

WEST MONONA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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West Monona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Peter Alexander	President	2013
Christine Kennedy	Vice President	2015
Geri Johnson	Board Member	2013
Hank Mason	Board Member	2013
Allen Carrier	Board Member	2015
<b>School Officials</b>		
Lyle Schwartz	Superintendent	2013
Roxane Bales	District Secretary/ Treasurer	2013
Ahlers Law Firm	Attorney	2013

WEST MONONA 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 Monona 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 the West Monona Community School District, Onawa, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implantation 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 risks 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 the West Monona Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with U.S. generally accepted accounting principles.

## **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 Findings Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in a 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 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 required supplementary 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 Monona 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 an unqualified opinion on those financial statements. Supplementary information included in Schedules 1 through 8, 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2014, on our consideration of the West Monona Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

January 15, 2014  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,350,669 in fiscal 2012 to \$7,492,724 in fiscal 2013, while General Fund expenditures increased from \$7,413,643 in fiscal 2012 to \$7,571,306 in fiscal 2013. The District's General Fund balance decreased from \$967,622 in fiscal 2012 to \$889,040 in fiscal 2013.
- The increase in General Fund revenues was primarily attributable to an increase in state sources of revenue. Increased expenditures for support services function represented the largest portion of the rise in expenditures.

### **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 Monona 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 Monona 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 Monona Community School District acts solely as an agent or custodial 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 governmental funds.

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

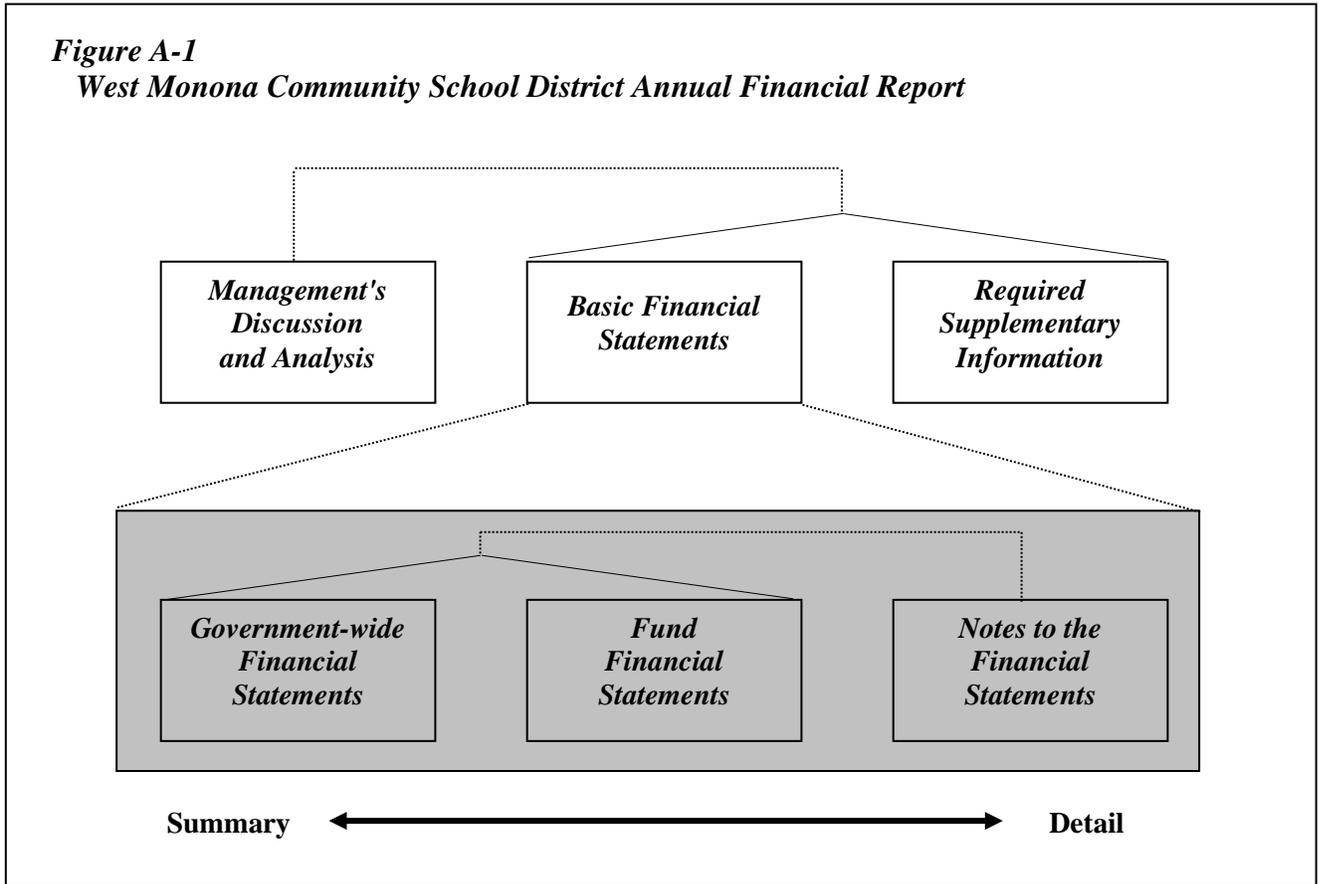


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<input type="checkbox"/> Statement of net position <input type="checkbox"/> Statement of activities	<input type="checkbox"/> Balance sheet  <input type="checkbox"/> Statement of revenues, expenditures, and changes in fund balances	<input type="checkbox"/> Statement of net position <input type="checkbox"/> Statement of revenues, expenses and changes in fund net position  <input type="checkbox"/> Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, 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 funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 9,464,244	6,872,583	75,315	103,077	9,539,559	6,975,660	36.75%
Capital assets	10,990,254	6,159,847	43,657	45,704	11,033,911	6,205,551	77.81%
Total assets	20,454,498	13,032,430	118,972	148,781	20,573,470	13,181,211	56.08%
Long-term obligations	11,001,002	4,351,684	2,691	1,414	11,003,693	4,353,098	152.78%
Other liabilities	5,341,711	4,823,547	11,624	10,608	5,353,335	4,834,155	10.74%
Total liabilities	16,342,713	9,175,231	14,315	12,022	16,357,028	9,187,253	78.04%
Net position:							
Invested in capital assets, net of related debt	2,144,781	2,459,847	43,657	45,704	2,188,438	2,505,551	-12.66%
Restricted	1,918,573	1,649,290	-	-	1,918,573	1,649,290	16.33%
Unrestricted	48,431	(251,938)	61,000	91,055	109,431	(160,883)	168.02%
Total net position	\$ 4,111,785	3,857,199	104,657	136,759	4,216,442	3,993,958	5.57%

The District's combined net position increased by 5.57%, or \$222,484, from the prior year. A large portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$269,283, or 16.33% over the prior year. This was primarily the result of an increase in the Capital Projects accounts fund balance.

