$	\$ 1
Expenditures:							
Instruction:							
Regular Instruction:							
Scholarships/Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ 32	\$	\$ 32	\$	\$ -	\$	\$ 1
Other Financing Sources (Uses)							
Operating transfers	-		-		-		-
Net change in fund balance	\$ 32	\$	\$ 32	\$	\$ -	\$	\$ 1
Fund balances beginning of year	111		88		40		38
Fund Balances End of Year	\$ 143	\$	\$ 120	\$	\$ 40	\$	\$ 39

See accompanying independent auditor's report.

**Schedule 9
(continued)**

	Joan Greenlee's Walmart Acct	Shell Rock Jessia Johnson	Sand D Knights of Columbus	National DECA Trip	Donation to West Cedar	Total
\$	- \$	- \$	- \$	- \$	- \$	1,010
	-	-	32	9,449	-	55,808
\$	- \$	- \$	32 \$	9,449 \$	- \$	56,818
\$	- \$	- \$	- \$	9,433 \$	125 \$	62,203
\$	- \$	- \$	- \$	9,433 \$	125 \$	62,203
\$	- \$	- \$	32 \$	16 \$	-125 \$	-5,385
	-	-	-	-	125	-
\$	- \$	- \$	32 \$	16 \$	- \$	-5,385
	21	75	32	-	-	114,764
\$	21 \$	75 \$	64 \$	16 \$	- \$	109,379

Waverly-Shell Rock Community School District

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

For the Last Ten Years

	Modified Accrual Basis			
	2013	2012	2011	2010
Revenues:				
Local Sources:				
Local tax	\$ 10,234,580	\$ 10,014,538	\$ 9,041,122	\$ 7,842,434
Tuition	3,163,448	1,416,410	1,049,102	968,240
Other	1,442,585	1,779,259	2,714,181	1,865,455
Intermediate sources	-	-	-	-
State sources	11,760,299	10,412,073	9,784,985	8,319,827
Federal sources	1,324,583	947,285	1,078,784	1,598,254
Total	\$ 27,925,495	\$ 24,569,565	\$ 23,668,174	\$ 20,594,210
Expenditures:				
Instruction:				
Regular instruction	\$ 8,963,113	\$ 9,260,143	\$ 15,122,534	\$ 14,074,567
Special instruction	5,373,882	3,661,644	*	*
Other instruction	2,776,714	2,699,473	*	*
Support services:				
Student services	454,820	457,869	387,765	391,926
Instructional staff services	976,561	796,332	668,934	592,436
Administrative services	1,743,251	1,695,351	1,659,660	1,834,695
Operation and maintenance of plant services	1,638,014	1,584,543	1,660,045	1,622,878
Transportation services	845,520	751,148	827,750	594,974
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	245,442	5,808,087	15,671,194	7,871,906
Long-term debt:				
Principal	3,310,000	1,205,000	975,000	525,000
Interest and other charges	711,358	776,576	950,031	261,043
AEA flow-through	759,250	781,384	850,882	834,410
Total	\$ 27,797,925	\$ 29,477,580	\$ 38,773,795	\$ 28,603,835

*Included in regular instruction.

See accompanying independent auditor's report.

Modified Accrual Basis						
2009	2008	2007	2006	2005	2004	
\$ 7,670,444	\$ 7,251,512	\$ 7,048,847	\$ 6,376,517	\$ 5,495,828	\$ 5,065,151	
807,288	799,477	942,258	909,463	783,604	709,076	
1,463,780	1,751,178	1,809,680	1,825,532	1,501,415	1,265,994	
-	-	-	-	-	-	
9,264,724	8,592,584	8,162,461	7,780,538	7,529,667	7,174,426	
516,035	393,148	417,334	449,712	328,804	464,678	
<u>\$ 19,722,271</u>	<u>\$ 18,787,899</u>	<u>\$ 18,380,580</u>	<u>\$ 17,341,762</u>	<u>\$ 15,639,318</u>	<u>\$ 14,679,325</u>	
\$ 13,650,217	\$ 12,106,920	\$ 11,343,858	\$ 11,075,422	\$ 10,234,785	\$ 9,190,226	
*	*	*	*	*	*	
*	*	*	*	*	*	
373,380	348,133	342,361	344,924	334,727	323,479	
609,775	597,333	563,623	545,859	562,566	581,294	
1,535,002	1,459,945	1,374,027	1,323,877	1,397,024	1,392,269	
3,519,618	1,674,624	1,361,334	1,451,174	1,170,050	1,077,131	
824,863	702,297	663,258	549,698	519,403	547,643	
-	-	-	-	-	-	
800,562	2,640,810	4,686,356	2,643,509	455,770	356,576	
910,000	880,000	855,000	470,000	460,000	455,000	
254,238	259,853	179,660	21,697	42,743	57,221	
688,570	633,205	596,701	546,568	544,101	541,453	
<u>\$ 23,166,225</u>	<u>\$ 21,303,120</u>	<u>\$ 21,966,178</u>	<u>\$ 18,972,728</u>	<u>\$ 15,721,169</u>	<u>\$ 14,522,292</u>	

