

WAYNE COMMUNITY SCHOOL DISTRICT

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

Table of Contents

| | | <u>Page</u> |
|---|-----------------|-------------|
| Officials | | 3 |
| Independent Auditor's Report | | 4-5 |
| Management's Discussion and Analysis | | 7-15 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-wide Financial Statements: | | |
| Statement of Net Position | A | 18 |
| Statement of Activities | B | 19 |
| Governmental Fund Financial Statements: | | |
| Balance Sheet | C | 20 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position | D | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E | 22 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities | F | 23 |
| Proprietary Fund Financial Statements: | | |
| Statement of Net Position | G | 24 |
| Statement of Revenues, Expenses and Changes in Fund Net Position | H | 25 |
| Statement of Cash Flows | I | 26 |
| Notes to Financial Statements | | 27-38 |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund | | 40 |
| Notes to Required Supplementary Information - Budgetary Reporting | | 41 |
| Schedule of Funding Progress for the Retiree Health Plan | | 42 |
| Supplementary Information: | <u>Schedule</u> | |
| Capital Project Accounts: | | |
| Combining Balance Sheet | 1 | 44 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 2 | 45 |
| Schedule of Changes in Special Revenue Fund, Student Activity Accounts | 3 | 46 |
| Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types | 4 | 47 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | | 48-49 |
| Schedule of Findings | | 50-53 |

Wayne Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------|--|---------------------|
| Board of Education | | |
| Bill Homann | President | 2015 |
| Todd Wilson | Vice President | 2013 |
| John Allen | Board Member | 2015 |
| David Brennecke | Board Member | 2013 |
| Diane Kelly | Board Member | 2015 |
| School Officials | | |
| Dave Daughton | Superintendent | 2013 |
| Denise Larson | District Secretary/Treasurer and Business Manager | 2013 |
| Verle Norris | Attorney | 2013 |

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Members American Institute & Iowa Society of Certified Public Accountant

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 15 and 40 through 42 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. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which is not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 4, is present for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2014 on our consideration so Wayne Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Wayne Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

January 3, 2014
Newton, Iowa

WAYNE COMMUNITY SCHOOL DISTRICT



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,855,370 in fiscal year 2012 to \$5,910,637 in fiscal year 2013, while General Fund expenditures increased from \$5,637,290 in fiscal year 2012 to \$5,735,935 in fiscal year 2013. The District's General Fund balance increased from \$2,820,276 at the end of fiscal year 2012 to \$2,994,978 at the end of fiscal year 2013.
- The fiscal year 2013 General Fund revenue decrease was attributable to decreases in property tax and state grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees.
- The District's solvency ratio increased from 35.21% at the end of fiscal year 2012 to 46.21% at the end of fiscal year 2013.

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 Wayne 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 Wayne 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 Wayne Community School District acts solely as an agent or custodian for the benefit of those outside of the School 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 nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

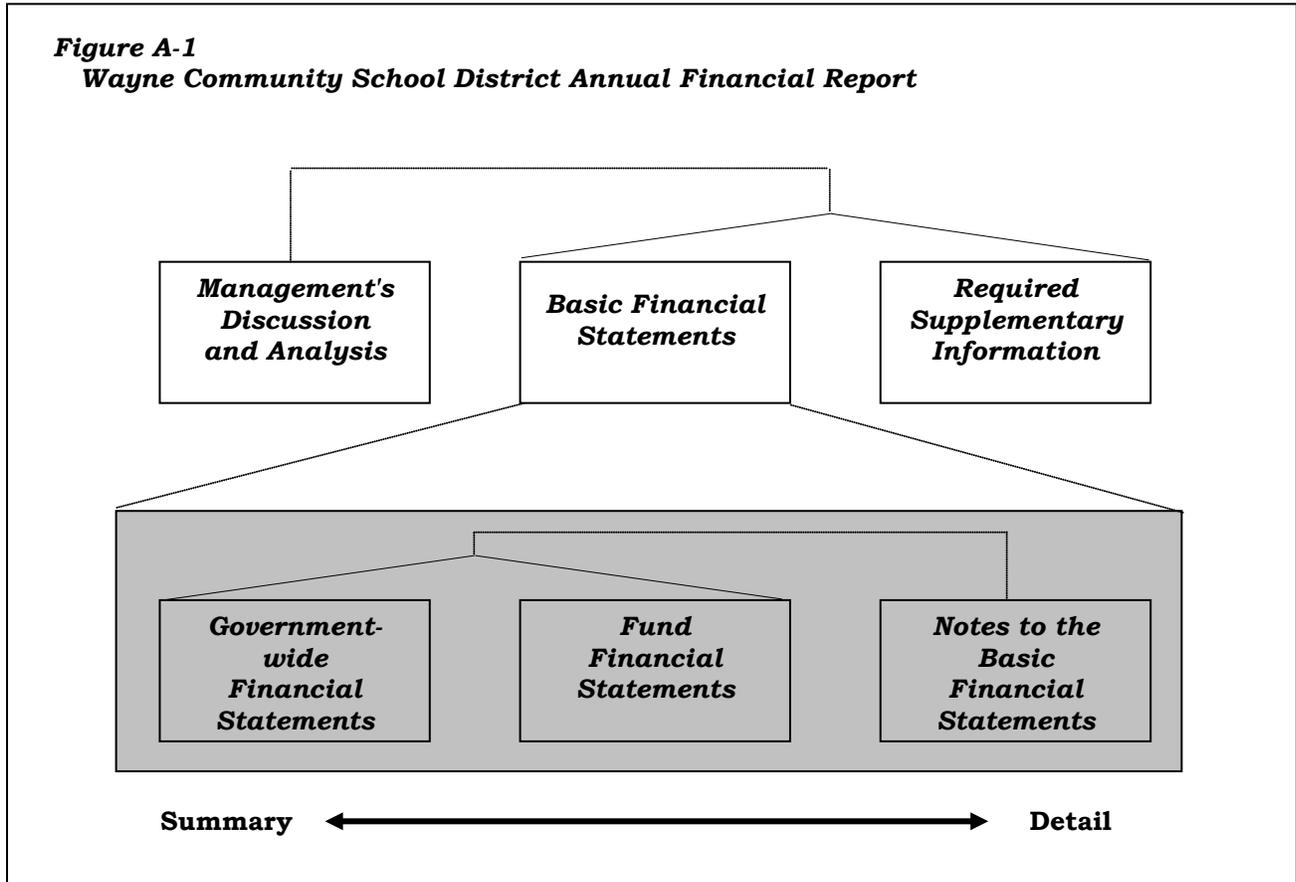


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| Figure A-2 | | | |
|--|--|--|--|
| Major Features of the Government-wide and Fund Financial Statements | | | |
| | Government-wide Statements | Fund Statements | |
| | | Governmental Funds | Proprietary 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 |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows |
| 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 |
| Type of asset/ liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term |
| 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 |