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 \$270,314 or 168.02%.

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	
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2012-13	
Revenues:								
Program revenues:								
Charges for services	\$ 343,972	322,661	150,762	165,348	494,734	488,009	1.38%	
Operating grants, and contributions and restricted interest	725,473	796,074	231,379	204,621	956,852	1,000,695	-4.38%	
Capital grants, and contributions and restricted interest	26,790	-	-	-	26,790	-	100.00%	
General revenues:								
Property tax	3,463,310	2,848,282	-	-	3,463,310	2,848,282	21.59%	
Income surtax	223,581	198,265	-	-	223,581	198,265	12.77%	
Statewide sales, services and use tax	602,637	518,435	-	-	602,637	518,435	16.24%	
Unrestricted state grants	3,650,681	3,550,639	-	-	3,650,681	3,550,639	2.82%	
Nonspecific program federal grants	-	2,065	-	-	-	2,065	-100.00%	
Unrestricted investment earnings	4,448	169	-	-	4,448	169	2531.95%	
Other	50,024	52,325	-	-	50,024	52,325	-4.40%	
Total revenues	9,090,916	8,288,915	382,141	369,969	9,473,057	8,658,884	9.40%	
Program expenses:								
Governmental activities:								
Instruction	5,668,031	5,911,790	-	-	5,668,031	5,911,790	-4.12%	
Support services	2,389,132	2,430,734	40	-	2,389,172	2,430,734	-1.71%	
Non-instructional programs	-	845	414,203	360,738	414,203	361,583	14.55%	
Other expenses	779,167	582,688	-	-	779,167	582,688	33.72%	
Total expenses	8,836,330	8,926,057	414,243	360,738	9,250,573	9,286,795	-0.39%	
Increase(Decrease) in net position	254,586	(637,142)	(32,102)	9,231	222,484	(627,911)	-135.43%	
Beginning net position	3,857,199	4,494,341	136,759	127,528	3,993,958	4,621,869	-13.59%	
Ending net position	\$ 4,111,785	3,857,199	104,657	136,759	4,216,442	3,993,958	5.57%	

In fiscal 2013, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 87.34% of the revenue from governmental activities while charges for services and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$9.47 million of which \$9.09 million was for governmental activities and \$0.38 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.40% increase in revenues and a 0.39% decrease in expenses.

### Governmental Activities

Revenues for governmental activities were \$9,090,916 and expenses were \$8,836,330 for the year ended June 30, 2013.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 5,668,031	5,911,790	-4.12%	4,885,329	5,065,833	-3.56%
Support services	2,389,132	2,430,734	-1.71%	2,362,342	2,430,452	-2.80%
Non-instructional programs	-	845	-100.00%	-	845	-100.00%
Other expenses	779,167	582,688	33.72%	492,424	310,192	58.75%
Totals	\$ 8,836,330	8,926,057	-1.01%	7,740,095	7,807,322	-0.86%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$343,972.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$752,263.
- The net cost of governmental activities was financed with \$3,463,310 in property tax, \$223,581 in income surtax, \$602,637 in statewide sales, services and use tax, \$3,650,681 in unrestricted state grants, \$4,448 in interest income and \$50,024 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$382,141 and expenses were \$414,243. The District's business type activities include the School Nutrition Fund. Revenues of these activities were entirely comprised of charges for service and federal and state reimbursements.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,933,931 well above last year's ending fund balances of \$1,877,445. The primary reason for the increase was increases in fund balances of the Capital Project accounts.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in local tax and state sources of revenue helped increase revenues. Although the District experienced an increase in revenues, the District also experienced an increase in expenditures; total revenues were less than expenses resulting in the District's General Fund balance decreasing by \$78,582.
- The General Fund balance decreased from \$967,622 in fiscal 2012 to \$889,040 in fiscal 2013.

- The Capital Projects Fund balance increased from a balance of \$412,491 at the beginning of the fiscal year 2013 to \$2,485,553. This increase was a result of the unspent bond proceeds from the two bond issuances. The District issued general obligation bonds and revenue bonds for the Elementary renovations and addition project. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased from 658,115 at June 30, 2012 to \$1,599,982 at June 30, 2013. The Capital Projects: General Obligation Bonds Fund increased from a deficit fund balance of \$386,074 at June 30, 2012 to a fund balance of \$582,807 at June 30, 2013. The Capital Projects: Revenue Bonds fund balance increased from a deficit fund balance of \$19,472 at June 30, 2012 to a fund balance of \$0 at June 30, 2013. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$159,922 at June 30, 2012 to \$302,764 at June 30, 2013.
- The Debt Service Fund balance increased from \$317,082 at June 30, 2012 to \$405,265 at June 30, 2013.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from \$136,759 at June 30, 2012 to \$104,657 at June 30, 2013, representing a decrease of 23.47%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Monona Community School District amended its budget one time to reflect additional expenditures associated with instruction and support services.

The District's revenues were \$187,910 less than budgeted revenues, a variance of 1.95%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements 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 disbursements for the year.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, the District had invested approximately \$11.03 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents an increase of 77.81% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$268,218.

The original cost of the District's capital assets was \$15,692,867. Governmental funds account for \$15,430,234 with the remainder of \$262,633 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress, totaled \$5,438,102 at June 30, 2013, compared to \$481,482 reported at June 30, 2012. This increase is due to the continuing addition and renovation at Lark Elementary, now officially renamed West Monona Elementary school.

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	\$ 92,549	92,549	-	-	92,549	92,549	0.00%
Construction in progress	5,438,102	481,482	-	-	5,438,102	481,482	1029.45%
Buildings	5,053,991	5,195,050	-	-	5,053,991	5,195,050	-2.72%
Land improvements	82,359	64,069	-	-	82,359	64,069	28.55%
Machinery and equipment	323,253	326,697	43,657	45,704	366,910	372,401	-1.47%
Total	\$ 10,990,254	6,159,847	43,657	45,704	11,033,911	6,205,551	77.81%

### Long-Term Debt

At June 30, 2013, the District had \$11,003,693 in total long-term debt outstanding. This represents an increase of 152.78% from last 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 outstanding General Obligation Bonds payable at \$5,635,000 at June 30, 2013.

The District had outstanding Revenue Bonds payable of \$4,645,000 at June 30, 2013.

The District had computer lease payable of \$395,916 at June 30, 2013.

