

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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West Delaware County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Steve Dudak	President	2015
Cheryl Stufflebeam	Vice President	2013
Elwyn Curtis	Board Member	2013
Linda Bessey	Board Member	2015
Angie Corcoran	Board Member	2015
School Officials		
Kristen Rickey	Superintendent	2013
Kelly Jared	Director of Finance/ Board Secretary	2013
Drew Bracken	Attorney	2013

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the West Delaware County 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 West Delaware County Community School District, Manchester, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Delaware County 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 nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 March 12, 2014 on our consideration of West Delaware County 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 West Delaware County Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Delaware County Community School District provides this Management's Discussion and Analysis of its financial statements to assist in the viewer's comprehension of the overall document. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. The reader is encouraged to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

General Fund revenues decreased from \$15,939,045 in fiscal 2012 to \$15,468,793 in fiscal 2013, while General Fund expenditures increased from \$14,544,284 in fiscal 2012 to \$15,008,596 in fiscal 2013. Revenues still outpaced expenditures resulting in an increase in the District's General Fund balance from \$2,506,842 in fiscal 2012 to a balance of \$2,967,039 in fiscal 2013. The solvency ratio improved from 14.65% for fiscal 2012 to 17.44% for fiscal 2013. The District has taken steps to increase the solvency ratio, providing an adequate General Fund balance to weather unanticipated revenue reductions such as seen in FY10.

The District sold \$5,800,000 of General Obligation Bonds in February 2008 and \$2,075,000 of PPEL Capital Loan Notes in January 2006. The outstanding obligation totals \$6,510,000 as of June 30, 2013.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

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 West Delaware County 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 West Delaware County 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 West Delaware County Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

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

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

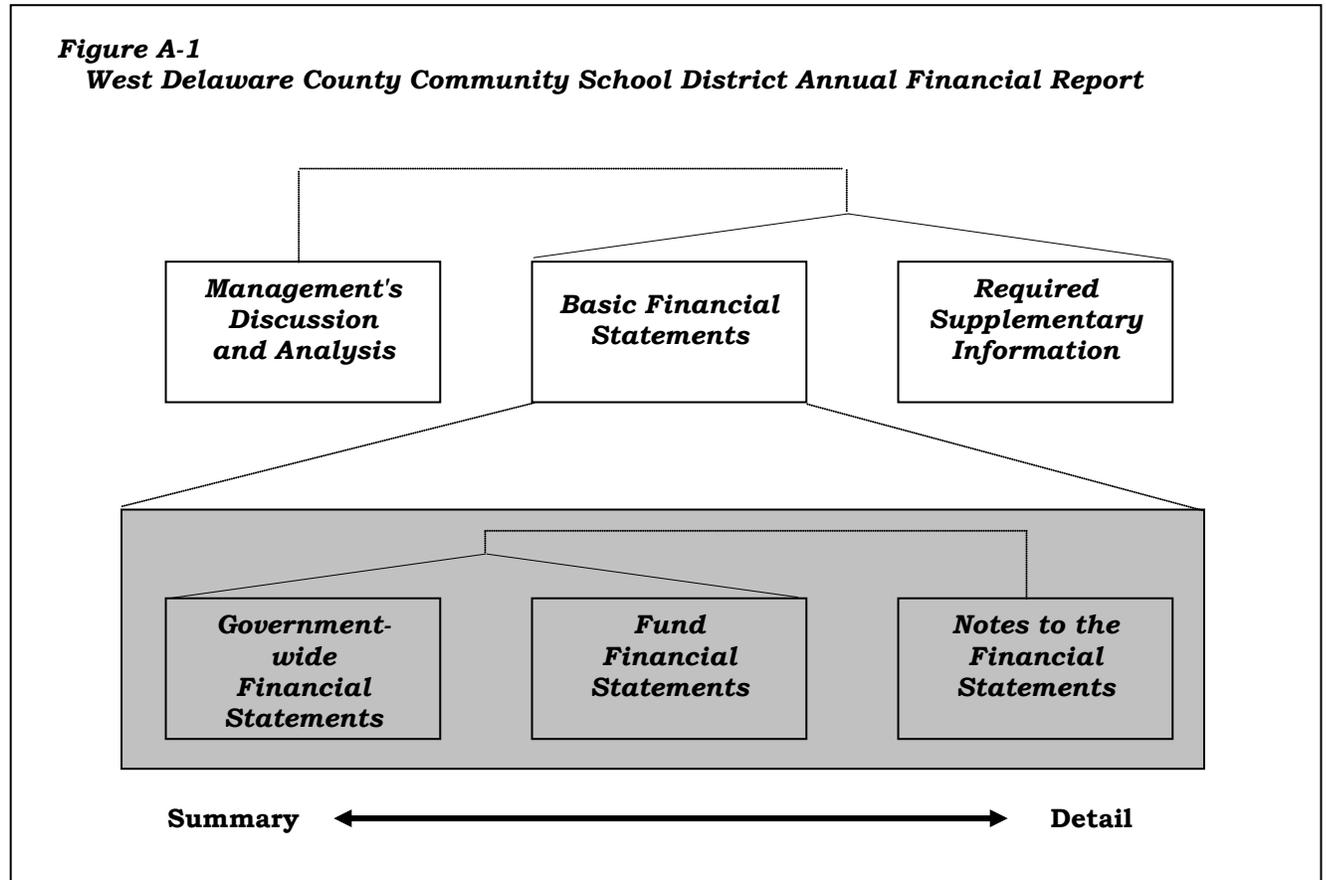


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain revenues collected for District employee purchases of pop and related expenditures.

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

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

Reconciliation 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, 2012 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 12,177,761	12,239,799	362,543	366,832	12,540,304	12,606,631	-0.53%
Capital assets	18,033,638	18,216,984	190,411	194,907	18,224,049	18,411,891	-1.02%
Total assets	<u>30,211,399</u>	<u>30,456,783</u>	<u>552,954</u>	<u>561,739</u>	<u>30,764,353</u>	<u>31,018,522</u>	<u>-0.82%</u>
Long-term obligations	6,935,326	8,002,953	6,562	1,789	6,941,888	8,004,742	-13.28%
Other liabilities	6,433,191	6,783,779	17,920	13,001	6,451,111	6,796,780	-5.09%
Total liabilities	<u>13,368,517</u>	<u>14,786,732</u>	<u>24,482</u>	<u>14,790</u>	<u>13,392,999</u>	<u>14,801,522</u>	<u>-9.52%</u>
Net position:							
Invested in capital assets, net of related debt	11,523,638	10,436,984	190,411	194,907	11,714,049	10,631,891	10.18%
Restricted	2,596,006	2,799,255	-	-	2,596,006	2,799,255	-7.26%
Unrestricted	2,723,238	2,433,812	338,061	352,042	3,061,299	2,785,854	9.89%
Total net position	<u>\$ 16,842,882</u>	<u>15,670,051</u>	<u>528,472</u>	<u>546,949</u>	<u>17,371,354</u>	<u>16,217,000</u>	<u>7.12%</u>

The District's total net position increased by \$1,154,354, or 7.12%, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

The District's restricted net position decreased \$203,249, or 7.26%, from the prior year. The decrease in restricted net position was due to the decrease in the Debt Service Fund

balance that resulted from the District using the sinking and reserve funds to call the remaining revenue bonds issued in 2006 before they were due.