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 position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

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 | | | | | | | |
|--|----------------------------|------------|-----------------------------|---------|--------------------------|------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2012-13 |
| Current and other assets | \$ 8,451,904 | 7,863,416 | 116,707 | 89,276 | 8,568,611 | 7,952,692 | 7.74% |
| Capital assets | 2,778,634 | 3,691,853 | 48,183 | 29,205 | 2,826,817 | 3,721,058 | -24.03% |
| Total assets | 11,230,538 | 11,555,269 | 164,890 | 118,481 | 11,395,428 | 11,673,750 | -2.38% |
| Long-term liabilities | 829,405 | 1,067,654 | 3,717 | 2,429 | 833,122 | 1,070,083 | 22.14% |
| Other liabilities | 3,461,317 | 3,431,940 | 12,936 | 3,567 | 3,474,253 | 3,435,507 | 1.13% |
| Total liabilities | 4,290,722 | 4,499,594 | 16,653 | 5,996 | 4,307,375 | 4,505,590 | -4.40% |
| Net position: | | | | | | | |
| Invested in capital assets, net of related debt | 2,198,634 | 2,836,853 | 48,183 | 29,205 | 2,246,817 | 2,866,058 | -21.61% |
| Restricted | 2,091,684 | 1,744,295 | - | - | 2,091,684 | 1,744,295 | 19.92% |
| Unrestricted | 2,649,498 | 2,474,527 | 100,054 | 83,280 | 2,749,552 | 2,557,807 | 7.50% |
| Total net position | \$ 6,939,816 | 7,055,675 | 148,237 | 112,485 | 7,088,053 | 7,168,160 | -1.12% |

The District's total net position decreased 1.12%, or approximately \$80,107, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt.

Restricted net position represents resources subject to external restrictions, constitutional provisions of enabling legislation on how they can be used. The District's restricted net position increased approximately \$347,389, or 19.92%, over the prior year. The increase was primarily a result of an increase in the fund balances of the Capital Projects and Debt Service 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 - increased approximately \$191,745, or 7.50%. This increase in unrestricted net position was primarily a result of the increase in the General Fund balance.

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

| Figure A-4 | | | | | | | |
|--|-------------------------|-----------|--------------------------|---------|-----------------------|-----------|--------------|
| Changes in Net Position | | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2012-13 |
| Revenues and transfers: | | | | | | | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 517,130 | 421,762 | 165,022 | 131,228 | 682,152 | 552,990 | 23.36% |
| Operating grants and contributions and restricted interest | 598,012 | 602,186 | 208,093 | 181,130 | 806,105 | 783,316 | 2.91% |
| Capital grants and contributions and restricted interest | 3,592 | 22,857 | - | 7,572 | 3,592 | 30,429 | -88.20% |
| General revenues: | | | | | | | |
| Property tax | 2,645,407 | 2,913,749 | - | - | 2,645,407 | 2,913,749 | -9.21% |
| Income surtax | 196,931 | 159,040 | - | - | 196,931 | 159,040 | 23.82% |
| Statewide sales, services and use tax | 467,033 | 445,664 | - | - | 467,033 | 445,664 | 4.79% |
| Unrestricted state grants | 2,782,614 | 3,199,909 | - | - | 2,782,614 | 3,199,909 | -13.04% |
| Nonspecific program federal grants | - | 56,768 | - | - | - | 56,768 | -100.00% |
| Unrestricted investment earnings | 70,975 | 69,289 | 1,321 | 1,510 | 72,296 | 70,799 | 2.11% |
| Other | 70,872 | 128,327 | 550 | 1,205 | 71,422 | 129,532 | -44.86% |
| Total revenues and transfers | 7,352,566 | 8,019,551 | 374,986 | 322,645 | 7,727,552 | 8,342,196 | -7.37% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | 4,397,964 | 4,309,541 | - | - | 4,397,964 | 4,309,541 | 2.05% |
| Support services | 1,769,658 | 1,727,194 | 7,330 | 3,020 | 1,776,988 | 1,730,214 | 2.70% |
| Non-instructional programs | - | - | 331,904 | 280,033 | 331,904 | 280,033 | 18.52% |
| Other expenses | 495,553 | 524,723 | - | - | 495,553 | 524,723 | -5.56% |
| Total expenses | 6,663,175 | 6,561,458 | 339,234 | 283,053 | 7,002,409 | 6,844,511 | 2.31% |
| Change in net position before special item | 689,391 | 1,458,093 | 35,752 | 39,592 | 725,143 | 1,497,685 | -51.58% |
| Special item: | | | | | | | |
| Loss on the sale of capital assets | (805,250) | - | - | - | (805,250) | - | -100.00% |
| Beginning net position | 7,055,675 | 5,597,582 | 112,485 | 72,893 | 7,168,160 | 5,670,475 | 26.41% |
| Ending net position | \$ 6,939,816 | 7,055,675 | 148,237 | 112,485 | 7,088,053 | 7,168,160 | -1.12% |

In fiscal 2013, property tax, statewide sales, services and use tax, income surtax, and unrestricted state grants accounted for 82.86% of the revenue from governmental activities while charges for service and operating grants, contributions, and unrestricted interest accounted for 99.50% of the revenue from business type activities.

The District's total revenues were approximately \$7.73 million, of which approximately \$7.35 million was for governmental activities and approximately 0.38 million was for business type activities.

Governmental Activities

Revenues for governmental activities were \$7,352,566 and expenses were \$6,663,175 for the year ended June 30, 2013.

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

| | Total Cost of Services | | | Net Cost of Services | | |
|--------------------|------------------------|-----------|-------------------|----------------------|-----------|-------------------|
| | 2013 | 2012 | Change 2012-13 | 2013 | 2012 | Change 2012-13 |
| Instruction | \$ 4,397,964 | 4,309,541 | 2.05% | 3,510,779 | 3,516,394 | -0.16% |
| Support services | 1,769,658 | 1,727,194 | 2.46% | 1,758,800 | 1,697,773 | 3.59% |
| Other expenditures | 495,553 | 524,723 | -5.56% | 274,862 | 300,486 | -8.53% |
| Totals | \$ 6,663,175 | 6,561,458 | 1.55% | 5,544,441 | 5,514,653 | 0.54% |

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$517,130.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$601,604.
- The net cost of governmental activities was financed with \$2,645,407 in property tax, \$467,033 in statewide sales, services and uses tax, \$196,931 in income surtax, \$2,782,614 in unrestricted state grants, \$70,975 in interest income and \$70,872 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$374,986 and expenses were \$339,234. The District's business type activities includes the School Nutrition Fund and FFA Student Farm. Revenues of these activities were comprised of charges for service, contributed capital, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,817,765, well above last year's ending fund balances of \$4,266,413. The increase is primarily due to the increase in the fund balances of the General Fund, Capital Projects Fund and Debt Service Fund.