The District had termination benefits payable of \$119,500 at June 30, 2013.

The District had a net OPEB liability payable of \$208,277 at June 30, 2013. Governmental Activities account for \$205,586 while Business Type Activities account for \$2,691.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds \$	5,635,000	-	-	-	5,635,000	-	100.00%
Revenue Bonds	4,645,000	3,700,000	-	-	4,645,000	3,700,000	25.54%
Computer Lease	395,916	545,951	-	-	395,916	545,951	-27.48%
Termination benefits	119,500	-	-	-	119,500	-	100.00%
Net OPEB liability	205,586	105,733	2,691	1,414	208,277	107,147	94.38%
Total	\$ 11,001,002	4,351,684	2,691	1,414	11,003,693	4,353,098	152.78%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy continues to show signs of improvement. The legislature did approve more funding for schools for FY14, however, some of it was one time funding which does not carry the benefit of ongoing spending authority with it.

- West Monona has made an effort to reduce expenses through a reduction in personnel. Most of this was completed through attrition, which was aided by a retirement incentive package in the spring of 2013.
- West Monona's unspent spending authority has been declining in recent years due to decreases in revenue and increases in expenditures. This has reached a critical point and additional reductions in expenditures are essential.
- Historically, the District has entered into an annual contract with the West Monona Education Association. The District will negotiate a new agreement during FY14. Settlements in excess of 'new money' or supplemental state aid (formerly known as allowable growth) will have an adverse effect on the District's General Fund Budget and related fund balances. Corresponding cost reductions will be made to offset the cost of the negotiated settlement and other cost increases.
- Student enrollment has declined in the past two years despite slight increases the four preceding years. This has a direct negative impact on the District's revenue.
- Some of the financial reports and balances in this report were impacted by the construction of a major addition to the District's elementary school formerly referred to as Lark Elementary. This school has been officially renamed West Monona Elementary School. Due to the construction spanning three fiscal years, FY13-FY14-FY15, we must keep this in mind when reviewing financial reports.

## **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 Roxane Bales, District Secretary/Treasurer, West Monona Community School District, 1314 15th St, Onawa, Iowa, 51040.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 5,318,431	56,633	5,375,064
Receivables:			
Property tax:			
Delinquent	38,048	-	38,048
Succeeding year	3,568,335	-	3,568,335
Income surtax	200,790	-	200,790
Accounts	3,803	3,007	6,810
Due from other governments	334,837	5,722	340,559
Inventories	-	9,953	9,953
Capital assets, net of accumulated depreciation	10,990,254	43,657	11,033,911
<b>Total assets</b>	<b>20,454,498</b>	<b>118,972</b>	<b>20,573,470</b>
<b>Liabilities</b>			
Accounts payable	792,797	2,145	794,942
Salaries and benefits payable	718,880	9,185	728,065
Retainage payable	249,269	-	249,269
Accrued interest payable	12,188	-	12,188
Deferred revenue:			
Succeeding year property tax	3,568,335	-	3,568,335
Other	242	-	242
Unearned revenue	-	294	294
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Revenue bonds payable	180,000	-	180,000
Computer lease payable	154,722	-	154,722
Termination benefits	15,000	-	15,000
Portion due after one year:			
General obligation bonds payable	5,390,000	-	5,390,000
Revenue bonds payable	4,465,000	-	4,465,000
Computer lease payable	241,194	-	241,194
Termination benefits	104,500	-	104,500
Net OPEB liability	205,586	2,691	208,277
<b>Total liabilities</b>	<b>16,342,713</b>	<b>14,315</b>	<b>16,357,028</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	2,144,781	43,657	2,188,438
Restricted for:			
Categorical funding	430,544	-	430,544
School infrastructure	748,262	-	748,262
Physical plant and equipment levy	302,764	-	302,764
Student activities	43,926	-	43,926
Debt service	393,077	-	393,077
Unrestricted	48,431	61,000	109,431
<b>Total net position</b>	<b>\$ 4,111,785</b>	<b>104,657</b>	<b>4,216,442</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA 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 Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities		Business Type Activities
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,577,059	161,405	19,228	-	(3,396,426)	-	(3,396,426)
Special	1,125,636	41,557	165,519	-	(918,560)	-	(918,560)
Other	965,336	141,010	253,983	-	(570,343)	-	(570,343)
	5,668,031	343,972	438,730	-	(4,885,329)	-	(4,885,329)
Support services:							
Student	209,106	-	-	-	(209,106)	-	(209,106)
Instructional staff	270,814	-	-	-	(270,814)	-	(270,814)
Administration	883,773	-	-	-	(883,773)	-	(883,773)
Operation and maintenance of plant	751,418	-	-	26,790	(724,628)	-	(724,628)
Transportation	274,021	-	-	-	(274,021)	-	(274,021)
	2,389,132	-	-	26,790	(2,362,342)	-	(2,362,342)
Long-term debt interest	344,504	-	-	-	(344,504)	-	(344,504)
Other expenditures:							
AEA flowthrough	286,743	-	286,743	-	-	-	-
Depreciation (unallocated)*	147,920	-	-	-	(147,920)	-	(147,920)
	434,663	-	286,743	-	(147,920)	-	(147,920)
Total governmental activities	8,836,330	343,972	725,473	26,790	(7,740,095)	-	(7,740,095)
Business type activities:							
Support services:							
Operation and maintenance of plant	40	-	-	-	-	(40)	(40)
Non-instructional programs:							
Nutrition services	414,203	150,762	231,379	-	-	(32,062)	(32,062)
Total business type activities	414,243	150,762	231,379	-	-	(32,102)	(32,102)
Total	\$ 9,250,573	494,734	956,852	26,790	(7,740,095)	(32,102)	(7,772,197)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$	2,870,808	-	2,870,808
Capital outlay					145,699	-	145,699
Debt service					446,803	-	446,803
Income surtax					223,581	-	223,581
Statewide sales, services and use tax					602,637	-	602,637
Unrestricted state grants					3,650,681	-	3,650,681
Unrestricted investment earnings					4,448	-	4,448
Other					50,024	-	50,024
Total general revenues					7,994,681	-	7,994,681
Change in net position					254,586	(32,102)	222,484
Net position beginning of year					3,857,199	136,759	3,993,958
Net position end of year				\$	4,111,785	104,657	4,216,442