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 \$275,445, or 9.89%. The increase in unrestricted net position was due primarily to the increase in unassigned 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 District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for service	\$ 1,244,157	1,043,084	418,913	430,981	1,663,070	1,474,065	12.82%
Operating grants and contributions and restricted interest	1,239,083	1,236,143	376,398	350,098	1,615,481	1,586,241	1.84%
Capital grants and contributions and restricted interest	-	217,807	-	-	-	217,807	-100.00%
General revenues:							
Property tax	6,379,470	6,294,048	-	-	6,379,470	6,294,048	1.36%
Income surtax	377,766	278,869	-	-	377,766	278,869	35.46%
Statewide sales, services and use tax	1,337,358	1,106,108	-	-	1,337,358	1,106,108	20.91%
Unrestricted state grants	7,810,514	8,015,555	-	-	7,810,514	8,015,555	-2.56%
Nonspecific program federal grants	-	310,713	-	-	-	310,713	-100.00%
Unrestricted investment earnings	65,403	49,502	3,523	3,752	68,926	53,254	29.43%
Other general revenues	159,557	206,932	2,288	1,883	161,845	208,815	-22.49%
Gain on sale of capital assets	-	50,984	-	-	-	50,984	-100.00%
Total revenues	<u>18,613,308</u>	<u>18,809,745</u>	<u>801,122</u>	<u>786,714</u>	<u>19,414,430</u>	<u>19,596,459</u>	<u>-0.93%</u>
Program expenses:							
Governmental activities:							
Instruction	11,083,160	10,203,441	-	-	11,083,160	10,203,441	8.62%
Support services	4,994,819	4,661,455	20,992	16,124	5,015,811	4,677,579	7.23%
Non-instructional programs	16,857	32,477	798,607	715,735	815,464	748,212	8.99%
Other expenses	1,345,641	1,426,783	-	-	1,345,641	1,426,783	-5.69%
Total expenses	<u>17,440,477</u>	<u>16,324,156</u>	<u>819,599</u>	<u>731,859</u>	<u>18,260,076</u>	<u>17,056,015</u>	<u>7.06%</u>
Change in net position	1,172,831	2,485,589	(18,477)	54,855	1,154,354	2,540,444	-54.56%
Net position beginning of year	<u>15,670,051</u>	<u>13,184,462</u>	<u>546,949</u>	<u>492,094</u>	<u>16,217,000</u>	<u>13,676,556</u>	<u>18.58%</u>
Net position end of year	<u>\$ 16,842,882</u>	<u>15,670,051</u>	<u>528,472</u>	<u>546,949</u>	<u>17,371,354</u>	<u>16,217,000</u>	<u>7.12%</u>

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 85.45% of the revenues from governmental activities while charges for service and sales and operating grants and contributions account for 99.27% of the revenue from business type activities.

The District's total revenues were \$19,414,430, of which \$18,613,308 was for governmental activities and \$801,122 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.93% decrease in revenues and a 7.06% increase in expenses. Statewide sales, services and use tax revenue increased by \$231,250 to help fund the increase in expenditures. The increase in expenses was related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$18,613,308 and expenses were \$17,440,477.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 11,083,160	10,203,441	8.62%	9,298,795	8,656,085	7.42%
Support services	4,994,819	4,661,455	7.15%	4,917,600	4,332,457	13.51%
Non-instructional programs	16,857	32,477	-48.10%	16,857	32,477	-48.10%
Other expenses	1,345,641	1,426,783	-5.69%	723,985	806,103	-10.19%
Totals	<u>\$ 17,440,477</u>	<u>16,324,156</u>	<u>6.84%</u>	<u>14,957,237</u>	<u>13,827,122</u>	<u>8.17%</u>

- The cost financed by users of the District's programs was \$1,244,157.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,239,083.
- The net cost of governmental activities was financed with \$6,379,470 in property tax, \$377,766 in income surtax, \$1,337,358 in statewide sales, services and use tax, \$7,810,514 in unrestricted state grants, \$65,403 in interest income and \$159,557 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$801,122 and expenses were \$819,599. The District's business type activities include the School Nutrition Fund. Revenues of these activities were primarily comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$5,256,955, an increase from last year's ending fund balance of \$5,072,465. The primary reason for the increase in combined fund balance in fiscal 2013 is due to the increase in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The state's student enrollment driven funding formula has not provided much "new money" over the course of the last several years, yet the District maintains a competitive hiring salary for each of its job classifications. However, this was the fourth time in seven years that General Fund revenues exceeded expenses. This resulted in the General Fund fund balance increasing by \$460,197 or 18.36%.
- The Capital Projects Fund balance decreased from \$1,522,582 at the beginning of the fiscal year 2013 to \$1,431,040. This decrease in fund balance was primarily a result statewide sales, services and use tax revenue used for the repayment of debt.

Proprietary Fund Highlights

The Proprietary Fund net position decreased from \$546,949 at June 30, 2012 to \$528,472 at June 30, 2013, representing a decrease of 3.38%. The decrease was due to increased program costs during fiscal year 2013. Nutrition Fund revenues increased 1.83% when compared with the prior year, however, expenses increased 11.99% when compared with the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Delaware County Community School District amended its budget one time to reflect additional expenditures associated with the early payment of the final installment on the District's revenue bonds issued in 2006.

The District's revenues were \$307,050 more than budgeted revenues, a variance of 1.61%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$18,224,049, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, furnishings athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.02% from the prior year. More detailed information about the District's capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$726,978.

The original cost of the District's capital assets was \$26,338,146. Governmental funds account for \$25,884,983 with the remainder of \$453,163 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land category. The District's land totaled \$70,750 at June 30, 2012, compared to \$245,750 reported at June 30, 2013.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 245,750	70,750	-	-	245,750	70,750	247.35%
Buildings	16,623,949	16,897,099	-	-	16,623,949	16,897,099	-1.62%
Land improvements	143,368	387,611	-	-	143,368	387,611	-63.01%
Machinery and equipment	1,020,571	861,524	190,411	194,907	1,210,982	1,056,431	14.63%
Total	\$ 18,033,638	18,216,984	190,411	194,907	18,224,049	18,411,891	-1.02%

Long-Term Debt

At June 30, 2013, the District had \$6,941,888 in bonded and other long-term debt outstanding. This represents a decrease of 13.28% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had general obligations bonds payable of \$5,800,000 at June 30, 2013.

The District had capital loan notes payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$710,000 at June 30, 2013.

The District had termination benefits payable from the General Fund and Special Revenue, Management Levy Fund of \$72,688 at June 30, 2013.

The District had compensated absences payable from the General Fund of \$43,200 at June 30, 2013.