Governmental Fund Highlights

- The District's General Fund balance increased from \$2,820,276 on June 30, 2012 to \$2,994,978 on June 30, 2013. The fluctuation in the District's General Fund financial position is the product of many factors. Decreases in local tax and state grant revenue led to a decrease in revenues, however, revenues outpaced expenditures ensuring the increase in the District's financial position.

- The Capital Projects Fund balance increased from \$848,797 at June 30, 2012, to \$1,062,740 at June 30, 2013.
- The Debt Service Fund balance increased from \$60,787 at June 30, 2012 to \$230,903 at June 30, 2013.
- The Management Levy Fund balance decreased from \$415,392 at June 30, 2012 to \$395,178 at June 30, 2013.

Proprietary Fund Highlights

The District’s proprietary fund net position increased from \$112,485 at June 30, 2012 to \$148,237 at June 30, 2013, representing an increase of 31.78%.

BUDGETARY HIGHLIGHTS

The District’s total revenues were \$1,101,836 more than total budgeted revenues, a variance of approximately 16.65%. The most significant variance resulted from the District receiving more in property taxes than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District’s budget for the General Fund. The District 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$2,826,817, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$322,723.

The original cost of the District’s capital assets was \$9,839,366. Governmental funds account for \$9,609,336 with the remainder of \$230,030 in the Proprietary, School Nutrition Fund.

| Figure A-6 Capital Assets, Net of Depreciation | | | | | | | |
|---|----------------------------|-----------|-----------------------------|--------|--------------------------|-----------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2012-13 |
| Land | \$ 264,710 | 187,500 | - | - | 264,710 | 187,500 | 29.17% |
| Buildings | 2,200,786 | 3,139,735 | - | - | 2,200,786 | 3,139,735 | -42.66% |
| Land improvements | 43,299 | 44,502 | - | - | 43,299 | 44,502 | -2.78% |
| Machinery and equipment | 269,839 | 320,116 | 48,183 | 29,205 | 318,022 | 349,321 | -9.84% |
| Total | \$ 2,778,634 | 3,691,853 | 48,183 | 29,205 | 2,826,817 | 3,721,058 | -24.03% |

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District’s buildings totaled \$2,200,786 at June 30, 2013, compared to \$3,139,735 reported at June 30, 2012. This decrease is attributed to the District selling the Lineville School Building during fiscal year 2013. (See Note 11)

Long-Term Debt

At June 30, 2013, the District had \$833,122 in total long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonds payable of \$580,000 at June 30, 2013.

The District had compensated absences payable of \$19,383 at June 30, 2013.

The District had termination benefits payable of \$94,513 at June 30, 2013.

The District had net OPEB liability payable of \$139,226 at June 30, 2013; \$135,509 is attributable to governmental activities while \$3,717 is attributable to business type activities.

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
|--------------------------|-------------------------|-----------|--------------------------|-------|-----------------------|-----------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2012-13 |
| General obligation bonds | \$ 580,000 | 855,000 | - | - | 580,000 | 855,000 | -47.41% |
| Compensated absences | 19,383 | - | - | - | 19,383 | - | 100.00% |
| Termination benefits | 94,513 | 108,078 | - | - | 94,513 | 108,078 | -14.35% |
| Net OPEB liability | 135,509 | 104,576 | 3,717 | 2,429 | 139,226 | 107,005 | 23.14% |
| Total | \$ 829,405 | 1,067,654 | 3,717 | 2,429 | 833,122 | 1,070,083 | -22.14% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2013, the IPERS increase to 8.93% will increase the Wayne Community Schools employer benefit costs during fiscal 2014.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Larson, District Secretary/Treasurer and Business Manager, Wayne Community School District, 102 N Dekalb Street, Corydon, Iowa, 50060.