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,661,709	2,901,698	593,916	161,108	5,318,431
Receivables:					
Property tax:					
Delinquent	30,033	1,563	4,792	1,660	38,048
Succeeding year	2,622,517	298,780	397,038	250,000	3,568,335
Income surtax	133,860	66,930	-	-	200,790
Accounts	3,803	-	-	-	3,803
Due from other governments	118,260	216,555	16	6	334,837
<b>Total assets</b>	<b>\$ 4,570,182</b>	<b>3,485,526</b>	<b>995,762</b>	<b>412,774</b>	<b>9,464,244</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 205,643	384,994	193,459	8,701	792,797
Salaries and benefits payable	718,880	-	-	-	718,880
Retainage payable	-	249,269	-	-	249,269
Deferred revenue:					
Succeeding year property tax	2,622,517	298,780	397,038	250,000	3,568,335
Income surtax	133,860	66,930	-	-	200,790
Other	242	-	-	-	242
<b>Total liabilities</b>	<b>3,681,142</b>	<b>999,973</b>	<b>590,497</b>	<b>258,701</b>	<b>5,530,313</b>
Fund balances:					
Restricted for:					
Categorical funding	430,544	-	-	-	430,544
School infrastructure	-	2,182,789	-	-	2,182,789
Physical plant and equipment	-	302,764	-	-	302,764
Management levy purposes	-	-	-	110,147	110,147
Student activities	-	-	-	43,926	43,926
Debt service	-	-	405,265	-	405,265
Unassigned	458,496	-	-	-	458,496
<b>Total fund balances</b>	<b>889,040</b>	<b>2,485,553</b>	<b>405,265</b>	<b>154,073</b>	<b>3,933,931</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,570,182</b>	<b>3,485,526</b>	<b>995,762</b>	<b>412,774</b>	<b>9,464,244</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	3,933,931
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		10,990,254
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		200,790
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.		(12,188)
Long-term liabilities, including computer leases, revenue bonds payable, general obligation bonds payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(11,001,002)
		(11,001,002)
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b>4,111,785</b>
		<b>4,111,785</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 2,850,981	813,600	446,803	150,355	4,261,739
Tuition	201,334	-	-	-	201,334
Other	79,525	31,036	105	128,048	238,714
State sources	4,025,344	90	275	91	4,025,800
Federal sources	335,540	-	-	-	335,540
Total revenues	<u>7,492,724</u>	<u>844,726</u>	<u>447,183</u>	<u>278,494</u>	<u>9,063,127</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	3,159,756	59,085	-	21,372	3,240,213
Special	1,112,327	-	-	-	1,112,327
Other	804,152	-	-	127,694	931,846
	<u>5,076,235</u>	<u>59,085</u>	<u>-</u>	<u>149,066</u>	<u>5,284,386</u>
Support services:					
Student	206,296	-	-	-	206,296
Instructional staff	268,357	-	-	-	268,357
Administration	828,823	15,720	-	86,425	930,968
Operation and maintenance of plant	676,900	29,155	-	61,627	767,682
Transportation	227,952	-	-	7,553	235,505
	<u>2,208,328</u>	<u>44,875</u>	<u>-</u>	<u>155,605</u>	<u>2,408,808</u>
Capital outlays	-	5,151,150	-	-	5,151,150
Long-term debt:					
Principal	-	-	565,035	-	565,035
Interest and fiscal charges	-	3,450	330,276	-	333,726
	<u>-</u>	<u>3,450</u>	<u>895,311</u>	<u>-</u>	<u>898,761</u>
Other expenditures:					
AEA flowthrough	286,743	-	-	-	286,743
Total expenditures	<u>7,571,306</u>	<u>5,258,560</u>	<u>895,311</u>	<u>304,671</u>	<u>14,029,848</u>
Deficiency of revenues under expenditures	(78,582)	(4,413,834)	(448,128)	(26,177)	(4,966,721)
Other financing sources(uses):					
Transfer in	-	851,720	536,311	-	1,388,031
Transfer out	-	(1,388,031)	-	-	(1,388,031)
General obligation bond issuance	-	5,950,000	-	-	5,950,000
Premium on general obligation bond issuance	-	100,578	-	-	100,578
Discount on general obligation bond issuance	-	(57,554)	-	-	(57,554)
Revenue bond issuance	-	1,045,000	-	-	1,045,000
Premium on revenue bond issuance	-	3,127	-	-	3,127
Discount on revenue bond issuance	-	(17,944)	-	-	(17,944)
Total other financing sources(uses)	<u>-</u>	<u>6,486,896</u>	<u>536,311</u>	<u>-</u>	<u>7,023,207</u>
Change in fund balances	(78,582)	2,073,062	88,183	(26,177)	2,056,486
Fund balance beginning of year	967,622	412,491	317,082	180,250	1,877,445
Fund balance end of year	<u>\$ 889,040</u>	<u>2,485,553</u>	<u>405,265</u>	<u>154,073</u>	<u>3,933,931</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 2,056,486

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

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

Expenditures for capital assets	\$ 5,091,045	
Depreciation expense	<u>(260,638)</u>	4,830,407

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 27,789

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

Issued	(6,995,000)	
Repaid	<u>565,035</u>	(6,429,965)

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. (10,778)

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

Termination benefits	(119,500)	
Other postemployment benefits	<u>(99,853)</u>	<u>(219,353)</u>

Changes in net position of governmental activities(page 19) \$ 254,586

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School</u> <u>Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 56,633
Inventories	9,953
Accounts receivable	3,007
Due from other governments	5,722
Capital assets, net of accumulated depreciation	43,657
<b>Total assets</b>	<u>118,972</u>
<b>Liabilities</b>	
Accounts payable	2,145
Salaries and benefits payable	9,185
Unearned revenues	294
Net OPEB liability	2,691
<b>Total liabilities</b>	<u>14,315</u>
<b>Net Position</b>	
Investment in capital assets	43,657
Unrestricted	61,000
<b>Total net position</b>	<u>\$ 104,657</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 150,762
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Supplies	40
Non-instructional programs:	
Food service operations:	
Salaries	141,195
Benefits	33,163
Services	1,986
Supplies	230,244
Other	35
Depreciation	7,580
TOTAL OPERATING EXPENSES	414,243
OPERATING LOSS	(263,481)
NON-OPERATING REVENUES:	
State sources	3,378
Federal sources	228,001
TOTAL NON-OPERATING REVENUES	231,379
Change in net position	(32,102)
Net position beginning of year	136,759
Net position end of year	\$ 104,657

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 144,879
Cash payments to employees for services	(171,063)
Cash payments to suppliers for goods or services	(213,339)
Net cash used by operating activities	(239,523)
Cash flows from non-capital financing activities:	
State grants received	3,378
Federal grants received	207,619
Net cash provided by non-capital financing activities	210,997
Cash flows from capital financing activities:	
Acquisition of capital assets	(5,533)
Net decrease in cash and cash equivalents	(34,059)
Cash and cash equivalents at beginning of year	90,692
Cash and cash equivalents at end of year	\$ 56,633
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (263,481)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,900
Depreciation	7,580
Decrease in inventories	185
Increase in accounts receivable	(3,000)
Increase in accounts payable	1,881
Increase in salaries and benefits payable	2,018
Increase in unearned revenue	1,277
Decrease in other postemployment benefits	(2,883)
Net cash used by operating activities	\$ (239,523)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2013, the District received \$16,900 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**Note 1. Summary of Significant Accounting Policies**

The West Monona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, four-year old preschool and pre-school special education. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Onawa, Iowa, and the predominate agricultural territory in Monona and Harrison 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 Monona 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 Monona 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 Monona and Harrison County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary 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 service.