The District had a total net OPEB liability of \$316,000 at June 30, 2013.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General Obligation Bonds	\$ 5,800,000	5,800,000	-	-	5,800,000	5,800,000	0.00%
Revenue Bonds	-	1,050,000	-	-	-	1,050,000	-100.00%
Capital Loan Notes	710,000	930,000	-	-	710,000	930,000	-23.66%
Termination benefits	72,688	22,016	-	-	72,688	22,016	230.16%
Compensated absences	43,200	42,609	-	-	43,200	42,609	1.39%
Net OPEB Liability	309,438	158,328	6,562	1,789	316,000	160,117	97.36%
Totals	\$ 6,935,326	8,002,953	6,562	1,789	6,941,888	8,004,742	-13.28%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
- The District's continuing decline in student enrollment mirrors the state-wide trend. Since funding is received primarily on a per pupil basis, revenues have increased more slowly than expenditures. The District's Management Team is continually seeking additional efficiencies in the operation of the non-instructional program, and is also recommending reductions in education staffing.
- The increase in required employer's contribution to IPERS to 8.93% of annual covered salary on July 1, 2013 will increase the West Delaware County Community School District's employer benefit costs during fiscal 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelly Jared, Director of Finance/Board Secretary, West Delaware County Community School District, 701 New Street, Manchester, Iowa, 52057.

BASIC FINANCIAL STATEMENTS

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,956,651	335,696	5,292,347
Receivables:			
Property tax:			
Delinquent	69,104	-	69,104
Succeeding year	6,136,310	-	6,136,310
Income surtax	357,928	-	357,928
Accounts	42,005	-	42,005
Due from other governments	615,763	-	615,763
Inventories	-	26,847	26,847
Capital assets, net of accumulated depreciation	18,033,638	190,411	18,224,049
Total assets	30,211,399	552,954	30,764,353
Liabilities			
Accounts payable	157,717	355	158,072
Salaries and benefits payable	90,962	6,477	97,439
Accrued interest payable	44,049	-	44,049
Deferred revenue:			
Succeeding year property tax	6,136,310	-	6,136,310
Other	4,153	-	4,153
Unearned revenue	-	11,088	11,088
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	230,000	-	230,000
Termination benefits payable	72,688	-	72,688
Compensated absences	43,200	-	43,200
Portion due after one year:			
General obligation bonds payable	5,800,000	-	5,800,000
Capital loan notes payable	480,000	-	480,000
Net OPEB liability	309,438	6,562	316,000
Total liabilities	13,368,517	24,482	13,392,999
Net Position			
Invested in capital assets, net of related debt	11,523,638	190,411	11,714,049
Restricted for:			
Categorical funding	375,933	-	375,933
Management levy purposes	472,225	-	472,225
Student activities	316,808	-	316,808
School infrastructure	926,803	-	926,803
Physical plant and equipment	504,237	-	504,237
Unrestricted	2,723,238	338,061	3,061,299
Total net position	\$ 16,842,882	528,472	17,371,354

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 7,164,283	413,621	133,712	(6,616,950)	-	(6,616,950)
Special	1,680,935	93,544	161,745	(1,425,646)	-	(1,425,646)
Other	2,237,942	716,388	265,355	(1,256,199)	-	(1,256,199)
	<u>11,083,160</u>	<u>1,223,553</u>	<u>560,812</u>	<u>(9,298,795)</u>	<u>-</u>	<u>(9,298,795)</u>
Support services:						
Student	504,800	-	257	(504,543)	-	(504,543)
Instructional staff	762,063	-	16,454	(745,609)	-	(745,609)
Administration	1,470,768	-	-	(1,470,768)	-	(1,470,768)
Operation and maintenance of plant	1,442,651	-	-	(1,442,651)	-	(1,442,651)
Transportation	814,537	20,604	39,904	(754,029)	-	(754,029)
	<u>4,994,819</u>	<u>20,604</u>	<u>56,615</u>	<u>(4,917,600)</u>	<u>-</u>	<u>(4,917,600)</u>
Non-instructional programs:						
Food service operations	16,857	-	-	(16,857)	-	(16,857)
Long-term debt interest	285,841	-	-	(285,841)	-	(285,841)
Other expenditures:						
AEA flowthrough	621,656	-	621,656	-	-	-
Depreciation(unallocated)*	438,144	-	-	(438,144)	-	(438,144)
	<u>1,059,800</u>	<u>-</u>	<u>621,656</u>	<u>(438,144)</u>	<u>-</u>	<u>(438,144)</u>
Total governmental activities	<u>17,440,477</u>	<u>1,244,157</u>	<u>1,239,083</u>	<u>(14,957,237)</u>	<u>-</u>	<u>(14,957,237)</u>
Business Type activities:						
Support services:						
Operation and maintenance of plant	20,992	-	-	-	(20,992)	(20,992)
Non-instructional programs:						
Food service operations	798,607	418,913	376,398	-	(3,296)	(3,296)
Total business type activities	<u>819,599</u>	<u>418,913</u>	<u>376,398</u>	<u>-</u>	<u>(24,288)</u>	<u>(24,288)</u>
Total	<u>\$ 18,260,076</u>	<u>1,663,070</u>	<u>1,615,481</u>	<u>(14,957,237)</u>	<u>(24,288)</u>	<u>(14,981,525)</u>
General Revenues:						
Property tax for:						
General purposes				\$ 5,924,535	-	5,924,535
Capital outlay				454,935	-	454,935
Income surtax				377,766	-	377,766
Statewide sales, services and use tax				1,337,358	-	1,337,358
Unrestricted state grants				7,810,514	-	7,810,514
Unrestricted investment earnings				65,403	3,523	68,926
Other general revenues				159,557	2,288	161,845
Total general revenues				<u>16,130,068</u>	<u>5,811</u>	<u>16,135,879</u>
Change in net position				1,172,831	(18,477)	1,154,354
Net position beginning of year				15,670,051	546,949	16,217,000
Net position end of year				<u>\$ 16,842,882</u>	<u>528,472</u>	<u>17,371,354</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,885,308	1,048,546	849,061	4,782,915
Receivables:				
Property tax:				
Delinquent	59,202	4,834	5,068	69,104
Succeeding year	5,024,450	472,360	639,500	6,136,310
Income surtax	357,928	-	-	357,928
Accounts	28,929	-	13,076	42,005
Due from other governments	237,915	377,788	60	615,763
Total assets	\$ 8,593,732	1,903,528	1,506,765	12,004,025
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 149,979	128	7,610	157,717
Salaries and benefits payable	90,183	-	779	90,962
Deferred revenue:				
Succeeding year property tax	5,024,450	472,360	639,500	6,136,310
Income surtax	357,928	-	-	357,928
Other	4,153	-	-	4,153
Total liabilities	5,626,693	472,488	647,889	6,747,070
Fund balances:				
Restricted for:				
Categorical funding	375,933	-	-	375,933
Management levy purposes	-	-	542,068	542,068
Student activities	-	-	316,808	316,808
School infrastructure	-	926,803	-	926,803
Physical plant and equipment	-	504,237	-	504,237
Unassigned	2,591,106	-	-	2,591,106
Total fund balances	2,967,039	1,431,040	858,876	5,256,955
Total liabilities and fund balances	\$ 8,593,732	1,903,528	1,506,765	12,004,025