WAYNE COMMUNITY SCHOOL DISTRICT



BASIC FINANCIAL STATEMENTS

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 5,150,264 | 108,518 | 5,258,782 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 50,228 | - | 50,228 |
| Succeeding year | 2,743,681 | - | 2,743,681 |
| Income surtax | 175,009 | - | 175,009 |
| Accounts | - | 3,928 | 3,928 |
| Due from other governments | 332,722 | - | 332,722 |
| Inventories | - | 4,261 | 4,261 |
| Capital assets, net of accumulated depreciation | 2,778,634 | 48,183 | 2,826,817 |
| Total assets | 11,230,538 | 164,890 | 11,395,428 |
| Liabilities | | | |
| Accounts payable | 157,100 | 10,684 | 167,784 |
| Salaries and benefits payable | 558,349 | - | 558,349 |
| Interest payable | 2,187 | - | 2,187 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,743,681 | - | 2,743,681 |
| Unearned revenue | - | 2,252 | 2,252 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds | 50,000 | - | 50,000 |
| Termination benefits | 68,880 | - | 68,880 |
| Compensated absences | 19,383 | - | 19,383 |
| Portion due after one year: | | | |
| General obligation bonds | 530,000 | - | 530,000 |
| Termination benefits | 25,633 | - | 25,633 |
| Net OPEB liability | 135,509 | 3,717 | 139,226 |
| Total liabilities | 4,290,722 | 16,653 | 4,307,375 |
| Net Position | | | |
| Invested in capital assets, net of related debt | 2,198,634 | 48,183 | 2,246,817 |
| Restricted for: | | | |
| Categorical funding | 365,597 | - | 365,597 |
| Management levy purposes | 300,665 | - | 300,665 |
| Student activities | 133,966 | - | 133,966 |
| Debt service | 228,716 | - | 228,716 |
| School infrastructure | 968,987 | - | 968,987 |
| Physical plant and equipment | 93,753 | - | 93,753 |
| Unrestricted | 2,649,498 | 100,054 | 2,749,552 |
| Total net position | \$ 6,939,816 | 148,237 | 7,088,053 |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------------|-------------------------|--|--|--|-----------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| Functions/Programs: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | \$ 2,641,154 | 252,715 | 76,707 | - | (2,311,732) | - | (2,311,732) |
| Special | 731,223 | 28,924 | 52,497 | - | (649,802) | - | (649,802) |
| Other | 1,025,587 | 228,225 | 248,117 | - | (549,245) | - | (549,245) |
| | <u>4,397,964</u> | <u>509,864</u> | <u>377,321</u> | <u>-</u> | <u>(3,510,779)</u> | <u>-</u> | <u>(3,510,779)</u> |
| Support services: | | | | | | | |
| Student | 61,159 | - | - | - | (61,159) | - | (61,159) |
| Instructional staff | 127,815 | - | - | - | (127,815) | - | (127,815) |
| Administration | 575,584 | - | - | - | (575,584) | - | (575,584) |
| Operation and maintenance of plant | 676,676 | - | - | 3,592 | (673,084) | - | (673,084) |
| Transportation | 328,424 | 7,266 | - | - | (321,158) | - | (321,158) |
| | <u>1,769,658</u> | <u>7,266</u> | <u>-</u> | <u>3,592</u> | <u>(1,758,800)</u> | <u>-</u> | <u>(1,758,800)</u> |
| Long-term debt interest | 35,803 | - | - | - | (35,803) | - | (35,803) |
| Other expenses: | | | | | | | |
| AEA flowthrough | 220,691 | - | 220,691 | - | - | - | - |
| Depreciation(unallocated)* | 239,059 | - | - | - | (239,059) | - | (239,059) |
| | <u>459,750</u> | <u>-</u> | <u>220,691</u> | <u>-</u> | <u>(239,059)</u> | <u>-</u> | <u>(239,059)</u> |
| Total governmental activities | <u>6,663,175</u> | <u>517,130</u> | <u>598,012</u> | <u>3,592</u> | <u>(5,544,441)</u> | <u>-</u> | <u>(5,544,441)</u> |
| Business type activities: | | | | | | | |
| Support services: | | | | | | | |
| Operation and maintenance of plant | 7,330 | - | - | - | - | (7,330) | (7,330) |
| | <u>7,330</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(7,330)</u> | <u>(7,330)</u> |
| Non-instructional programs: | | | | | | | |
| Food service operations | 326,286 | 152,411 | 208,093 | - | - | 34,218 | 34,218 |
| Student Farm activities | 5,618 | 12,611 | - | - | - | 6,993 | 6,993 |
| | <u>331,904</u> | <u>165,022</u> | <u>208,093</u> | <u>-</u> | <u>-</u> | <u>41,211</u> | <u>41,211</u> |
| Total business type activities | <u>339,234</u> | <u>165,022</u> | <u>208,093</u> | <u>-</u> | <u>-</u> | <u>33,881</u> | <u>33,881</u> |
| Total | <u>\$ 7,002,409</u> | <u>682,152</u> | <u>806,105</u> | <u>3,592</u> | <u>(5,544,441)</u> | <u>33,881</u> | <u>(5,510,560)</u> |
| General Revenues: | | | | | | | |
| Local tax levied for: | | | | | | | |
| General purposes | | | | | \$ 2,107,505 | - | 2,107,505 |
| Debt service | | | | | 479,319 | - | 479,319 |
| Capital outlay | | | | | 58,583 | - | 58,583 |
| Income surtax | | | | | 196,931 | - | 196,931 |
| Statewide sales, services and use tax | | | | | 467,033 | - | 467,033 |
| Unrestricted state grants | | | | | 2,782,614 | - | 2,782,614 |
| Unrestricted investment earnings | | | | | 70,975 | 1,321 | 72,296 |
| Other | | | | | 70,872 | 550 | 71,422 |
| Total general revenues | | | | | <u>6,233,832</u> | <u>1,871</u> | <u>6,235,703</u> |
| Change in net position before special item | | | | | 689,391 | 35,752 | 725,143 |
| Special item(Note 11): | | | | | | | |
| Loss on sale of capital assets | | | | | (805,250) | - | (805,250) |
| Change in net position | | | | | (115,859) | 35,752 | (80,107) |
| Net position beginning of year | | | | | 7,055,675 | 112,485 | 7,168,160 |
| Net position end of year | | | | | <u>\$ 6,939,816</u> | <u>148,237</u> | <u>7,088,053</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | General | Management Levy | Debt Service | Capital Projects | Nonmajor Student Activity | Total |
|--|---------------------|--------------------|-----------------|---------------------|---------------------------------|------------------|
| Assets | | | | | | |
| Cash and pooled investments | \$ 3,461,101 | 392,330 | 221,780 | 937,848 | 137,205 | 5,150,264 |
| Receivables: | | | | | | |
| Property tax: | | | | | | |
| Delinquent | 37,142 | 2,848 | 9,123 | 1,115 | - | 50,228 |
| Succeeding year | 1,795,434 | 444,999 | 441,449 | 61,799 | - | 2,743,681 |
| Income surtax | 175,009 | - | - | - | - | 175,009 |
| Due from other governments | 146,379 | - | - | 186,343 | - | 332,722 |
| Total assets | \$ 5,615,065 | 840,177 | 672,352 | 1,187,105 | 137,205 | 8,451,904 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 91,295 | - | - | 62,566 | 3,239 | 157,100 |
| Salaries and benefits payable | 558,349 | - | - | - | - | 558,349 |
| Deferred revenue: | | | | | | |
| Succeeding year property tax | 1,795,434 | 444,999 | 441,449 | 61,799 | - | 2,743,681 |
| Income surtax | 175,009 | - | - | - | - | 175,009 |
| Total liabilities | 2,620,087 | 444,999 | 441,449 | 124,365 | 3,239 | 3,634,139 |
| Fund balances: | | | | | | |
| Restricted for: | | | | | | |
| Categorical funding | 365,597 | - | - | - | - | 365,597 |
| Management levy purposes | - | 395,178 | - | - | - | 395,178 |
| Student activities | - | - | - | - | 133,966 | 133,966 |
| Debt service | - | - | 230,903 | - | - | 230,903 |
| School infrastructure | - | - | - | 968,987 | - | 968,987 |
| Physical plant and equipment | - | - | - | 93,753 | - | 93,753 |
| Unassigned | 2,629,381 | - | - | - | - | 2,629,381 |
| Total fund balances | 2,994,978 | 395,178 | 230,903 | 1,062,740 | 133,966 | 4,817,765 |
| Total liabilities and fund balances | \$ 5,615,065 | 840,177 | 672,352 | 1,187,105 | 137,205 | 8,451,904 |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | |
|--|----------------------------|
| Total fund balances of governmental funds(page 20) | \$ 4,817,765 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. | 2,778,634 |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current period. | 175,009 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (2,187) |
| Long-term liabilities, including general obligation bonds payable, termination benefits payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(829,405)</u> |
| Net position of governmental activities(page 18) | <u><u>\$ 6,939,816</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | General | Management Levy | Debt Service | Capital Projects | Nonmajor Student Activity | Total |
|--|--------------|--------------------|-----------------|---------------------|---------------------------------|-----------|
| Revenues: | | | | | | |
| Local sources: | | | | | | |
| Local tax | \$ 2,147,921 | 149,625 | 479,319 | 525,616 | - | 3,302,481 |
| Tuition | 267,842 | - | - | - | - | 267,842 |
| Other | 128,632 | 21,843 | 3,469 | 16,878 | 239,303 | 410,125 |
| State sources | 3,094,434 | - | - | - | - | 3,094,434 |
| Federal sources | 270,794 | - | - | - | - | 270,794 |
| Total revenues | 5,909,623 | 171,468 | 482,788 | 542,494 | 239,303 | 7,345,676 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 2,528,015 | 82,202 | - | - | - | 2,610,217 |
| Special | 737,896 | - | - | - | - | 737,896 |
| Other | 780,064 | - | - | - | 226,498 | 1,006,562 |
| | 4,045,975 | 82,202 | - | - | 226,498 | 4,354,675 |
| Support services: | | | | | | |
| Student | 60,263 | - | - | - | - | 60,263 |
| Instructional staff | 126,822 | - | - | - | - | 126,822 |
| Administration | 575,205 | - | 1,000 | 4,392 | - | 580,597 |
| Operation and maintenance of plant | 421,293 | 95,037 | - | - | - | 516,330 |
| Transportation | 285,686 | 14,443 | - | - | - | 300,129 |
| | 1,469,269 | 109,480 | 1,000 | 4,392 | - | 1,584,141 |
| Capital outlay | - | - | - | 339,159 | - | 339,159 |
| Long-term debt: | | | | | | |
| Principal | - | - | 275,000 | - | - | 275,000 |
| Interest and fiscal charges | - | - | 36,672 | - | - | 36,672 |
| | - | - | 311,672 | - | - | 311,672 |
| Other Expenditures: | | | | | | |
| AEA flowthrough | 220,691 | - | - | - | - | 220,691 |
| | 220,691 | - | 311,672 | 339,159 | - | 871,522 |
| Total expenditures | 5,735,935 | 191,682 | 312,672 | 343,551 | 226,498 | 6,810,338 |
| Excess(Deficiency) of revenues over(under) expenditures | 173,688 | (20,214) | 170,116 | 198,943 | 12,805 | 535,338 |
| Other financing sources: | | | | | | |
| Sale of capital assets | 1,014 | - | - | 15,000 | - | 16,014 |
| Total other financing sources | 1,014 | - | - | 15,000 | - | 16,014 |
| Net change in fund balances | 174,702 | (20,214) | 170,116 | 213,943 | 12,805 | 551,352 |
| Fund balances beginning of year | 2,820,276 | 415,392 | 60,787 | 848,797 | 121,161 | 4,266,413 |
| Fund balances end of year | \$ 2,994,978 | 395,178 | 230,903 | 1,062,740 | 133,966 | 4,817,765 |