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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.

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

The District reports the following non-major proprietary fund:

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

### **C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

#### **D. Cash, Pooled Investments and Cash Equivalents**

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

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

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

#### **E. Property Taxes**

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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.

**F. 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.

**G. 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	\$ -
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

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

**H. 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.

**I. 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.

## **J. Unearned Revenue**

Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

## **K. 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.

## **L. Fund Balances**

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

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

*Assigned* - Amounts the Board intends to use for specific purposes.

*Unassigned* - All amounts not included in other spendable classifications.

## **M. Restricted Net Position**

In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net asset 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.

## **N. Budgeting and Budgetary Control**

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

## **Note 2. Deposits and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,335,059 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**Note 3. Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Sinking	Capital Projects: Statewide, Sales, Services and Use Tax	\$ 283,967
Debt Service	Capital Projects: Statewide, Sales, Services and Use Tax	165,806
Debt Sinking	Capital Projcets: Revenue Bond Construction	86,538
Capital Projects: Statewide, Sales, Services and Use Tax	Capital Projects: Revenue Bond Construction	<u>851,720</u>
Total		<u>\$ 1,388,031</u>

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

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payment on the District's Apple computer lease.

The transfer from the Capital Projects: Revenue Bond Construction Fund to the Debt Sinking Fund was to create the revenue bond reserve for the revenue bonds dated July 1, 2012.

The transfer from the Capital Projects: Revenue Bond Construction Fund to the Capital Projects: Statewide, Sales, Services and Use Tax Fund was needed to close the Capital Projects: Revenue Bond Construction Fund.

**Note 4. Capital Assets**

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

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>End</u> <u>of Year</u>
Business-type activities:				
Machinery and equipment	\$ 257,100	5,533	-	262,633
Less accumulated depreciation	211,396	7,580	-	218,976
Business type activities capital assets, net	<u>\$ 45,704</u>	<u>(2,047)</u>	<u>-</u>	<u>43,657</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 92,549	-	-	92,549
Construction in progress	481,482	4,956,620	-	5,438,102
Total capital assets not being depreciated	574,031	4,956,620	-	5,530,651
Capital assets being depreciated:				
Buildings	7,285,281	-	-	7,285,281
Land improvements	806,006	25,151	-	831,157
Machinery and equipment	1,673,871	109,274	-	1,783,145
Total capital assets being depreciated	9,765,158	134,425	-	9,899,583
Less accumulated depreciation for:				
Buildings	2,090,231	141,059	-	2,231,290
Land improvements	741,937	6,861	-	748,798
Machinery and equipment	1,347,174	112,718	-	1,459,892
Total accumulated depreciation	4,179,342	260,638	-	4,439,980
Total capital assets being depreciated, net	5,585,816	(126,213)	-	5,459,603
Governmental activities capital assets, net	\$ 6,159,847	4,830,407	-	10,990,254

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 36,681
Special	418
Other	15,053

Support services:

Administration	13,417
Operation and maintenance of plant	12,894
Transportation	34,255

Unallocated depreciation

Total governmental activities depreciation expense

Business type activities:

Food service operations	\$ 7,580
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### **Note 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	\$ -	5,950,000	315,000	5,635,000	245,000
Revenue bonds	3,700,000	1,045,000	100,000	4,645,000	180,000
Computer lease	545,951	-	150,035	395,916	154,722
Termination benefits	-	119,500	-	119,500	15,000
Net OPEB liability	105,733	99,853	-	205,586	-
<b>Total</b>	<b>\$ 4,351,684</b>	<b>7,214,353</b>	<b>565,035</b>	<b>11,001,002</b>	<b>594,722</b>
Business type activities:					
Net OPEB liability	\$ 1,414	1,277	-	2,691	-

### **General Obligation Bonds Payable**

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

Year Ending June 30,	Bond Issue of July 01, 2012			
	Interest Rate	Principal	Interest	Total
2014	2.00	% \$ 245,000	133,977	378,977
2015	2.00	250,000	129,077	379,077
2016	2.00	255,000	124,077	379,077
2017	2.00	260,000	118,977	378,977
2018	2.00	265,000	113,777	378,777
2019-2023	2.00-2.10	1,400,000	487,390	1,887,390
2024-2028	2.15-3.00	1,560,000	332,140	1,892,140
2029-2032	3.00	1,400,000	106,500	1,506,500
<b>Total</b>		<b>\$ 5,635,000</b>	<b>1,545,915</b>	<b>7,180,915</b>

### **Revenue Bonds Payable**

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

Year Ending June 30,	Bond Issue of June 01, 2010			
	Interest Rate	Principal	Interest	Total
2014	4.00	% \$ 125,000	152,280	277,280
2015	4.00	155,000	147,280	302,280
2016	4.00	165,000	141,080	306,080
2017	4.00	170,000	134,480	304,480
2018	4.00	180,000	127,680	307,680
2019-2023	4.00	1,020,000	524,400	1,544,400
2024-2028	4.10-4.60	1,275,000	295,955	1,570,955
2029-2030	4.70-4.80	510,000	29,470	539,470
<b>Subtotal</b>		<b>\$ 3,600,000</b>	<b>1,552,625</b>	<b>5,152,625</b>

Year Ending June 30,	Bond Issue of July 01, 2012				
	Interest Rate		Principal	Interest	Total
2014	2.00	% \$	55,000	27,638	82,638
2015	2.00		60,000	26,538	86,538
2016	1.50		60,000	25,338	85,338
2017	1.50		60,000	24,438	84,438
2018	2.00		60,000	23,538	83,538
2019-2023	2.00-3.00		295,000	98,262	393,262
2024-2028	3.00-3.50		325,000	55,260	380,260
2029-2030	3.50		130,000	5,425	135,425
Subtotal			\$ 1,045,000	286,437	1,331,437
Total			\$ 4,645,000	1,839,062	6,484,062

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,900,000 bonds issued in June 2010 and July 2012. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,484,062. For the current year \$100,000 of principal and \$156,280 of interest was paid on the bonds and statewide sales, services and use tax revenue were \$602,637.