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY 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)	\$	5,256,955
 Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		18,033,638
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		173,736
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		357,928
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.		(44,049)
Long-term liabilities, including bonds payable, capital loan notes payable, termination benefits payable, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,935,326)</u>
Net position of governmental activities(page 18)	\$	<u>16,842,882</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 5,761,843	1,792,293	467,186	8,021,322
Tuition	425,320	-	-	425,320
Other	346,450	22,237	797,080	1,165,767
Intermediate sources	5,304	-	-	5,304
State sources	8,492,189	233	244	8,492,666
Federal sources	429,657	-	-	429,657
Total revenues	<u>15,460,763</u>	<u>1,814,763</u>	<u>1,264,510</u>	<u>18,540,036</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,714,409	-	144,802	6,859,211
Special	1,926,314	-	8,079	1,934,393
Other	1,395,948	-	811,713	2,207,661
	<u>10,036,671</u>	<u>-</u>	<u>964,594</u>	<u>11,001,265</u>
Support services:				
Student	481,989	-	2,637	484,626
Instructional staff	609,351	127,401	803	737,555
Administration	1,338,668	4,517	14,511	1,357,696
Operation and maintenance of plant	1,283,869	-	115,639	1,399,508
Transportation	636,392	101,614	48,796	786,802
	<u>4,350,269</u>	<u>233,532</u>	<u>182,386</u>	<u>4,766,187</u>
Non-instructional programs:				
Food service operations	-	-	22,426	22,426
Capital outlay	-	377,484	-	377,484
Long-term debt:				
Principal	-	-	1,270,000	1,270,000
Interest and fiscal charges	-	-	306,043	306,043
	<u>-</u>	<u>-</u>	<u>1,576,043</u>	<u>1,576,043</u>
Other expenditures:				
AEA flowthrough	621,656	-	-	621,656
Total expenditures	<u>15,008,596</u>	<u>611,016</u>	<u>2,745,449</u>	<u>18,365,061</u>
Excess(Deficiency) of revenues over(under)expenditures	452,167	1,203,747	(1,480,939)	174,975
Other financing sources(uses):				
Transfer in	-	-	1,296,774	1,296,774
Transfer out	-	(1,296,774)	-	(1,296,774)
Compensation for loss of assets	-	1,485	-	1,485
Sale of capital assets	8,030	-	-	8,030
Total other financing sources(uses)	<u>8,030</u>	<u>(1,295,289)</u>	<u>1,296,774</u>	<u>9,515</u>
Change in fund balances	460,197	(91,542)	(184,165)	184,490
Fund balances beginning of year	<u>2,506,842</u>	<u>1,522,582</u>	<u>1,043,041</u>	<u>5,072,465</u>
Fund balances end of year	<u>\$ 2,967,039</u>	<u>1,431,040</u>	<u>858,876</u>	<u>5,256,955</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22)		\$ 184,490
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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. The amounts of capital outlays, depreciation expense and loss on disposal in the current year are as follows:		
Capital outlays	\$ 737,851	
Depreciation expense	(696,112)	
Loss on disposal	(225,085)	(183,346)
Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		10,586
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		1,270,000
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.		20,202
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		73,272
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(591)	
Termination benefits	(50,672)	
Other postemployment benefits	(151,110)	(202,373)
Change in net position of governmental activities(page 19)		<u>\$ 1,172,831</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Funds
Assets		
Cash and pooled investments	\$ 335,696	173,736
Inventories	26,847	-
Capital assets, net of accumulated depreciation	190,411	-
Total assets	552,954	173,736
Liabilities		
Accounts payable	355	-
Salaries and benefits payable	6,477	-
Unearned revenue	11,088	-
Net OPEB liability	6,562	-
Total liabilities	24,482	-
Net Position		
Invested in capital assets	190,411	-
Unrestricted	338,061	173,736
Total net position	\$ 528,472	173,736

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Funds
Operating revenues:		
Local sources:		
Charges for service	\$ 418,913	-
Miscellaneous	2,288	107,890
Total operating revenues	<u>421,201</u>	<u>107,890</u>
Operating expenses:		
Support services:		
Operation and maintenance of plant:		
Services	20,992	-
Non-instructional programs:		
Food service operations:		
Salaries	288,072	-
Benefits	58,085	-
Services	5,392	-
Supplies	412,277	-
Other	3,915	-
Depreciation	30,866	-
	<u>798,607</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	97,304
Total operating expenses	<u>819,599</u>	<u>97,304</u>
Operating income(loss)	(398,398)	10,586
Non-operating revenues:		
State sources	7,175	-
Federal sources	369,223	-
Interest on investments	3,523	-
Total non-operating revenues	<u>379,921</u>	<u>-</u>
Change in net position	(18,477)	10,586
Net position beginning of year	<u>546,949</u>	<u>163,150</u>
Net position end of year	<u>\$ 528,472</u>	<u>173,736</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Funds
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 420,328	-
Cash received from miscellaneous	2,288	107,890
Cash payments to employees for services	(336,126)	-
Cash payments to suppliers for goods or services	(385,677)	(97,304)
Net cash provided by(used in) operating activities	<u>(299,187)</u>	<u>10,586</u>
Cash flows from non-capital financing activities:		
State grants received	7,175	-
Federal grants received	302,928	-
Net cash provided by non-capital financing activities	<u>310,103</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(26,370)	-
Cash flows from investing activities:		
Interest on investments	3,523	-
Net increase(decrease) in cash and cash equivalents	(11,931)	10,586
Cash and cash equivalents beginning of year	347,627	163,150
Cash and cash equivalents end of year	<u>\$ 335,696</u>	<u>173,736</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (398,398)	10,586
Adjustments to reconcile operating gain(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	66,295	-
Depreciation	30,866	-
Increase in inventories	(7,677)	-
Decrease in accounts receivable	35	-
Decrease in accounts payable	(1,719)	-
Increase in salaries and benefits payable	5,258	-
Increase in unearned revenue	1,380	-
Increase in other postemployment benefits	4,773	-
Net cash provided by(used in) operating activities	<u>\$ (299,187)</u>	<u>10,586</u>

Non-cash investing, capital and related financing:

During the year ended June 30, 2013, the District received \$66,295 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Private Purpose Trust Scholarship	Agency
Assets		
Cash and pooled investments	\$ 33,383	15,486
Liabilities		
Due to other groups	-	15,486
Net Position		
Restricted for scholarships	\$ 33,383	-

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 5,900
Interest income	325
Total additions	6,225
Deductions:	
Instruction:	
Scholarships awarded	6,054
Change in net position	171
Net position beginning of year	33,212
Net position end of year	\$ 33,383

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

The West Delaware County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Manchester, Ryan, Dundee, Greeley, and Masonville, Iowa, and the predominate agricultural territory in Delaware and Buchanan 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, West Delaware County 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 West Delaware County 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 Delaware and Buchanan 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 the following 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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consist 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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 - restricted and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

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, 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	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

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

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is 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 represent 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 receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

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. 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:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

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

Unassigned - All amounts not included in other spendable classifications.