Waverly-Shell Rock Community School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY13	\$ 29,897
National School Lunch Program	10.555	FY13	328,244 *
Special Milk Program for Children	10.556	FY13	761
Nutritional Education Training Program	10.564	FY13	211
Team Nutrition	10.574	FY13	735
			<u>\$ 359,848</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY13	\$ 163,399
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	FY13	22,579
			<u>\$ 185,978</u>
Career and Technical Education – Basic Grants to States	84.048	FY13	\$ 32,971
Math and Science Partnership	84.366	FY13	\$ 43,540
Improving Teacher Quality State Grants	84.367	FY13	\$ 49,017
Grants for State Assessments and Related Activities	84.369	FY13	\$ 13,332
Area Education Agency 267:			
Special Education – Grants to States	84.027	FY13	\$ 97,394
U.S Department of Homeland Security:			
Iowa Department of Education:			
Hazard Mitigation Grant	97.039	FY13	\$ 747,779
Total			<u>\$ 1,529,859</u>

*- Includes \$62,874 of non-cash awards.

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

**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**

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

To the Board of Education of
Waverly-Shell Rock Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Waverly-Shell Rock Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Waverly-Shell Rock Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items 2013-001 thru 2013-004 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item 2013-005 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waverly-Shell Rock Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed two instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. The noncompliance is described in Part II of the accompanying schedule of findings as items 2013-006 and 2013-007. I also noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

Waverly-Shell Rock Community School District's Responses to Findings

Waverly-Shell Rock Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. Waverly-Shell Rock Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Waverly-Shell Rock Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

March 20, 2014

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Waverly-Shell Rock Community School District

Report on Compliance for Each Major Federal Program

I have audited Waverly-Shell Rock Community School District 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 Waverly-Shell Rock Community School District's major federal programs for the year ended June 30, 2013. Waverly-Shell Rock Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Waverly-Shell Rock Community School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Waverly-Shell Rock 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.

Other Matters

The results of my auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2013-010. My opinion on each major federal program is not modified with respect to these matters.

Waverly-Shell Rock's response to noncompliance finding identified in my audit is described in the accompanying schedule of findings. Waverly-Shell Rock's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

The Management of Waverly-Shell Rock 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 my audit of compliance, I considered Waverly-Shell Rock Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on a 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, I do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over compliance.

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

A deficiency in 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 that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2013-008 and 2013-009 to be material weaknesses.

Waverly-Shell Rock Community School District's response to the internal control over compliance finding identified in my audit is described in the accompanying Schedule of Findings. Waverly-Shell Rock Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of Waverly-Shell Rock Community School District as of and for the year ended June 30, 2013, and have issued my report thereon dated March 20, 2014, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.


Keith Oltrodge
Certified Public Accountant

March 20, 2014

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

Part I – Summary of the Independent Auditor’s Results:

- a) Unqualified opinions were issued on the financial statements.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit disclosed non-compliance which is material to the financial statements.
- d) Material weaknesses in internal control over major programs were disclosed by the audit of the financial statements
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed any findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510 (a).
- g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program for Children
 - CFDA Number 10.564 – Nutrition Education and Training Program
 - CFDA Number 10.574 – Team Nutrition
 - CFDA Number 97.039 – Hazard Mitigation Grant
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Waverly-Shell Rock Community School District did not qualify as a low-risk auditee.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

Part II – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2013-001 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation – We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has a large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response – We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion – Response accepted.

2013-002 Coding – I noted during my audit, that some expenditures were not always properly posted to the correct account. Adjustments were subsequently made to the District to properly code these expenditures.

Recommendation – The District should review the coding of bills, to ensure that all bills paid are properly coded. The Uniform Financial Accounting for Iowa LEAs and AEAs should be used. The purpose of governmental fund accounting is to facilitate that the District is demonstrating compliance with the use of designated or restricted revenue by segregating the revenue and related expenditures.

Response – The District will review the coding bills, to ensure that the expenditures are all properly coded.

Conclusion – Response acknowledged.

2013-003 Disbursements – Credit card purchases did not always have supporting receipts attached prior to a check being released for payment.

Recommendation – All disbursements should have adequate support by an invoice, receipt or other written documentation prior the check being released for payment.

Response – All future disbursements including credit card payments will have proper support.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

Part II – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

2013-004 Bank Reconciliation –Monthly bank statements are reconciled to the District’s monthly financial report. However, immaterial variances existed in the reconciliation at June 30, 2013 which were not resolved. In addition, the monthly bank reconciliations are not reviewed and approved by an independent person.

Recommendation – All bank reconciliation variances should be investigated and resolved timely. An independent person should review the reconciliations for propriety and document the review by signing or initialing and dating the reconciliations.

