

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Woodward-Granger Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Colleen Scharlau	President	2013
Rebecca Carroll	Vice President	2013
Eric Polich	Board Member	2015
Kelly Squires	Board Member	2015
Mike Musich	Board Member	2015
<b>School Officials</b>		
Brad Anderson	Superintendent	2013
Bob Torrence	District Secretary/ Treasurer and Business Manager	2013
Ahlers Law Firm	Attorney	2013

WOODWARD-GRANGER 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  
Woodward-Granger 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 Woodward-Granger Community School District, Woodward, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Woodward-Granger 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. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2014 on our consideration of Woodward-Granger Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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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Woodward-Granger 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 \$12,059,511 in fiscal 2012 to \$12,680,461 in fiscal 2013, while General Fund expenditures increased from \$11,555,424 in fiscal 2012 to \$12,334,302 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$1,946,625 in fiscal 2012 to \$2,292,784 in fiscal 2013, a 17.78% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in tuition and other revenue in fiscal 2013. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, increased heating and building maintenance costs, as well as additional costs associated with the Woodward Academy.

### **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 Woodward-Granger 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 Woodward-Granger 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 Woodward-Granger 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.

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

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

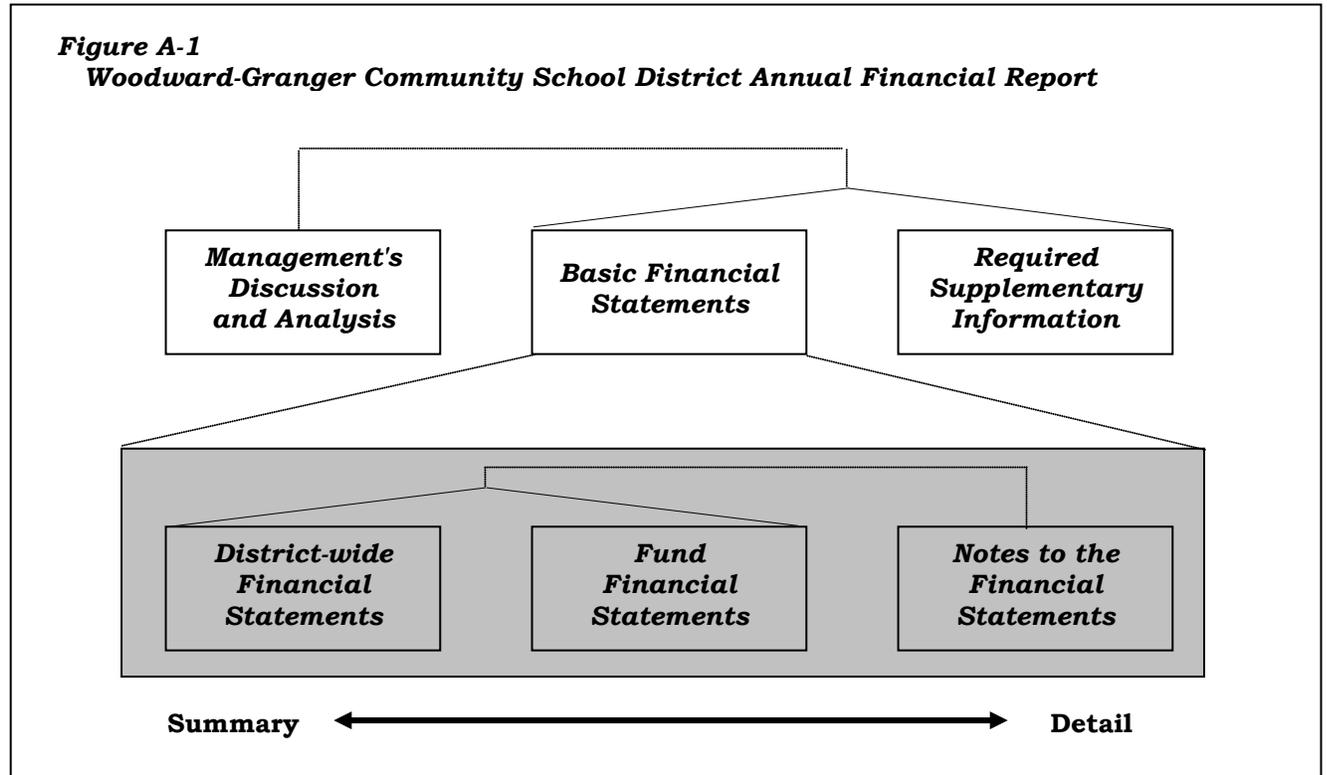


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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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 three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise 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 proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.
- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 12,016,285	9,714,317	25,804	22,397	12,042,089	9,736,714	23.68%
Capital assets	13,145,956	13,101,181	110,166	129,572	13,256,122	13,230,753	0.19%
Total assets	25,162,241	22,815,498	135,970	151,969	25,298,211	22,967,467	10.15%
Long-term obligations	10,756,636	9,253,483	0	0	10,756,636	9,253,483	16.24%
Other liabilities	6,221,531	6,221,752	166,302	162,602	6,387,833	6,384,354	0.05%
Total liabilities	16,978,167	15,475,235	166,302	162,602	17,144,469	15,637,837	9.63%
Net position:							