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

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

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 and the Treasurer of the State of Iowa; 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 no investments.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide, Sales, Services and Use Tax	\$ 1,042,242
Debt Service	Capital Projects: Physical Plant and Equipment Levy	254,532
Total		<u>\$ 1,296,774</u>

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund were needed for principal and interest payments on the District's capital loan note indebtedness.

(4) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,750	175,000	-	245,750
Total capital assets not being depreciated	<u>70,750</u>	<u>175,000</u>	<u>-</u>	<u>245,750</u>
Capital assets being depreciated:				
Buildings	21,044,900	145,836	7,407	21,183,329
Land improvements	731,644	-	310,461	421,183
Machinery and equipment	3,716,192	417,015	98,486	4,034,721
Total capital assets being depreciated	<u>25,492,736</u>	<u>562,851</u>	<u>416,354</u>	<u>25,639,233</u>
Less accumulated depreciation for:				
Buildings	4,147,801	418,986	7,407	4,559,380
Land improvements	344,033	19,158	85,376	277,815
Machinery and equipment	2,854,668	257,968	98,486	3,014,150
Total accumulated depreciation	<u>7,346,502</u>	<u>696,112</u>	<u>191,269</u>	<u>7,851,345</u>
Total capital assets being depreciated, net	<u>18,146,234</u>	<u>(133,261)</u>	<u>225,085</u>	<u>17,787,888</u>
Governmental activities capital assets, net	<u>\$ 18,216,984</u>	<u>41,739</u>	<u>225,085</u>	<u>18,033,638</u>
Business type activities:				
Machinery and equipment	\$ 427,693	26,370	900	453,163
Less accumulated depreciation	232,786	30,866	900	262,752
Business type activities capital assets, net	<u>\$ 194,907</u>	<u>(4,496)</u>	<u>-</u>	<u>190,411</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 126,655
Support services:	
Administration	2,280
Operation and maintenance of plant	8,728
Transportation	120,305
	<u>257,968</u>
Unallocated depreciation	<u>438,144</u>
Total depreciation expense - governmental activities	<u>\$ 696,112</u>
Business type activities:	
Food service operations	<u>\$ 30,866</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,800,000	-	-	5,800,000	-
Revenue bonds	1,050,000	-	1,050,000	-	-
Capital loan notes	930,000	-	220,000	710,000	230,000
Termination benefits	22,016	72,688	22,016	72,688	72,688
Compensated absences	42,609	43,200	42,609	43,200	43,200
Net OPEB liability	158,328	151,110	-	309,438	-
Total	\$ 8,002,953	266,998	1,334,625	6,935,326	345,888
Business type activities:					
Net OPEB liability	\$ 1,789	4,773	-	6,562	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of February 1, 2008			
	Interest Rates	Principal	Interest	Total
2014	4.000%	\$ -	237,900	237,900
2015	4.000	345,000	237,900	582,900
2016	4.000	360,000	224,100	584,100
2017	4.000	375,000	209,700	584,700
2018	4.125	390,000	194,700	584,700
2019-2023	4.125	2,205,000	718,988	2,923,988
2024-2027	4.125	2,125,000	223,575	2,348,575
Total		\$ 5,800,000	2,046,863	7,846,863

Capital Loan Notes

Details of the District's June 30, 2012 capital loan notes indebtedness payable from the Capital Projects: Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Note Issue of January 1, 2006			
	Interest Rates	Principal	Interest	Total
2014	3.70%	\$ 230,000	26,393	256,393
2015	3.70	235,000	17,883	252,883
2016	3.75	245,000	9,187	254,187
Total		\$ 710,000	53,463	763,463

Revenue Bonds Payable

During the year ended June 30, 2013, the District's revenue bonds issued January 1, 2006 were called in full. During the year, \$1,050,000 in principal and \$32,585 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,337,358.

Termination Benefits (Early Retirement)

The District offered a voluntary early retirement plan to its certified employees. Eligible employees had to be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees had to complete an application which was required to be approved by the Board of Education. Early retirement benefits included \$43 per day of unused sick leave. The early retirement benefits paid during the year ended June 30, 2013, totaled \$22,016. A portion of the early retirement benefit associated with District contributions for retiree health insurance premiums is determined based on actuarial valuations and is reflected in the net OPEB liability. Of the \$72,688 liability for termination benefits recorded at June 30, 2013, \$2,845 is payable from the General Fund with the remainder of \$69,843 to be paid from the Special Revenue, Management Levy Fund.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 204 active and 24 retired members in the plan. Retired 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. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit rate subsidy to the 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	\$ 364,000
Interest on net OPEB obligation	7,000
Adjustment to annual required contribution	(6,117)
Annual OPEB cost (expense)	<u>364,883</u>
Contributions made	(209,000)
Increase in net OPEB obligation	<u>155,883</u>
Net OPEB obligation - beginning of year	<u>160,117</u>
Net OPEB obligation - end of year	<u><u>\$ 316,000</u></u>

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

For the year ended June 30, 2013, the District contributed \$209,000 to the medical plan. Plan members eligible for benefits contributed \$161,000, or 43.5% 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
2011	\$ 275,590	86.0%	\$ 166,000
2012	276,117	102.1	160,117
2013	364,883	57.3	316,000

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 \$3,480,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,480,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,951,218, and the ratio of the UAAL to covered payroll was 38.9%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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 projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Table projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are for the \$752 per month for retirees who have attained age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension and Retirement Benefits

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

Plan members were required to contribute 5.78% of their annual covered salary and the District was required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$827,081, \$745,471 and \$634,196 respectively, equal to the required contributions for each year.

(8) Risk Management

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

West Delaware County 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.

(9) 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 \$621,656 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.

(10) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 201 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 20,818
Returning Dropouts and Dropout Prevention Programs	188,156
Beginning Teacher Mentoring and Induction Program	1,361
Teacher Salary Supplement	153,496
Textbook Aid for Nonpublic Students	1,352
Professional Development	10,750
	10,750
Total	\$ 375,933

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total			Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 9,612,409	424,724	10,037,133	9,579,352	9,579,352	457,781
Intermediate sources	5,304	-	5,304	5,000	5,000	304
State sources	8,492,666	7,175	8,499,841	8,699,221	8,699,221	(199,380)
Federal sources	429,657	369,223	798,880	750,535	750,535	48,345
Total revenues	18,540,036	801,122	19,341,158	19,034,108	19,034,108	307,050
Expenditures/Expenses:						
Instruction	11,001,265	-	11,001,265	11,330,942	11,330,942	329,677
Support services	4,766,187	20,992	4,787,179	5,325,924	5,325,924	538,745
Non-instructional programs	22,426	798,607	821,033	838,825	838,825	17,792
Other expenditures	2,575,183	-	2,575,183	2,158,119	2,693,119	117,936
Total expenditures/expenses	18,365,061	819,599	19,184,660	19,653,810	20,188,810	1,004,150
Excess(Deficiency) of revenues over(under) expenditures/expenses	174,975	(18,477)	156,498	(619,702)	(1,154,702)	1,311,200
Other financing sources, net	9,515	-	9,515	6,006	6,006	3,509
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	184,490	(18,477)	166,013	(613,696)	(1,148,696)	1,314,709
Balances beginning of year	5,072,465	546,949	5,619,414	5,193,668	5,193,668	425,746
Balances end of year	\$ 5,256,955	528,472	5,785,427	4,579,972	4,044,972	1,740,455

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY 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 comparison 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 and Internal Service 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$535,000.