Response – Variances will be investigated and resolved. A Board member will receive monthly bank reconciliations and bank statements to review and will evidence review through initialing and dating the reconciliations.

Conclusions – Response acknowledged.

2013-005 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

Part II - Other Findings Related to Statutory Reporting:

INSTANCES OF NON-COMPLIANCE:

2013-006 Interfund Loan – The District entered into several interfund receivables and payables between the General Fund School Nutrition Fund and the Capital Projects Fund, which appears to be an interfund loan/borrowing that may not be in compliance with a revised Declaratory Order issued by the Iowa Department of Education dated October 22, 2011.

The Declaratory Order requires interfund loans be repaid by October 1st of the fiscal year following the loan origination date, interest to be charged to the borrowing fund based on rates pursuant to Iowa Code section 74A.6, and a resolution approved by the Board of Education stating from which fund and to which fund the transfer will be made. It appears that the District did not comply with these requirements.

Recommendation – We recommend that the District proceed under the provisions of Iowa Code Chapter 74 to issue anticipatory warrants or seek approval of the voters pursuant to Iowa Codes Section 278.1(5).

Response – The District is working on repaying the loans and will proceed with measures to become compliant.

Conclusion – Response acknowledged.

2013-007 Data Collection Form – The form for fiscal year 2012 was not filed with the Federal Audit Clearinghouse by March 30, 2013 as required by OMB Circular A-133.

Recommendation – The Data Collection Form should be completed and filed as required by March 30 as required by OMB Circular A-133.

Response – We will make sure to submit or data collection form in a timely matter.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

Part III – Findings and Questioned Costs for Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556: Special Milk Program for Children
CFDA Number 10.564: Nutrition Education and Training Program
CFDA Number 10.574: Team Nutrition
Federal Award Year: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 97.039: Hazard Mitigation Grant
Federal Award Year: 2013
U.S. Department of Homeland Security
Passed through the Iowa Department of Education

2013-008 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation – We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has a large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response – We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion – Response accepted.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

Part III – Findings and Questioned Costs for Federal Awards (continued):

2013-09 Grants – I noted during my audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation – The District should review the coding bills, to ensure that all bills paid for a specific grant or project, are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The purposes of governmental fund accounting is to facilitate the District's demonstrating compliance with the use of designated or restricted revenues by segregating the revenue and related expenditures.

Response – The District will review the coding bills, to ensure that so bills paid for a specific grant or project are properly coded.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE

2013-10 Data Collection Form – The form for fiscal year 2012 was not filed with the Federal Audit Clearinghouse by March 30, 2013 as required by OMB Circular A-133.

Recommendation – The data collection form should be completed and filed as required by OMB Circular A-133.

Response – We will make sure to submit our data collection form in a timely manner.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

Part IV - Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 exceed the amended certified budget amounts in the instruction function.

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.

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

Conclusion – Response accepted.

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

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

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

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Cyndi Ecker-Campbell – Board Member Owner of Ecker Flowers & Gifts	Supplies	\$777
Judy Strotman – Employee Spouse to Owner Strotman Building Center	Repairs & supplies	\$2,686

In accordance with an Attorney General’s opinion date November 9, 1976, the above transactions do not appear to represent a conflict of interest.

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

IV-F-13 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings with all disbursements to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

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

IV-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

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

IV-J-13 Certified Annual Report – The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2012.

Recommendation – In the future, the District should ensure the Certified Annual Report is certified timely to the Iowa Department of Education.

Response – We will complete future CAR on a timely manner.

Conclusion – Response accepted.

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

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

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

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

Conclusion – Response accepted.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

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

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

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

Beginning balance		\$	2,049,188
Revenues/transfers in:			
Sales tax revenues	\$	1,240,113	
Other local revenues		67,085	
School infrastructure supplemental amount		349,508	
Other state revenues		1,027,726	
Federal revenues		747,779	3,432,211
			<u>\$ 5,481,399</u>
Expenditures/transfers out:			
School infrastructure			<u>163,744</u>
Ending balance		\$	<u>5,317,655</u>

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

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$ 0.24237	\$	1,589,622
Physical plant and equipment levy	-		-
Public educational and recreational levy	-		-

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2013

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

IV-M-13 Deficit Balance – Three student activity accounts had deficit balances at June 30, 2013. The General Fund had a deficit balance of \$1,736,753 at June 30, 2013. The Debt Service Fund had a deficit balance of \$1,632,807 at June 30, 2013.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition. Capital Projects – Statewide Sales, Service and Use Tax should transfer principal interest and fees on the revenue bond to Debt Service Fund which will help reduce the deficit balance in Debt Service Fund.

Response – The deficit balances in the Activity Funds was due to accounts payable not taken into consideration at year end. We are working on the General Fund and Debt Service Fund deficit balances.

Conclusion – Response accepted.