Invested in capital assets, net of related debt	3,405,956	4,791,181	110,166	129,572	3,516,122	4,920,753	-28.55%
Restricted	3,511,982	1,479,444	0	0	3,511,982	1,479,444	137.39%
Unrestricted	1,266,136	1,069,638	(140,498)	(140,205)	1,125,638	929,433	21.11%
Total net position	\$ 8,184,074	7,340,263	(30,332)	(10,633)	8,153,742	7,329,630	11.24%

The District’s combined net position increased by 11.24%, or \$824,112, over the prior year. The largest portion of the District’s net position is 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 represents 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 \$2,032,538, or 137.39% over the prior year. The increase was primarily a result of the issuance of refunding bonds during the year.

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 \$196,205, or 21.11%. This increase in unrestricted net position was a result of the increased health of the General Fund.

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

Figure A-4  
Changes in Net Position

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 4,144,146	3,512,225	206,736	232,378	4,350,882	3,744,603	16.19%
Operating grants and contributions and restricted interest	1,105,792	1,130,524	127,962	115,920	1,233,754	1,246,444	-1.02%
Capital grants and contributions and restricted interest	33,617	1,224	0	0	33,617	1,224	2646.49%
General revenues:							
Property tax	4,301,947	4,250,586	0	0	4,301,947	4,250,586	1.21%
Income surtax	412,026	360,127	0	0	412,026	360,127	14.41%
Statewide sales, services and use tax	575,332	522,612	0	0	575,332	522,612	10.09%
Unrestricted state grants	4,189,265	4,008,735	0	0	4,189,265	4,008,735	4.50%
Nonspecific program federal grants	5,570	141,728	0	0	5,570	141,728	-96.07%
Other	81,491	41,388	1	2	81,492	41,390	96.89%
Total revenues	14,849,186	13,969,149	334,699	348,300	15,183,885	14,317,449	6.05%
Program expenses:							
Governmental activities:							
Instruction	9,617,311	9,226,994	0	0	9,617,311	9,226,994	4.23%
Support services	3,376,570	3,320,349	3,450	3,316	3,380,020	3,323,665	1.70%
Non-instructional programs	0	0	350,948	344,923	350,948	344,923	1.75%
Other expenses	1,011,494	995,349	0	0	1,011,494	995,349	1.62%
Total expenses	14,005,375	13,542,692	354,398	348,239	14,359,773	13,890,931	3.38%
Change in net position	843,811	426,457	(19,699)	61	824,112	426,518	93.22%
Net position beginning of year	7,340,263	6,913,806	(10,633)	(10,694)	7,329,630	6,903,112	6.18%
Net position end of year	\$ 8,184,074	7,340,263	(30,332)	(10,633)	8,153,742	7,329,630	11.24%

In fiscal 2013, property tax and unrestricted state grants account for 57.18% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100.00% of the revenue from business type activities.

The District's total revenues were approximately \$15.2 million of which \$14.8 million was for governmental activities and \$.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 6.05% in revenues and a 3.38% increase in expenses. The increase in expenses was related to the increase in instructional costs during the year.