WEST DELAWARE COUNTY 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	-	\$ 2,601,000	2,601,000	0.0%	\$ 6,621,408	39.3%
2010	July 1, 2008	-	2,601,000	2,601,000	0.0	8,543,080	30.4
2011	July 1, 2010	-	3,005,000	3,005,000	0.0	9,125,124	32.9
2012	July 1, 2010	-	3,005,000	3,005,000	0.0	9,237,562	32.5
2013	July 1, 2012	-	3,480,000	3,480,000	0.0	8,951,218	38.9

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 537,123	311,938	849,061
Receivables:			
Property tax:			
Delinquent	5,068	-	5,068
Succeeding year	639,500	-	639,500
Accounts	-	13,076	13,076
Due from other governments	-	60	60
Total assets	\$ 1,181,691	325,074	1,506,765
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 123	7,487	7,610
Salaries and benefits payable	-	779	779
Deferred revenue:			
Succeeding year property tax	639,500	-	639,500
Total liabilities	639,623	8,266	647,889
Fund balances:			
Restricted for:			
Management levy purposes	542,068	-	542,068
Student activities	-	316,808	316,808
Total fund balances	542,068	316,808	858,876
Total liabilities and fund balances	\$ 1,181,691	325,074	1,506,765

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 467,186	-	467,186	-	467,186
Other	11,966	785,108	797,074	6	797,080
State sources	244	-	244	-	244
Total revenues	479,396	785,108	1,264,504	6	1,264,510
Expenditures:					
Current:					
Instruction:					
Regular	144,802	-	144,802	-	144,802
Special	8,079	-	8,079	-	8,079
Other	-	811,713	811,713	-	811,713
Support services:					
Student	2,637	-	2,637	-	2,637
Instructional staff	803	-	803	-	803
Administration	14,511	-	14,511	-	14,511
Operation and maintenance of plant	115,639	-	115,639	-	115,639
Transportation	48,796	-	48,796	-	48,796
Non-instructional programs:					
Food service operations	22,426	-	22,426	-	22,426
Long-term debt:					
Principal	-	-	-	1,270,000	1,270,000
Interest and fiscal charges	-	-	-	306,043	306,043
Total expenditures	357,693	811,713	1,169,406	1,576,043	2,745,449
Excess(Deficiency) of revenues over(under) expenditures	121,703	(26,605)	95,098	(1,576,037)	(1,480,939)
Other financing sources:					
Transfer in	-	-	-	1,296,774	1,296,774
Change in fund balances	121,703	(26,605)	95,098	(279,263)	(184,165)
Fund balances beginning of year	420,365	343,413	763,778	279,263	1,043,041
Fund balances end of year	\$ 542,068	316,808	858,876	-	858,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Gymnasium Construction	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 548,123	1,020	499,403	1,048,546
Receivables:				
Property tax:				
Delinquent	-	-	4,834	4,834
Succeeding year	-	-	472,360	472,360
Due from other governments	377,788	-	-	377,788
Total assets	\$ 925,911	1,020	976,597	1,903,528
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 128	-	-	128
Deferred revenue:				
Succeeding year property tax	-	-	472,360	472,360
Total liabilities	128	-	472,360	472,488
Fund balances:				
Restricted for:				
School infrastructure	925,783	1,020	-	926,803
Physical plant and equipment	-	-	504,237	504,237
Total fund balances	925,783	1,020	504,237	1,431,040
Total liabilities and fund balances	\$ 925,911	1,020	976,597	1,903,528

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Gymnasium Construction	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 1,337,358	-	454,935	1,792,293
Other	16,309	-	5,928	22,237
State sources	-	-	233	233
Total revenues	<u>1,353,667</u>	<u>-</u>	<u>461,096</u>	<u>1,814,763</u>
Expenditures:				
Current:				
Support services:				
Instructional staff	127,401	-	-	127,401
Administration	3,767	-	750	4,517
Transportation	-	-	101,614	101,614
Capital outlay	246,342	-	131,142	377,484
Total expenditures	<u>377,510</u>	<u>-</u>	<u>233,506</u>	<u>611,016</u>
Excess of revenues over expenditures	976,157	-	227,590	1,203,747
Other financing sources(uses):				
Transfers out	(1,042,242)	-	(254,532)	(1,296,774)
Compensation for loss of assets	-	-	1,485	1,485
Total other financing sources(uses)	<u>(1,042,242)</u>	<u>-</u>	<u>(253,047)</u>	<u>(1,295,289)</u>
Change in fund balances	(66,085)	-	(25,457)	(91,542)
Fund balances beginning of year	991,868	1,020	529,694	1,522,582
Fund balances end of year	<u>\$ 925,783</u>	<u>1,020</u>	<u>504,237</u>	<u>1,431,040</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY 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	Balance End of Year
<u>District-wide:</u>				
General Activity	\$ 712	-	-	712
Special Programs Learning Aids	635	-	-	635
Special Programs Special Olympics	7,419	121	215	7,325
District-Wide Destination Imagination	-	4,573	4,349	224
	<u>8,766</u>	<u>4,694</u>	<u>4,564</u>	<u>8,896</u>
<u>Elementary:</u>				
Elem Vocal Music	737	-	-	737
Elem Activity	95,587	788	47,902	48,473
Elem Yearbook	1,814	2,921	2,294	2,441
	<u>98,138</u>	<u>3,709</u>	<u>50,196</u>	<u>51,651</u>
<u>Middle School:</u>				
MS Drama	91	-	-	91
MS Vocal Music	3,089	2,859	4,079	1,869
MS Band	2,540	1,632	941	3,231
MS Boys Basketball	-	1,227	1,227	-
MS Football	1,721	1,406	3,127	-
MS Boys Track	244	300	484	60
MS Boys Cross Country	104	408	30	482
MS Wrestling	-	2,281	2,152	129
MS Girls Basketball	-	1,689	1,689	-
MS Volleyball	253	1,146	794	605
MS Girls Track	101	1,479	1,520	60
MS Girls Cross Country	10	367	377	-
MS Activity	97,009	40,391	31,417	105,983
MS 5th Grade Activity	178	-	178	-
MS 8th Grade Field Trip	11,204	20	6,208	5,016
MS Rivers Day Activity	471	-	-	471
MS Peer Helpers	630	-	-	630
MS Student Council	92	-	-	92
MS FFA	55	-	55	-
MS Behavior Support	1,472	628	643	1,457
MS Yearbook	378	2,590	2,284	684
MS Concessions	8,060	26,050	25,609	8,501
	<u>127,702</u>	<u>84,473</u>	<u>82,814</u>	<u>129,361</u>
<u>High School:</u>				
HS Drama	7,985	15,616	19,831	3,770
HS Thespians	425	926	72	1,279
HS Speech	-	6,876	6,876	-
HS Vocal Music	-	14,542	14,542	-
HS Vocal Fundraisers	108	-	108	-
HS Band	1,243	7,010	8,253	-
HS Band Fundraisers	5,480	-	151	5,329
HS Music Trip	-	75,929	74,586	1,343