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 551,352

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

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

| | | |
|------------------------------------|------------------|-----------|
| Capital outlays | \$ 207,009 | |
| Depreciation expense | (314,978) | |
| Loss on disposal of capital assets | <u>(805,250)</u> | (913,219) |

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 275,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 869

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 6,890

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

| | | |
|-------------------------------|-----------------|-----------------|
| Termination benefits | \$ 13,565 | |
| Other postemployment benefits | (30,933) | |
| Compensated absences | <u>(19,383)</u> | <u>(36,751)</u> |

Change in net position of governmental activities(page 19) \$ (115,859)

SEE NOTES TO FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

| | School Nutrition | FFA Student Farm | Total |
|--|---------------------|---------------------|----------------|
| Assets | | | |
| Cash and pooled investments | \$ 101,525 | 6,993 | 108,518 |
| Accounts receivable | 3,928 | - | 3,928 |
| Inventories | 4,261 | - | 4,261 |
| Capital assets, net of accumulated depreciation | 48,183 | - | 48,183 |
| Total assets | 157,897 | 6,993 | 164,890 |
| Liabilities | | | |
| Accounts payable | 10,684 | - | 10,684 |
| Unearned revenue | 2,252 | - | 2,252 |
| Net OPEB liability | 3,717 | - | 3,717 |
| Total liabilities | 16,653 | - | 16,653 |
| Net Position | | | |
| Invested in capital assets | 48,183 | - | 48,183 |
| Unrestricted | 93,061 | 6,993 | 100,054 |
| Total net position | \$ 141,244 | 6,993 | 148,237 |

SEE NOTES TO FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITIONS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

| | School Nutrition | FFA Student Farm | Total |
|--|---------------------|---------------------|-----------|
| Operating revenues: | | | |
| Local sources: | | | |
| Charges for services | \$ 152,411 | - | 152,411 |
| Student farm revenue | - | 12,611 | 12,611 |
| Miscellaneous | 550 | - | 550 |
| Total operating revenues | 152,961 | 12,611 | 165,572 |
| Operating expenses: | | | |
| Support services: | | | |
| Operation and maintenance of plant | 7,330 | - | 7,330 |
| Non-instructional programs: | | | |
| Food service operations: | | | |
| Salaries | 90,260 | - | 90,260 |
| Benefits | 28,811 | - | 28,811 |
| Services | 13,716 | - | 13,716 |
| Supplies | 185,267 | - | 185,267 |
| Depreciation | 7,745 | - | 7,745 |
| Other | 487 | - | 487 |
| | 326,286 | - | 326,286 |
| Student farm operations: | | | |
| Services | - | 527 | 527 |
| Supplies | - | 4,640 | 4,640 |
| Other | - | 451 | 451 |
| | - | 5,618 | 5,618 |
| Total non-instructional programs | 326,286 | 5,618 | 331,904 |
| Total operating expenses | 333,616 | 5,618 | 339,234 |
| Operating income(loss) | (180,655) | 6,993 | (173,662) |
| Non-operating revenues(expenses): | | | |
| State sources | 2,804 | - | 2,804 |
| Federal sources | 205,289 | - | 205,289 |
| Interest income | 1,321 | - | 1,321 |
| Total non-operating revenues(expenses) | 209,414 | - | 209,414 |
| Change in net position | 28,759 | 6,993 | 35,752 |
| Net position beginning of year | 112,485 | - | 112,485 |
| Net position end of year | \$ 141,244 | 6,993 | 148,237 |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | School Nutrition | FFA Student Farm | Total |
|---|---------------------|---------------------|-----------|
| Cash flows from operating activities: | | | |
| Cash received from sale of lunches and breakfasts | \$ 151,586 | - | 151,586 |
| Cash received from student farm activities | - | 12,611 | 12,611 |
| Cash received from miscellaneous | 550 | - | 550 |
| Cash payments to employees for services | (117,783) | - | (117,783) |
| Cash payments to suppliers for goods or services | (179,134) | (5,618) | (184,752) |
| Net cash provided by(used in) operating activities | (144,781) | 6,993 | (137,788) |
| Cash flows from non-capital financing activities: | | | |
| State grants received | 2,804 | - | 2,804 |
| Federal grants received | 187,636 | - | 187,636 |
| Net cash provided by non-capital financing activities | 190,440 | - | 190,440 |
| Cash flows from capital and related financing activities: | | | |
| Purchase of capital assets | (26,723) | - | (26,723) |
| Cash flows from investing activities: | | | |
| Interest on investments | 1,321 | - | 1,321 |
| Net increase in cash and cash equivalents | 20,257 | 6,993 | 27,250 |
| Cash and cash equivalents at beginning of year | 81,268 | - | 81,268 |
| Cash and cash equivalents at end of year | \$ 101,525 | 6,993 | 108,518 |
| Reconciliation of operating income(loss) to net cash provide by(used in) operating activities: | | | |
| Operating income(loss) | \$ (180,655) | 6,993 | (173,662) |
| Adjustments to reconcile operating income(loss) to net cash provided by(used) in operating activities: | | | |
| Commodities consumed | 17,653 | - | 17,653 |
| Depreciation | 7,745 | - | 7,745 |
| Decrease in inventories | 2,896 | - | 2,896 |
| Increase in accounts receivable | (3,077) | - | (3,077) |
| Increase in accounts payable | 7,117 | - | 7,117 |
| Increase in other postemployment benefits | 1,288 | - | 1,288 |
| Increase in unearned revenue | 2,252 | - | 2,252 |
| Net cash provided by(used in) operating activities | \$ (144,781) | 6,993 | (137,788) |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$17,653 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