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

- a) \$403,608 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) Monthly transfers will be made by the District from the Capital Projects: Statewide Sales, Services and Use Tax Fund shall be placed in a Reserve Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

**Computer Lease Payable**

During the year ended June 30, 2013, the District entered into a lease agreement with Apple, Inc. for the lease of computers. The principal and interest payments are paid from the Statewide Sales, Services and Use Tax Fund. Details of the District's June 30, 2013 computer lease indebtedness are as follows:

Year Ending June 30,	Computer Lease of June 1, 2012				
	Interest Rate		Principal	Interest	Total
2014	3.10	% \$	154,722	11,084	165,806
2015	3.10		159,556	6,250	165,806
2016	3.10		81,638	1,265	82,903
Total			\$ 395,916	18,599	414,515

**Termination Benefits (Early Retirement)**

The District offered a voluntary early retirement plan to its certified employees for one year. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. The plan is for \$500/month for costs towards retirees' medical insurance and they can stay on the plan if they would like. Employees must complete an application which is subject to approval by the Board of Education. During the year ended June 30, 2013, the District paid \$0 of termination benefits.

**Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$393,246, \$352,764, and \$287,304, respectively, equal to the required contributions for each year.

**Note 7. Other Postemployment Benefits**

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 80 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the Districts 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	\$ 130,804
Interest on net OPEB obligation	4,822
Adjustment to annual required contribution	(4,276)
Annual OPEB cost	<u>131,350</u>
Contributions made	<u>(30,220)</u>
Increase in net OPEB obligation	101,130
Net OPEB obligation beginning of year	<u>107,147</u>
Net OPEB obligation end of year	<u><u>\$ 208,277</u></u>

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

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	\$ 81,719	62.41 %	\$ 61,719
2012	84,428	46.19	107,147
2013	131,350	23.01	208,277

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 \$939,752, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$939,752. The covered payroll (annual payroll of active employees covered by the plan) was \$3,581,647, and the ratio of the UAAL to covered payroll was 26.24%. 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 event 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 July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The average salary increase is 3.5%. The medical insurance premium increases 4% per year.

Mortality rates are from the National Health Care Expenditures Projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services in 2007. Annual retirement and termination probabilities were based upon Table 1 in GASB Statement 45.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

The West Monona Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, vision, life and long-term disability.

The District’s contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$869,330.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

**Note 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 \$286,743 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Categorical Funding**

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

Program	Amount
Limited english proficient	\$ 15,465
Home school assistance program	42,993
Weighted at-risk programs	60,990
Gifted and talented programs	143,899
Dropout and dropout prevention programs	137,136
Core curriculum	3,299
Profession development	3,663
Teacher salary supplement	23,099
	\$ 430,544
Total restricted for categorical funding	\$ 430,544

**Note 11. Construction Commitment**

The District has entered into contracts totaling \$6,373,068 for an addition and renovations to Lark Elementary. As of June 30, 2013, costs \$5,408,484, had been incurred against the contract. The balance of \$964,584 remaining at June 30, 2013, will be paid as work on the project progresses.

**Note 12. Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in capital assets	School Infrastructure	Management Levy	Debt Service	Unassigned/ Restricted balances
Fund balance (Exhibit C)	\$ -	2,182,789	110,147	405,265	458,496
Capital assets	10,990,254	-	-	-	-
General obligation bond					
Proceeds expended for capital assets	(5,052,193)	-	-	-	-
General obligation bond proceeds not expended	-	(582,807)	-	-	-
Revenue bond proceeds expended for capital assets	(3,793,280)	-	-	-	-
Revenue bond proceeds not expended	-	(851,720)	-	-	-
Computer lease	-	-	-	-	(395,916)
Income surtax	-	-	-	-	200,790
Accrued interest payable	-	-	-	(12,188)	-
Termination benefits	-	-	(110,147)	-	(9,353)
Net OPEB liability	-	-	-	-	(205,586)
Net position (Exhibit A)	\$ 2,144,781	748,262	-	393,077	48,431

WEST MONONA COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,701,787	150,762	4,852,549	5,025,858	5,025,858	(173,309)
State sources	4,025,800	3,378	4,029,178	4,057,320	4,057,320	(28,142)
Federal sources	335,540	228,001	563,541	550,000	550,000	13,541
Total revenues	<u>9,063,127</u>	<u>382,141</u>	<u>9,445,268</u>	<u>9,633,178</u>	<u>9,633,178</u>	<u>(187,910)</u>
Expenditures/Expenses:						
Instruction	5,284,386	-	5,284,386	5,448,834	5,848,834	564,448
Support services	2,408,808	40	2,408,848	2,990,696	3,140,231	731,383
Non-instructional programs	-	414,203	414,203	579,816	579,816	165,613
Other expenditures	6,336,654	-	6,336,654	8,837,903	8,837,903	2,501,249
Total expenditures/expenses	<u>14,029,848</u>	<u>414,243</u>	<u>14,444,091</u>	<u>17,857,249</u>	<u>18,406,784</u>	<u>3,962,693</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(4,966,721)	(32,102)	(4,998,823)	(8,224,071)	(8,773,606)	3,774,783
Other financing sources, net	<u>7,023,207</u>	<u>-</u>	<u>7,023,207</u>	<u>7,003,500</u>	<u>7,003,500</u>	<u>19,707</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	2,056,486	(32,102)	2,024,384	(1,220,571)	(1,770,106)	3,794,490
Balance beginning of year	<u>1,877,445</u>	<u>136,759</u>	<u>2,014,204</u>	<u>1,404,833</u>	<u>1,404,833</u>	<u>609,371</u>
Balance end of year	<u>\$ 3,933,931</u>	<u>104,657</u>	<u>4,038,588</u>	<u>184,262</u>	<u>(365,273)</u>	<u>4,403,861</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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 \$549,535.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 683,000	\$ 683,000	0.00 %	\$ 3,245,586	21.04 %
2011	July 1, 2009	-	683,000	683,000	0.00	3,390,288	20.15
2012	July 1, 2009	-	683,000	683,000	0.00	3,637,764	18.78
2013	July 1, 2012	-	939,752	939,752	0.00	3,581,647	26.24