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>High School(continued):</u>				
HS Wrestling Cheerleading	-	5,396	5,396	-
HS Football Cheerleading	-	5,487	3,363	2,124
HS Basketball Cheerleading	-	4,275	3,746	529
HS Boys Basketball	-	28,202	25,567	2,635
HS Football	1,733	115,556	117,289	-
HS Boys Soccer	2,410	10,609	12,677	342
HS Baseball	-	34,370	34,370	-
HS Boys Track	6,105	6,162	4,957	7,310
HS Boys Cross Country	683	4,382	1,762	3,303
HS Boys Tennis	39	-	-	39
HS Boys Golf	-	1,302	1,302	-
HS Wrestling	-	40,239	40,239	-
HS Girls Basketball	833	21,383	21,630	586
HS Volleyball	756	15,639	12,409	3,986
HS Girls Soccer	6,298	19,284	18,361	7,221
HS Softball	957	30,651	31,608	-
HS Girls Track	2,628	7,295	6,090	3,833
HS Girls Cross Country	175	3,614	1,851	1,938
HS Girls Golf	-	1,717	521	1,196
HS Activity Tickets	7,027	17,945	17,624	7,348
HS Activity	857	9,031	398	9,490
HS After Prom	3	2,665	2,572	96
HS Art	2,593	175	978	1,790
HS SADD	1,306	-	-	1,306
HS Bowling	507	6,911	6,210	1,208
HS Prom	-	4,010	2,734	1,276
HS National Honor Society	2,925	3,383	3,090	3,218
HS Student Council	-	6,007	4,862	1,145
HS Dance Team	1,570	4,874	5,656	788
HS Show Choir	-	14,534	14,534	-
HS FBLA	1,486	23,737	25,223	-
HS FCCLA	3,503	5,855	5,856	3,502
HS Foreign Language Fundraising	446	1,893	110	2,229
HS Back to School Fundraiser	3,937	4,097	2,925	5,109
Class of 2013	1,719	2	1,337	384
Class of 2014	-	9	9	-
Class of 2015	-	10	10	-
Class of 2016	-	9	9	-
HS FFA	9,566	35,736	32,750	12,552
HS Athletic Equipment	5,941	-	-	5,941
HS Yearbook	24,168	22,866	27,235	19,799
HS Concessions	1,148	49,396	50,544	-
HS YADC	953	29	-	982
HY industrial Tech	1,294	1,038	775	1,557
HS Woods	-	1,558	1,141	417
	108,807	692,232	674,139	126,900
Total	\$ 343,413	785,108	811,713	316,808

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities:		
	Internal Service Funds		
	Self-funded	Tax	Total
	Insurance	Saver	
Assets			
Cash and pooled investments	\$ 140,178	33,558	173,736
Liabilities	-	-	-
Net Position			
Unrestricted	\$ 140,178	33,558	173,736

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013

	Governmental Activities:		
	Internal Service Funds		
	Self-funded Insurance	Tax Saver	Total
Operating revenues:			
Local sources:			
Miscellaneous	\$ 20,400	87,490	107,890
Operating expenses:			
Non-instructional programs:			
Other enterprise operations:			
Benefits	7,793	89,511	97,304
Change in net position	12,607	(2,021)	10,586
Net position beginning of year	127,571	35,579	163,150
Net position end of year	\$ 140,178	33,558	173,736

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

	Governmental Activities:		
	Internal Service Funds		
	Self-funded Insurance	Tax Saver	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 20,400	87,490	107,890
Cash payments to suppliers for goods or services	(7,793)	(89,511)	(97,304)
Net cash provided by(used in) operating activities	<u>12,607</u>	<u>(2,021)</u>	<u>10,586</u>
Net increase(decrease) in cash and cash equivalents	12,607	(2,021)	10,586
Cash and cash equivalents beginning of year	<u>127,571</u>	<u>35,579</u>	<u>163,150</u>
Cash and cash equivalents end of year	<u>\$ 140,178</u>	<u>33,558</u>	<u>173,736</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ 12,607	(2,021)	10,586
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities	-	-	-
Net cash provided by(used in) operating activities	<u>\$ 12,607</u>	<u>(2,021)</u>	<u>10,586</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>ELEMENTARY FACULTY VENDING</u>				
Assets				
Cash and pooled investments	\$ (4,207)	7,189	2,982	-
Due from other groups	4,207	-	4,207	-
	<u>\$ -</u>	<u>7,189</u>	<u>7,189</u>	<u>-</u>
Liabilities				
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>MIDDLE SCHOOL FACULTY VENDING</u>				
Assets				
Cash and pooled investments	\$ 4,392	38	4,270	160
Liabilities				
Due to other groups	\$ 4,392	38	4,270	160
<u>HIGH SCHOOL FACULTY VENDING</u>				
Assets				
Cash and pooled investments	\$ 433	3,432	3,039	826
Liabilities				
Due to other groups	\$ 433	3,432	3,039	826
<u>ACADEMIC BOOSTER</u>				
Assets				
Cash and pooled investments	\$ 4,072	34,962	24,534	14,500
Liabilities				
Due to other groups	\$ 4,072	34,962	24,534	14,500
<u>CAMP INVENTION</u>				
Assets				
Cash and pooled investments	\$ (2,150)	3,315	1,165	-
Due from other groups	2,150	-	2,150	-
	<u>\$ -</u>	<u>3,315</u>	<u>3,315</u>	<u>-</u>
Liabilities				
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>SCHOOL TO WORK</u>				
Assets				
Cash and pooled investments	\$ 1,500	-	1,500	-
Liabilities				
Due to other groups	\$ 1,500	-	1,500	-
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets				
Cash and pooled investments	\$ 4,040	48,936	37,490	15,486
Due from other groups	6,357	-	6,357	-
	<u>\$ 10,397</u>	<u>48,936</u>	<u>43,847</u>	<u>15,486</u>
Liabilities				
Due to other groups	\$ 10,397	38,432	33,343	15,486