## Governmental Activities

Revenues for governmental activities were \$14,849,186 and expenses were \$14,005,375.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services 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	\$ 9,617,311	9,226,994	4.23%	4,714,163	4,899,696	-3.79%
Support services	3,376,570	3,320,349	1.69%	3,315,330	3,302,785	0.38%
Other expenses	1,011,494	995,349	1.62%	692,327	696,238	-0.56%
Totals	\$ 14,005,375	13,542,692	3.42%	8,721,820	8,898,719	-1.99%

- The cost financed by users of the District's programs was \$4,144,146.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,139,409.
- The net cost of governmental activities was financed with \$4,301,947 in property tax, \$412,026 in income surtax, \$575,332 in statewide sales, services and use tax, \$4,189,265 in unrestricted state grants, \$5,570 in nonspecific program federal grants, \$3,134 in interest income and \$78,357 in other general revenue.

## Business-Type Activities

Revenues of the District's business type activities were \$334,699 and expenses were \$354,398. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$5,460,845, compared to last year's ending fund balances of \$3,178,060. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in the General Fund balance.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local tax and state grants resulted in an increase in revenues. The increase in revenues was partially offset by the District's increase in General Fund expenditures, resulting in a fund balance increase from \$1,946,625, to \$2,292,784.
- The Capital Projects Fund balance increased from \$962,392 to \$974,603. The increase was the result of the sales tax revenues increasing faster than expenditures.

- The Debt Service Fund balance increased from \$7,523 to \$1,882,192. The increase was the result of a bond issuance during the year.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from a deficit of \$10,633 at June 30, 2012 to a deficit \$30,332 at June 30, 2013, representing a decrease of 185.26%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$63,306 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in federal 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 expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Over the course of the year, Woodward-Granger Community School District amended its annual budget one time to reflect additional expenditures in all functional areas.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$13.26 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$435,891.

The original cost of the District's capital assets was \$17.98 million. Governmental funds account for \$17.71 million with the remainder of \$0.27 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land category. The District's land totaled \$264,204 at June 30, 2013, compared to \$14,204 reported at June 30, 2012. This increase resulted from the purchase of a land in Granger for a new elementary school building.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 264,204	14,204	0	0	264,204	14,204	1760.07%
Buildings	12,493,677	12,808,825	0	0	12,493,677	12,808,825	-2.46%
Machinery and equipment	388,075	278,152	110,166	129,572	498,241	407,724	22.20%
Total	\$ 13,145,956	13,101,181	110,166	129,572	13,256,122	13,230,753	0.19%

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## Long-Term Debt

At June 30, 2013, the District had \$10,756,636 in general obligation and other long-term debt outstanding. This represents an increase of 16.24% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$8,710,000 at June 30, 2013.

The District had total outstanding capital loan notes payable of \$1,030,000 at June 30, 2013.

The District had total outstanding computer lease payable of \$188,519 at June 30, 2013.

The District had total outstanding Termination Benefits payable from the Special Revenue - Management Fund of \$69,000 at June 30, 2013.

The District had total outstanding Compensated Absences payable from the General Fund of \$20,319 at June 30, 2013.

The District had total outstanding Net OPEB liability payable from the General Fund of \$738,798 at June 30, 2013.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2013	2012	2012-13
General Obligation Bonds	\$ 8,710,000	7,095,000	22.76%
Capital Loan Note	1,030,000	1,215,000	-15.23%
Computer Lease	188,519	278,718	-32.36%
Termination Benefits	69,000	143,196	-51.81%
Compensated Absences	20,319	20,785	-2.24%
Net OPEB Liability	738,798	500,784	47.53%
Totals	\$ 10,756,636	9,253,483	16.24%

## 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:

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- Due to increasing enrollment, the District is currently undergoing construction to accommodate additional students. This will also require the hiring of additional staff for the new buildings resulting in increased spending for the District.

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## **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 Bob Torrence, District Secretary/Treasurer, Woodward-Granger Community School District, 306 West 3<sup>rd</sup> Street, Woodward, Iowa, 50276.