The Wayne 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Corydon, Iowa, and the predominate agricultural territory in Wayne, Lucas and Decatur 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, Wayne Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Wayne Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne, Decatur and Lucas Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for the District's termination benefits, workers compensation claims and payments for the District's property insurance.

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 reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the FFA Student Farm. The Enterprise Nutrition fund is used to account for the food service operations of the District. The FFA Student Farm is used to account for the District's student farming activities.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

| Asset Class | Amount |
|---------------------------------|----------|
| Land | \$ 1,500 |
| Buildings | 1,500 |
| Land improvements | 1,500 |
| Intangibles | 30,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 1,500 |

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

| Asset Class | Estimated Useful Lives (In Years) |
|-------------------------|-----------------------------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Intangibles | 5-10 years |
| Machinery and equipment | 3-15 years |

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by

the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$32,867 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Capital Assets

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

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 187,500 | 77,210 | - | 264,710 |
| Total capital assets not being depreciated | 187,500 | 77,210 | - | 264,710 |
| Capital assets being depreciated: | | | | |
| Buildings | 8,602,739 | 84,032 | 940,645 | 7,746,126 |
| Land improvements | 295,953 | 14,744 | 12,082 | 298,615 |
| Machinery and equipment | 1,335,409 | 31,023 | 66,547 | 1,299,885 |
| Total capital assets being depreciated | 10,234,101 | 129,799 | 1,019,274 | 9,344,626 |
| Less accumulated depreciation for: | | | | |
| Buildings | 5,463,004 | 232,777 | 150,441 | 5,545,340 |
| Land improvements | 251,451 | 6,282 | 2,417 | 255,316 |
| Machinery and equipment | 1,015,293 | 75,919 | 61,166 | 1,030,046 |
| Total accumulated depreciation | 6,729,748 | 314,978 | 214,024 | 6,830,702 |
| Total capital assets being depreciated, net | 3,504,353 | (185,179) | 805,250 | 2,513,924 |
| Governmental activities capital assets, net | \$ 3,691,853 | (107,969) | 805,250 | 2,778,634 |
| Business type activities: | | | | |
| Machinery and equipment | \$ 206,060 | 26,723 | 2,753 | 230,030 |
| Less accumulated depreciation | 176,855 | 7,745 | 2,753 | 181,847 |
| Business type activities capital assets, net | \$ 29,205 | 18,978 | - | 48,183 |

Depreciation expense was charged by the District as follows:

| | | |
|------------------------------------|--|-------------------|
| Governmental activities: | | |
| Instruction: | | |
| Regular | | \$ 7,313 |
| Other | | 9,138 |
| Support services: | | |
| Instructional staff | | 2,017 |
| Administration | | 226 |
| Operation and maintenance of plant | | 6,182 |
| Transportation | | 51,043 |
| | | <u>75,919</u> |
| Unallocated depreciation | | <u>239,059</u> |
| | | <u>\$ 314,978</u> |
| Business type activities: | | |
| Food services | | <u>\$ 7,745</u> |

(4) Long-Term Liabilities

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

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|----------------------------------|---------------------------------|-----------|------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 855,000 | - | 275,000 | 580,000 | 50,000 |
| Compensated absences | - | 19,383 | - | 19,383 | 19,383 |
| Termination benefits | 108,078 | 65,088 | 78,653 | 94,513 | 68,880 |
| Net OPEB liability | 104,576 | 30,933 | - | 135,509 | - |
| | | | | <u>829,405</u> | <u>138,263</u> |
| Total | \$ 1,067,654 | 115,404 | 353,653 | 829,405 | 138,263 |
| Business type activities: | | | | | |
| Net OPEB liability | \$ 2,429 | 1,288 | - | 3,717 | - |

General Obligation Bonds

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

| Year Ending June 30, | Interest Rates | Bond Issue of June 1, 2003 | | |
|----------------------------|-------------------|----------------------------|----------|---------|
| | | Principal | Interest | Total |
| 2014 | 4.10 | % \$ 50,000 | 26,247 | 76,247 |
| 2015 | 4.20 | 50,000 | 24,198 | 74,198 |
| 2016 | 4.30 | 50,000 | 22,097 | 72,097 |
| 2017 | 4.40 | 55,000 | 19,948 | 74,948 |
| 2018 | 4.50 | 55,000 | 17,527 | 72,527 |
| 2019 | 4.60 | 60,000 | 15,053 | 75,053 |
| 2020 | 4.65 | 60,000 | 12,292 | 72,292 |
| 2021 | 4.70 | 65,000 | 9,503 | 74,503 |
| 2022 | 4.75 | 65,000 | 6,447 | 71,447 |
| 2023 | 4.80 | 70,000 | 3,360 | 73,360 |
| Total | | \$ 580,000 | 156,672 | 736,672 |

Termination Benefits

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The District will pay the retiree an incentive based upon the retiree's current salary and years of service to the District. The early retirement incentive will be paid in four semi-annual installments toward a tax deferred compensation plan. The District paid \$78,653 in early retirement benefits during the year ended June 30, 2013.

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$311,992, \$287,396, and \$247,993 respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 58 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

| | |
|--|--------------------------|
| Annual required contribution | \$ 47,864 |
| Interest on net OPEB obligation | 2,675 |
| Adjustment to annual required contribution | (8,663) |
| Annual OPEB cost | <u>41,876</u> |
| Contributions made | (9,655) |
| Increase in net OPEB obligation | <u>32,221</u> |
| Net OPEB obligation beginning of year | 107,005 |
| Net OPEB obligation end of year | <u><u>\$ 139,226</u></u> |

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

For the year ended June 30, 2013, the District contributed \$9,655 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% 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 |
|---------------------|------------------|--|---------------------|
| 2012 | 41,678 | 15.53 | 107,005 |
| 2013 | 41,876 | 23.06 | 139,226 |

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$356,123, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$356,123. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,662,277, and the ratio of the UAAL to covered payroll was 9.7%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The health cost trend rate is 6% a year.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male).