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 8,021,322	7,686,396	7,561,982	6,805,373
Tuition	425,320	437,213	467,462	520,630
Other	1,165,767	937,835	1,097,057	1,427,154
Intermediate sources	5,304	18,208	19,176	10,887
State sources	8,492,666	8,814,318	7,921,970	7,236,430
Federal sources	429,657	872,162	796,285	1,407,316
Total	\$ 18,540,036	18,766,132	17,863,932	17,407,790
Expenditures:				
Current:				
Instruction:				
Regular	\$ 6,859,211	6,789,004	6,580,516	6,653,142
Special	1,934,393	1,835,959	1,754,746	1,720,533
Other	2,207,661	1,954,790	2,035,421	1,921,074
Support services:				
Student	484,626	457,426	489,796	538,091
Instructional staff	737,555	688,408	618,515	514,011
Administration	1,357,696	1,299,678	1,245,175	1,335,154
Operation and maintenance of plant	1,399,508	1,339,023	1,296,930	1,253,102
Transportation	786,802	787,546	844,250	839,998
Non-instructional programs	22,426	26,908	18,565	16,129
Capital outlay	377,484	304,334	79,362	1,870,086
Long-term debt:				
Principal	1,270,000	710,000	690,000	665,000
Interest	306,043	345,521	370,886	396,786
Other expenditures:				
AEA flow-through	621,656	620,680	685,085	681,550
Total	\$ 18,365,061	17,159,277	16,709,247	18,404,656

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis					
Years Ended June 30,					
2009	2008	2007	2006	2005	2004
6,524,265	6,199,860	6,144,866	6,040,121	5,979,031	5,338,738
588,931	530,119	475,862	469,363	424,314	375,884
1,014,302	1,995,017	1,290,501	1,027,705	733,515	619,639
3,223	2,337	18,945	1,648	992	2,225
8,247,287	7,988,447	7,665,915	7,069,095	6,830,325	6,728,038
672,074	450,431	490,028	525,365	534,309	620,330
17,050,082	17,166,211	16,086,117	15,133,297	14,502,486	13,684,854
6,814,274	6,761,292	6,245,118	5,876,112	5,507,524	5,470,527
1,997,925	1,793,130	1,778,297	1,604,609	1,421,712	1,807,235
1,788,129	1,740,027	1,791,278	1,668,535	1,687,515	1,248,063
557,396	523,663	506,034	506,248	461,371	475,490
577,663	587,147	627,900	637,959	606,391	744,472
1,327,736	1,244,674	1,231,530	1,655,746	1,139,647	1,151,947
1,224,170	1,201,451	1,295,088	1,119,330	919,307	847,699
668,223	797,057	721,294	669,179	631,989	606,693
14,077	12,588	12,005	10,773	8,177	4,000
4,744,937	3,157,006	6,060,294	221,750	91,893	182,404
640,000	620,000	555,000	22,428	273,056	266,233
481,196	207,975	261,468	52,292	7,306	15,339
609,219	580,821	558,796	539,508	539,265	550,205
21,444,945	19,226,831	21,644,102	14,584,469	13,295,153	13,370,307

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	\$ 40,258
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	328,965 *
			<u>369,223</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6950-GC	20,234
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6950-G	151,894
			<u>172,128</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 12	<u>1,247</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	<u>68,844</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	<u>9,912</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	<u>87,527</u>
TOTAL			<u>\$ 708,881</u>

* - Includes \$66,295 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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 West Delaware County Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Delaware County 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 March 12, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Delaware County 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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

West Delaware County Community School District's Responses to Findings

West Delaware County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. West Delaware County 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 on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2014
Newton, Iowa

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

To the Board of Education of West Delaware County Community School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2014
Newton, Iowa

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiencies in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Delaware County Community School District qualified as a low-risk auditee.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Agency Funds - We noted during our audit that the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the district serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District place certain assets into custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund."

The District appears to be improperly accounting for agency accounts. We noted staff pop accounts are reported in the Agency Fund. The revenues collected on the premises of the school are generally considered School proceeds and should be reported appropriately in the District records.

Recommendation - The District has control of the vending machines and therefore the profit should be reported and accounted for in the District records. Agency funds are to account for non-district revenue.

Response - Pop Funds have been moved and will be accounted in District Records, specifically the General Fund.

Conclusion - Response accepted.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amounts budgeted

IV-B-13 Questionable Disbursements - During our audit we noted disbursements that we believe may not meet public purpose requirements. Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. District coffers are public funds and therefore, the District must determine the propriety and document the public purpose and public benefit to be derived from District disbursements. More specific examples of those instances of questioned items and recommendations are as follows:

Incentive Prizes: We noted check #18155 from the Nutrition Fund to purchase four gift certificates to be given to contest winning students. We also noted checks #17515 and #17529 from the HS Student Council account in the Student Activity Fund written to students for prizes from the homecoming "Button Contest." Giving cash and/or cash equivalents to students as incentives or prizes does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - All staff and administration have been informed that cash and cash equivalents are not to be given as incentives or prizes.

Conclusion - Response accepted.

Staff Awards: We noted check #18161 issued from the National Honor Society account in the Student Activity Fund to purchase chamber bucks to be given to faculty for being named NHS Teacher of the Year. We question the public purpose of this expenditure.

Recommendation - The District should review policies and procedures to ensure that all expenditures of public funds meet public purpose requirements.

Response - All staff and administration have been informed that cash and cash equivalents are not to be given as awards.

Conclusion - Response accepted.

Staff Clothing: We noted check #17368 from the MS Concessions account in the Student Activity Fund for the purchase of clothing for middle school staff.

Recommendation - The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups. The costs associated with the clothing should be reimbursed from the employee or added to their W-2's as additional compensation. A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing for coaches and other District employees in lieu of using public funds.

Response - Staff Clothing will not be purchased from District Funds.

Conclusion - Response accepted.

- IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-13 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.
- IV-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.
- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales, Services, and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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		\$ 991,868
Revenues/transfers in:		
Sales tax revenues	\$ 1,337,358	
Other local revenues	16,309	1,353,667
		<u>2,345,535</u>
Expenditures/transfers out:		
School infrastructure construction	58,219	
Land purchased	175,022	
Equipment	142,440	
Other	1,829	
Transfers to other funds:		
Debt service fund	1,042,242	1,419,752
		<u>1,419,752</u>
Ending balance		<u>\$ 925,783</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.

IV-M-13 Athletic Officials Contracts - We noted during our audit that contracts for athletic officials are not all signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with 291.1 of the Code of Iowa.

Response - All contracts, including athletic officials contracts, entered into by the District will be signed by the Board President.

Conclusion - Response accepted.

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

Scholarship awards: We noted that the District awards scholarships to students from proceeds generated from activities recorded in the HS National Honor Society and Student Council accounts.

Recommendation - Scholarship awards to students are most appropriately handled through the Private Purpose Trust Fund. The District should determine the amount of scholarships to be awarded to students and receipt the proceeds and record subsequent expenditures in the Private Purpose Trust Fund.

Response - The district will review the scholarship payment process from Student Activity Fund Accounts, specifically National Honor Society and Student Council for appropriateness through the Trust Fund.

Conclusion - Response accepted.

Commissions - We noted that Lifetouch commissions were recorded in the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa, all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund; therefore, Lifetouch commissions would be more appropriately received into the General Fund.

Response - All commissions shall be received in the General Fund. Staff will be trained on the definition and appropriate receipting of commissions.

Conclusion - Response accepted.