See Note 7 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 MONONA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 109,545	51,563	161,108
Receivables:			
Property tax:			
Delinquent	1,660	-	1,660
Succeeding year	250,000	-	250,000
Due from other governments	6	-	6
<b>Total assets</b>	<b>\$ 361,211</b>	<b>51,563</b>	<b>412,774</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,064	7,637	8,701
Deferred revenue:			
Succeeding year property tax	250,000	-	250,000
Total liabilities	251,064	7,637	258,701
Fund balances:			
Restricted for:			
Management levy purposes	110,147	-	110,147
Student activities	-	43,926	43,926
Total fund balances	110,147	43,926	154,073
<b>Total liabilities and fund balances</b>	<b>\$ 361,211</b>	<b>51,563</b>	<b>412,774</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA 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
REVENUES:			
Local sources:			
Local tax	\$ 150,355	-	150,355
Other	4,252	123,796	128,048
State sources	91	-	91
TOTAL REVENUES	<u>\$ 154,698</u>	<u>123,796</u>	<u>278,494</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	21,372	-	21,372
Other	-	127,694	127,694
Support services:			
Administration	86,425	-	86,425
Operation and maintenance of plant	61,627	-	61,627
Transportation	7,553	-	7,553
TOTAL EXPENDITURES	<u>176,977</u>	<u>127,694</u>	<u>304,671</u>
Change in fund balances	(22,279)	(3,898)	(26,177)
Fund balances beginning of year	132,426	47,824	180,250
Fund balances end of year	<u>\$ 110,147</u>	<u>43,926</u>	<u>154,073</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash and pooled investments	\$ 1,391,074	1,209,428	301,196	2,901,698
Receivables:				
Property tax:				
Delinquent	-	-	1,563	1,563
Succeeding year	-	-	298,780	298,780
Income surtax	-	-	66,930	66,930
Due from other governments	215,550	1,000	5	216,555
<b>Total Assets</b>	<b>\$ 1,606,624</b>	<b>1,210,428</b>	<b>668,474</b>	<b>3,485,526</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 6,642	378,352	-	384,994
Retainage payable	-	249,269	-	249,269
Deferred revenue:				
Succeeding year property tax	-	-	298,780	298,780
Income surtax	-	-	66,930	66,930
Total liabilities	6,642	627,621	365,710	999,973
<b>Fund balances:</b>				
Restricted for:				
School infrastructure	1,599,982	582,807	-	2,182,789
Physical plant and equipment	-	-	302,764	302,764
Total fund balances	1,599,982	582,807	302,764	2,485,553
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,606,624</b>	<b>1,210,428</b>	<b>668,474</b>	<b>3,485,526</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects				Total
	Statewide Sales and Services Tax	General Obligation Bond Construction	Revenue Bond Construction	Physical Plant and Equipment Levy	
REVENUES:					
Local sources:					
Local tax	\$ 602,637	-	-	210,963	813,600
Other	-	3,895	7,141	20,000	31,036
State sources	-	-	-	90	90
<b>TOTAL REVENUES</b>	<b>602,637</b>	<b>3,895</b>	<b>7,141</b>	<b>231,053</b>	<b>844,726</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	54,985	-	-	4,100	59,085
Support services:					
Administration	-	15,720	-	-	15,720
Operation and maintainance of plant	-	-	-	29,155	29,155
Capital outlay	5,482	5,012,118	78,594	54,956	5,151,150
Long-term debt:					
Interest and fiscal charges	2,250	200	1,000	-	3,450
<b>TOTAL EXPENDITURES</b>	<b>62,717</b>	<b>5,028,038</b>	<b>79,594</b>	<b>88,211</b>	<b>5,258,560</b>
Excess(Deficiency) of revenues over(under) expenditures	539,920	(5,024,143)	(72,453)	142,842	(4,413,834)
Other financing sources(uses):					
Transfer in	851,720	-	-	-	851,720
Transfer out	(449,773)	-	(938,258)	-	(1,388,031)
General obligation bond issuance	-	5,950,000	-	-	5,950,000
Premium on general obligation bond issuance	-	100,578	-	-	100,578
Discount on general obligation bond issuance	-	(57,554)	-	-	(57,554)
Revenue bond issuance	-	-	1,045,000	-	1,045,000
Premium on revenue bond issuance	-	-	3,127	-	3,127
Discount on revenue bond issuance	-	-	(17,944)	-	(17,944)
<b>Total other financing sources(uses)</b>	<b>401,947</b>	<b>5,993,024</b>	<b>91,925</b>	<b>-</b>	<b>6,486,896</b>
Change in fund balances	941,867	968,881	19,472	142,842	2,073,062
Fund balance beginning of year	658,115	(386,074)	(19,472)	159,922	412,491
Fund balance end of year	\$ 1,599,982	582,807	-	302,764	2,485,553

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2013

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>Assets</b>			
Cash and pooled investments	\$ (1,817)	595,733	593,916
Receivables:			
Property tax:			
Delinquent	4,792	-	4,792
Succeeding year	397,038	-	397,038
Due from other governments	16	-	16
<b>Total Assets</b>	<b>\$ 400,029</b>	<b>595,733</b>	<b>995,762</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	-	193,459	193,459
Deferred revenue:			
Succeeding year property tax	397,038	-	397,038
Total liabilities	397,038	193,459	590,497
<b>Fund balances:</b>			
Restricted for:			
Debt service	2,991	402,274	405,265
Total fund balances	2,991	402,274	405,265
<b>Total Liabilities and Fund Balances</b>	<b>\$ 400,029</b>	<b>595,733</b>	<b>995,762</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 DEBT SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2013

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 446,803	-	446,803
Other	-	105	105
State sources	275	-	275
TOTAL REVENUES	447,078	105	447,183
EXPENDITURES:			
Long-term debt:			
Principal	465,035	100,000	565,035
Interest and fiscal charges	144,858	185,418	330,276
TOTAL EXPENDITURES	609,893	285,418	895,311
Deficiency of revenues under expenditures	(162,815)	(285,313)	(448,128)
Other financing sources:			
Transfer in	165,806	370,505	536,311
Change in fund balances	2,991	85,192	88,183
Fund balance beginning of year	-	317,082	317,082
Fund balance end of year	\$ 2,991	402,274	405,265