Projected claim costs of the medical plan are \$458.68 for single and \$1,185.85 for family under Plan Co pay 750, \$430.20 for single and \$1,112.22 for family under Plan Co pay 1250, \$412.67 for single and \$1,066.90 for family under Plan Co pay 1500 and \$407.37 for single and \$1,053.19 for family under Plan Co pay HDHP. Upon retirement, the retired participant is assumed to pay 100% of the required premium. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Risk Management

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$220,691 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Operating Lease

The District entered into a lease agreement with Xerox for three copiers for five years starting April 2010. The future minimum lease payments for the lease are as follows:

| Year Ended June 30, | Amount |
|---------------------------|------------------|
| 2014 | 26,351 |
| 2015 | 19,763 |
| Total | <u>\$ 46,114</u> |

(10) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2013 are broken out by the following projects:

| <u>Project</u> | <u>Amount</u> |
|---|---------------|
| Home School Assistance Program | \$ 146,025 |
| Gifted and Talented | 120 |
| Returning Dropouts and Dropout Prevention Programs | 17,539 |
| Four-year-old Preschool State Aid | 94,752 |
| Teacher Salary Supplement | 3,780 |
| Beginning Administrator Mentoring and Induction Program | 1,866 |
| Professional Development for Model Core Curriculum | 33,026 |
| Professional Development | 68,489 |
| | <hr/> |
| Total | \$ 365,597 |

(11) Special Item

During the year ended June 30, 2013 the District closed the Lineville School Building. On April 15, 2013 the Board approved the sale of the building for \$15,000. With the disposition of the building the District recognized a loss on sale of capital assets of \$805,250 in the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON 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 | Proprietary | Total Actual | Budgeted Amounts | | Final to |
|--|---------------------|----------------|------------------|-------------------|-------------------|------------------|
| | Fund | Fund | | Original | Final | Actual |
| | Actual | Actual | | | | Variance |
| Revenues: | | | | | | |
| Local sources | \$ 3,980,448 | 166,893 | 4,147,341 | 3,183,361 | 3,183,361 | 963,980 |
| State sources | 3,094,434 | 2,804 | 3,097,238 | 3,145,465 | 3,145,465 | (48,227) |
| Federal sources | 270,794 | 205,289 | 476,083 | 290,000 | 290,000 | 186,083 |
| Total revenues | <u>7,345,676</u> | <u>374,986</u> | <u>7,720,662</u> | <u>6,618,826</u> | <u>6,618,826</u> | <u>1,101,836</u> |
| Expenditures/Expenses: | | | | | | |
| Instruction | 4,354,675 | - | 4,354,675 | 5,517,764 | 5,517,764 | 1,163,089 |
| Support services | 1,584,141 | 7,330 | 1,591,471 | 2,745,128 | 2,745,128 | 1,153,657 |
| Non-instructional programs | - | 331,904 | 331,904 | 375,375 | 375,375 | 43,471 |
| Other expenditures | 871,522 | - | 871,522 | 3,000,400 | 3,000,400 | 2,128,878 |
| Total expenditures/expenses | <u>6,810,338</u> | <u>339,234</u> | <u>7,149,572</u> | <u>11,638,667</u> | <u>11,638,667</u> | <u>4,489,095</u> |
| Excess(Deficiency) of revenues over(under) expenditures/expenses | 535,338 | 35,752 | 571,090 | (5,019,841) | (5,019,841) | 5,590,931 |
| Other financing sources, net | 16,014 | - | 16,014 | 2,000,000 | 2,000,000 | (1,983,986) |
| Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses | 551,352 | 35,752 | 587,104 | (3,019,841) | (3,019,841) | 3,606,945 |
| Balances beginning of year | 4,266,413 | 112,485 | 4,378,898 | 3,545,962 | 3,545,962 | 832,936 |
| Balances end of year | <u>\$ 4,817,765</u> | <u>148,237</u> | <u>4,966,002</u> | <u>526,121</u> | <u>526,121</u> | <u>4,439,881</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE 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 the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

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

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-c) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2012 | July 1, 2009 | - | \$ 358,292 | 358,292 | 0.0% | \$ 2,838,374 | 12.6% |
| 2013 | July 1, 2012 | - | \$ 356,123 | 356,123 | 0.0% | \$ 3,662,277 | 9.7% |