BASIC FINANCIAL STATEMENTS

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Primary Government		
	Governmental	Business Type	Total
	Activities	Activities	
<b>Assets</b>			
Cash and pooled investments	\$ 5,118,679	15,363	5,134,042
Receivables:			
Property tax:			
Delinquent	33,275	0	33,275
Succeeding year	4,455,976	0	4,455,976
Income surtax	365,568	0	365,568
Accounts	18,435	2,635	21,070
Due from other funds	142,440	0	142,440
Due from other governments	1,881,912	0	1,881,912
Inventories	0	7,806	7,806
Capital assets, net of accumulated depreciation	13,145,956	110,166	13,256,122
<b>Total Assets</b>	<b>25,162,241</b>	<b>135,970</b>	<b>25,298,211</b>
<b>Liabilities</b>			
Due to other funds	0	142,440	142,440
Accounts payable	810,648	15,562	826,210
Salaries and benefits payable	920,878	0	920,878
Accrued interest payable	31,659	0	31,659
Deferred revenue:			
Succeeding year property tax	4,455,976	0	4,455,976
Other	2,370	0	2,370
Unearned revenue	0	8,300	8,300
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	325,000	0	325,000
Capital loan notes payable	190,000	0	190,000
Computer lease payable	92,879	0	92,879
Termination benefits payable	33,000	0	33,000
Compensated absences	20,319	0	20,319
Portion due after one year:			
General obligation bonds payable	8,385,000	0	8,385,000
Capital loan notes payable	840,000	0	840,000
Computer lease payable	95,640	0	95,640
Termination benefits payable	36,000	0	36,000
Net OPEB liability	738,798	0	738,798
<b>Total Liabilities</b>	<b>16,978,167</b>	<b>166,302</b>	<b>17,144,469</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	3,405,956	110,166	3,516,122
Restricted for:			
Categorical funding	444,490	0	444,490
School infrastructure	706,062	0	706,062
Physical plant and equipment	268,541	0	268,541
Management levy purposes	185,514	0	185,514
Student activities	56,842	0	56,842
Debt service	1,850,533	0	1,850,533
Unrestricted	1,266,136	(140,498)	1,125,638
<b>Total Net Position</b>	<b>\$ 8,184,074</b>	<b>(30,332)</b>	<b>8,153,742</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total
					Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 4,238,572	582,025	55,818	0	(3,600,729)	0	(3,600,729)
Special	4,089,967	3,249,274	101,914	0	(738,779)	0	(738,779)
Other	1,288,772	312,847	601,270	0	(374,655)	0	(374,655)
	<u>9,617,311</u>	<u>4,144,146</u>	<u>759,002</u>	<u>0</u>	<u>(4,714,163)</u>	<u>0</u>	<u>(4,714,163)</u>
Support services:							
Student	293,814	0	0	0	(293,814)	0	(293,814)
Instructional staff	239,361	0	13,084	0	(226,277)	0	(226,277)
Administration	1,290,286	0	0	0	(1,290,286)	0	(1,290,286)
Operation and maintenance of plant	1,229,984	0	0	33,617	(1,196,367)	0	(1,196,367)
Transportation services	323,125	0	14,539	0	(308,586)	0	(308,586)
	<u>3,376,570</u>	<u>0</u>	<u>27,623</u>	<u>33,617</u>	<u>(3,315,330)</u>	<u>0</u>	<u>(3,315,330)</u>
Other expenses:							
Long-term debt interest	369,179	0	0	0	(369,179)	0	(369,179)
AEA flowthrough	319,167	0	319,167	0	0	0	0
Depreciation(unallocated)*	323,148	0	0	0	(323,148)	0	(323,148)
	<u>1,011,494</u>	<u>0</u>	<u>319,167</u>	<u>0</u>	<u>(692,327)</u>	<u>0</u>	<u>(692,327)</u>
Total governmental activities	14,005,375	4,144,146	1,105,792	33,617	(8,721,820)	0	(8,721,820)
Business Type activities:							
Support services:							
Administration	3,450	0	0	0	0	(3,450)	(3,450)
Non-instructional programs:							
Nutrition services	350,948	206,736	127,962	0	0	(16,250)	(16,250)
Total business type activities	<u>354,398</u>	<u>206,736</u>	<u>127,962</u>	<u>0</u>	<u>0</u>	<u>(19,700)</u>	<u>(19,700)</u>
Total primary government	\$ <u>14,359,773</u>	<u>4,350,882</u>	<u>1,233,754</u>	<u>33,617</u>	<u>(8,721,820)</u>	<u>(19,700)</u>	<u>(8,741,520)</u>
<b>General Revenues:</b>							
Property tax for:							
General purposes					\$ 3,322,029	0	3,322,029
Capital outlay					371,648	0	371,648
Debt service					608,270	0	608,270
Income surtax					412,026	0	412,026
Statewide sales, services and use tax					575,332	0	575,332