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA 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
Speech	\$ 1,204	312	1,335	181
Fall Play	2,942	514	283	3,173
Vocal	6,461	2,061	823	7,699
Instrumental	5,732	2,906	17	8,620
Band Uniform	575	-	-	576
Boys Basketball Camp	768	-	-	768
Girls Basketball Camp	903	2,376	1,183	2,096
General Athletics	-	79,386	79,373	13
Girls Golf Camp	350	100	-	450
Boys Golf Camp	153	100	-	253
Baseball Camp	742	-	742	-
Boys Track Camp	92	-	-	92
Volleyball Club	81	681	504	258
Class of 2012	475	-	475	-
Class of 2013	1,000	90	700	390
Class of 2014	-	5,129	3,820	1,309
NHS-National Honor Society	121	-	85	36
Pep Club	22	-	-	22
HS Student Council	422	429	794	57
MS Student Council	1,489	1,062	1,403	1,148
MS Science Club	144	1,685	1,792	37
Art Club	580	84	589	75
Dance Team	1,175	1,350	1,608	917
Cheerleaders	134	-	-	134
BB Cheerleaders	1,639	1,042	1,112	1,569
FB Cheerleaders	1,026	850	1,171	705
WR Cheerleaders	188	-	-	188
Yearbook	7,903	9,439	11,051	6,291
Quiz Bowl	117	-	-	117
FCCLA	1,803	1,425	2,630	598
Raffle Tax	14	-	-	14
Pop/Juice	3,328	7,076	8,964	1,440
HS Science Club	172	197	176	193
Industrial Arts	114	-	-	114
Football Camp	1,108	2,621	3,665	64
Wrestling Club	36	-	-	36
Softball Camp	2,548	630	-	3,178
Weightlifting Club	579	-	-	579
HS Reward Trips	500	-	92	408
MS Reward Trips	1,056	2,251	3,307	-
Key Club	128	-	-	128
Total	\$ 47,824	123,796	127,694	43,926

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**WEST MONONA COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 4,261,739	3,567,429	3,335,386	3,074,799	2,951,000	2,822,147	2,814,782	2,365,190	2,064,037	2,087,616
Tuition	201,334	197,692	202,493	260,940	219,910	218,935	216,278	198,350	191,256	254,964
Other	238,714	189,321	252,873	245,931	331,617	394,558	434,636	286,709	305,143	137,331
Intermediate sources	-	-	-	-	-	-	-	-	6,510	-
State sources	4,025,800	3,947,593	3,545,702	2,961,720	3,303,916	3,629,585	3,360,010	3,353,141	3,177,181	3,012,213
Federal sources	335,540	389,327	620,241	720,883	359,789	308,242	267,709	262,205	287,310	225,846
<b>Total</b>	<b>\$ 9,063,127</b>	<b>8,291,362</b>	<b>7,956,695</b>	<b>7,264,273</b>	<b>7,366,232</b>	<b>7,373,467</b>	<b>7,093,415</b>	<b>6,465,595</b>	<b>6,031,437</b>	<b>5,717,970</b>
Expenditures:										
Instruction:										
Regular	\$ 3,240,213	3,911,735	3,025,453	2,710,565	2,753,050	2,643,890	2,602,390	2,336,293	2,229,304	1,938,166
Special	1,112,327	1,133,955	1,261,123	1,106,529	1,210,575	1,030,248	928,939	1,103,664	815,682	962,651
Other	931,846	839,562	650,873	644,863	477,573	438,408	573,321	391,394	406,183	371,246
Support services:										
Student	206,296	226,458	215,089	187,909	149,180	123,745	138,931	158,054	147,026	202,449
Instructional staff	268,357	224,771	224,553	205,744	164,642	152,569	97,840	115,974	82,558	92,142
Administration	930,968	884,819	781,674	695,376	735,429	800,031	857,651	845,949	709,071	730,528
Operation and maintenance of plant	767,682	650,467	672,281	614,026	599,037	566,107	610,037	743,790	645,090	574,575
Transportation	235,505	303,969	256,772	288,531	238,617	207,478	185,799	310,363	220,778	252,215
Non-instructional programs	-	845	11,575	12,507	8,585	14,827	9,142	10,199	12,046	8,031
Capital outlay	5,151,150	1,744,288	2,601,708	970,751	36,097	116,079	101,649	60,255	71,774	40,659
Long-term debt:										
Principal	565,035	245,000	45,000	200,352	180,000	170,000	160,000	150,000	145,000	146,168
Interest	333,726	244,625	101,395	12,024	21,887	30,308	39,353	48,075	58,890	67,320
Other expenditures:										
AEA flow-through	286,743	272,496	288,042	278,577	251,829	247,241	225,407	219,765	210,935	208,975
<b>Total</b>	<b>\$ 14,029,848</b>	<b>10,682,990</b>	<b>10,135,538</b>	<b>7,927,754</b>	<b>6,826,501</b>	<b>6,540,931</b>	<b>6,530,459</b>	<b>6,493,775</b>	<b>5,754,337</b>	<b>5,595,125</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

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

### **To the Board of Education of the West Monona 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 Monona Community School District as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2014.

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

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

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

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

A significant deficiency is a deficiency, or 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. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 and I-C-13 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Monona 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

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

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

### **West Monona Community School District's Responses to Findings**

West Monona Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. West Monona 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 Monona Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 15, 2014  
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparations, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparations, mailing and recording.

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

Response - Our personnel have visited about the segregation of duties. We continue to brainstorm how we can share duties to improve our segregation of duties and to limit the possibility of any impropriety.

Conclusion - Response acknowledged.

I-B-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - It is acknowledged that we did not collect hours worked for non-certified coaches. This has been addressed and those hours are now being collected.

Conclusion - Response accepted.

I-C-13 Old Class Accounts - We noted during our audit a check was written and authorized by the superintendent from the Class of 2012 account in the Student Activity Fund to the General Fund in the amount of \$154.97

Per Chapter 9 of the Uniform Administrative Procedures Manual; “upon dissolution of an activity, such as a graduating class or student club, the surplus must be used to support other student activities in the Student Activity Fund.”

Recommendation - The District should transfer \$154.97 from the General Fund to the Student Activity Fund to correct the error. The District’s Board of Directors should determine how remaining monies in graduated class accounts should be allocated to other individual student activity accounts if the graduated class does not specify the purpose.

Response - It is clear that any activity account to be dissolved will be addressed by the school board in the future if the group has not specified the purpose. The transfer suggested has been completed.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 did not exceed the certified amounts in the functional areas.
- II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - We noted no instances of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Service and Use Tax - During our audit, there was no instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	658,115
Revenues/transfers in:			
Sales tax revenues	\$	602,637	
Transfer from other funds		<u>851,720</u>	<u>1,454,357</u>
			2,112,472
Expenditures/Transfers Out:			
Equipment		59,585	
Other		3,132	
Transfers to other funds			
Debt service funds		<u>449,773</u>	
			<u>512,490</u>
Ending Balance			<u><u>\$ 1,599,982</u></u>

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

II-M-13 Checks Outstanding - We noted during our audit the District had checks included on the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Response - These checks have been cleared off the books under the direction of the auditor on site.

Conclusion - Response accepted.