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

SUPPLEMENTARY INFORMATION

WAYNE 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 | \$ 845,210 | 92,638 | 937,848 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 1,115 | 1,115 |
| Succeeding year | - | 61,799 | 61,799 |
| Due from other governments | 186,343 | - | 186,343 |
| Total assets | \$ 1,031,553 | 155,552 | 1,187,105 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 62,566 | - | 62,566 |
| Deferred revenue: | | | |
| Succeeding year property tax | - | 61,799 | 61,799 |
| Total liabilities | 62,566 | 61,799 | 124,365 |
| Fund balances: | | | |
| Restricted for: | | | |
| School infrastructure | 968,987 | - | 968,987 |
| Physical plant and equipment | - | 93,753 | 93,753 |
| Total fund balances | 968,987 | 93,753 | 1,062,740 |
| Total liabilities and fund balances | \$ 1,031,553 | 155,552 | 1,187,105 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE 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 | \$ 467,033 | 58,583 | 525,616 |
| Other | 12,174 | 4,704 | 16,878 |
| Total revenues | <u>479,207</u> | <u>63,287</u> | <u>542,494</u> |
| Expenditures: | | | |
| Current: | | | |
| Support services: | | | |
| Administration | 4,392 | - | 4,392 |
| Other expenditures: | | | |
| capital outlay | 270,201 | 68,958 | 339,159 |
| Total expenditures | <u>274,593</u> | <u>68,958</u> | <u>343,551</u> |
| Excess(deficiency) of revenues over(under) expenditures | 204,614 | (5,671) | 198,943 |
| Other financing sources: | | | |
| Proceeds from the sale of real property | - | 15,000 | 15,000 |
| Net change in fund balances | 204,614 | 9,329 | 213,943 |
| Fund balances beginning of year | <u>764,373</u> | <u>84,424</u> | <u>848,797</u> |
| Fund balances end of year | <u>\$ 968,987</u> | <u>93,753</u> | <u>1,062,740</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Intra- fund Transfers | Balance End of Year |
|-----------------------------|---------------------------------|----------------|-------------------|-----------------------------|---------------------------|
| Secondary students fund | \$ 17,151 | 4,508 | 8,220 | 3,784 | 17,223 |
| Activity tickets | 3,854 | 6,570 | - | (10,424) | - |
| Publication/plays fund | 1,726 | 6,003 | 259 | - | 7,470 |
| HS music fund | 2,054 | 2,140 | 1,389 | - | 2,805 |
| JR music fund | - | 1,967 | 1,564 | (403) | - |
| Cross country | - | 335 | 833 | 498 | - |
| Golf | 30 | 4,445 | 4,138 | - | 337 |
| Boys basketball | 4,573 | 6,404 | 4,187 | - | 6,790 |
| Football | 3,447 | 23,977 | 19,033 | - | 8,391 |
| Baseball | 1,492 | 6,118 | 9,461 | 1,851 | - |
| Boys track | - | - | 829 | 829 | - |
| Wrestling | - | 2,686 | 3,877 | 1,191 | - |
| Girls basketball | 7,726 | 9,961 | 9,024 | - | 8,663 |
| Volleyball | 2,091 | 10,833 | 11,393 | - | 1,531 |
| Softball | 2,257 | 13,709 | 16,125 | 159 | - |
| Girls track | - | 3,198 | 5,157 | 1,959 | - |
| Class - seniors | - | 339 | 620 | 866 | 585 |
| Class - juniors | 312 | 5,155 | 4,883 | (443) | 141 |
| Class - sophmores | 141 | - | - | (141) | - |
| Alternative school class | 185 | - | - | - | 185 |
| Yearbook | 14,348 | 11,199 | 8,448 | - | 17,099 |
| NHS | 514 | 189 | 269 | - | 434 |
| FBLA | 887 | 160 | 367 | - | 680 |
| FFA | 3,010 | 41,827 | 45,111 | 274 | - |
| FCCLA | 553 | 1,439 | 1,355 | - | 637 |
| HS student council | 2,869 | 12,675 | 10,391 | - | 5,153 |
| Art club | 2,707 | 691 | 992 | - | 2,406 |
| FEA club | 911 | - | - | - | 911 |
| Spanish club | 1,553 | 4,212 | 3,842 | - | 1,923 |
| HS tech club | 536 | - | - | - | 536 |
| Cheerleaders | - | 8,637 | 7,622 | - | 1,015 |
| HS/JR library club | 260 | 738 | 738 | - | 260 |
| History club | 2,089 | 474 | 398 | - | 2,165 |
| Manufacturing tech | 896 | 20 | - | - | 916 |
| Physical education | 1,132 | - | 294 | - | 838 |
| HS TAG club | - | 955 | 946 | - | 9 |
| Falcons nest | - | 24 | - | - | 24 |
| Brain bowl | 1,054 | 1,753 | 630 | - | 2,177 |
| Career tech business fund | 404 | - | - | - | 404 |
| Athletic leadership council | 2,226 | 5,641 | 2,550 | - | 5,317 |
| JH clubs/organization | 6,440 | 8,494 | 10,289 | - | 4,645 |
| JH student council | 4,440 | 120 | 866 | - | 3,694 |
| Elem clubs/organization | 12,857 | 17,820 | 16,219 | - | 14,458 |
| Elem library fund | 888 | 8,427 | 6,643 | - | 2,672 |
| Living classroom | 2,245 | - | - | - | 2,245 |
| Elem afterschool program | 3,457 | - | 54 | - | 3,403 |
| Elem sports | 5,621 | 4,957 | 6,321 | - | 4,257 |
| Elem wrestling club | 2,225 | 503 | 1,161 | - | 1,567 |
| Total | \$ 121,161 | 239,303 | 226,498 | - | 133,966 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST TWO YEARS

| | Modified Accrual Basis | |
|------------------------------------|------------------------|------------------|
| | 2013 | 2012 |
| Revenues: | | |
| Local sources: | | |
| Local tax | \$ 3,302,481 | 3,539,827 |
| Tuition | 267,842 | 211,339 |
| Other | 410,125 | 426,687 |
| State sources | 3,094,434 | 3,466,804 |
| Federal sources | 270,794 | 396,268 |
| Total | <u>\$ 7,345,676</u> | <u>8,040,925</u> |
| Expenditures: | | |
| Current: | | |
| Instruction: | | |
| Regular | \$ 2,610,217 | 2,532,587 |
| Special | 737,896 | 813,032 |
| Other | 1,006,562 | 950,699 |
| Support services: | | |
| Student | 60,263 | 67,089 |
| Instructional staff | 126,822 | 112,481 |
| Administration | 580,597 | 535,662 |
| Operation and maintenance of plant | 516,330 | 515,442 |
| Transportation | 300,129 | 326,842 |
| Capital outlay | 339,159 | 330,151 |
| Long-term debt: | | |
| Principal | 275,000 | 270,000 |
| Interest | 36,672 | 47,572 |
| Other expenditures: | | |
| AEA flowthrough | 220,691 | 224,237 |
| Total | <u>\$ 6,810,338</u> | <u>6,725,794</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wayne 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 our report thereon dated January 3, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

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

Compliance and Other Matters

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

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

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

Wayne Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 3, 2014
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handles petty cash, replenishes and reconciles is also the custodian,
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 5) Payroll - approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) Journal entries - approval and posting.

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

Response - The District will continue to review its procedures and look for ways to increase internal controls with limited staff.

Conclusion - Response accepted.

I-B-13 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all event admissions. Currently, the District's practice is to use pre-numbered tickets for indoor events only.

Recommendation - The District should use pre-numbered tickets for all events that an admission fee is charged.

Response - With the completion of the new athletic field, the District will use pre-numbered tickets at all events.

Conclusion - Response accepted.

I-C-13 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families before writing the balances off of the books. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District has adopted a new policy effective March 1, 2013 regarding negative balances (a copy of the policy is available upon request). Free and reduced applications are available upon request starting with registration and continuing throughout the school year. The District utilizes the small claims process to recoup the negative balances. The negative balances are not written off.

Conclusion - Response accepted.

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

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

Response - The District will work diligently to use the correct pricing for the commodities in the future.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, did not exceed the budgeted amounts in any of the functional areas.

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

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However we noted during our audit several instances of employees purchasing meals while on District business but failed to turn in a detailed receipt of the purchase to the District office. Board policy 401.10 states that "employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim item. Failure to provide a proper receipt will make the employee responsible for expenses incurred."

Recommendation - The District should review procedures in place when employees use the District's credit card for expenses. Detailed receipts should be turned into the District central office for processing travel expenses. If detailed receipts are not available, the cost should be borne by the employee in accordance with District policy.

Response - We will review the Board Policy with the staff to insure that the appropriate receipt is turned in.

Conclusion - Response accepted.

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

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

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported was overstated by 1.0 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted 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.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-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 | | \$ | 764,373 |
| Revenues: | | | |
| Sales tax revenues | \$ | 467,033 | |
| Other local revenues | | 12,174 | 479,207 |
| | | | <u>1,243,580</u> |
| Expenditures: | | | |
| School infrastructure construction | \$ | 241,382 | |
| Land Purchased | | 28,819 | |
| Other | | 4,392 | 274,593 |
| | | | <u>274,593</u> |
| Ending balance | | \$ | <u><u>968,987</u></u> |

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