Unrestricted state grants					4,189,265	0	4,189,265
Nonspecific program federal grants					5,570	0	5,570
Unrestricted investment earnings					3,134	1	3,135
Other					78,357	0	78,357
Total general revenues					<u>9,565,631</u>	<u>1</u>	<u>9,565,632</u>
Changes in net position					843,811	(19,699)	824,112
Net position beginning of year					7,340,263	(10,633)	7,329,630
Net position end of year					<u>\$ 8,184,074</u>	<u>(30,332)</u>	<u>8,153,742</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 2,054,535	864,893	1,877,490	321,761	5,118,679
Receivables:					
Property tax:					
Delinquent	23,459	2,873	4,702	2,241	33,275
Succeeding year	3,011,216	391,282	761,479	291,999	4,455,976
Income surtax	365,568	0	0	0	365,568
Accounts	14,207	4,228	0	0	18,435
Due from other funds	142,440	0	0	0	142,440
Due from other governments	1,779,303	102,609	0	0	1,881,912
<b>Total Assets</b>	<b>\$ 7,390,728</b>	<b>1,365,885</b>	<b>2,643,671</b>	<b>616,001</b>	<b>12,016,285</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 797,912	0	0	12,736	810,648
Salaries and benefits payable	920,878	0	0	0	920,878
Deferred revenue:					
Succeeding year property tax	3,011,216	391,282	761,479	291,999	4,455,976
Income surtax	365,568	0	0	0	365,568
Other	2,370	0	0	0	2,370
Total liabilities	5,097,944	391,282	761,479	304,735	6,555,440
Fund balances:					
Restricted for:					
Categorical funding	444,490	0	0	0	444,490
School infrastructure	0	706,062	0	0	706,062
Physical plant and equipment	0	268,541	0	0	268,541
Management levy purposes	0	0	0	254,514	254,514
Student activities	0	0	0	56,842	56,842
Debt service	0	0	1,882,192	0	1,882,192
Unassigned	1,848,294	0	0	0	1,848,294
Student activities	0	0	0	(90)	(90)
Total fund balances	2,292,784	974,603	1,882,192	311,266	5,460,845
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,390,728</b>	<b>1,365,885</b>	<b>2,643,671</b>	<b>616,001</b>	<b>12,016,285</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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>	\$	5,460,845
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		13,145,956
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		365,568
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as liability in the governmental funds.		(31,659)
Long-term liabilities, including general obligation bonds payable, net OPEB liability, capital loan notes payable, computer lease payable, termination benefits payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds		<u>(10,756,636)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>8,184,074</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,426,878	946,980	608,270	288,571	5,270,699
Tuition	3,819,099	0	0	0	3,819,099
Other	161,958	34,204	3,004	269,090	468,256
State sources	4,749,979	0	0	0	4,749,979
Federal sources	522,547	0	0	0	522,547
Total revenues	12,680,461	981,184	611,274	557,661	14,830,580
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	4,213,839	0	0	0	4,213,839
Special	4,026,606	0	0	0	4,026,606
Other	1,018,005	0	0	259,524	1,277,529
	9,258,450	0	0	259,524	9,517,974
Support services:					
Student	288,808	0	0	0	288,808
Instructional staff	279,318	0	0	0	279,318
Administration	1,043,139	117,226	20,178	69,120	1,249,663
Operation and maintenance of plant	780,334	0	0	179,271	959,605
Transportation	365,086	0	0	0	365,086
	2,756,685	117,226	20,178	248,391	3,142,480
Capital outlay	0	526,544	0	0	526,544
Long-term debt:					
Principal	0	0	585,199	0	585,199
Interest and fiscal charges	0	0	369,977	0	369,977
	0	0	955,176	0	955,176
Other expenditures:					
AEA flowthrough	319,167	0	0	0	319,167
Total expenditures	12,334,302	643,770	975,354	507,915	14,461,341
Excess(deficiency) of revenues over(under) expenditures	346,159	337,414	(364,080)	49,746	369,239
Other financing sources(uses):					
General obligation bond issuance	0	0	1,925,000	0	1,925,000
Net discount on bond issuance	0	0	(11,454)	0	(11,454)
Transfers in	0	0	325,203	0	325,203
Transfers out	0	(325,203)	0	0	(325,203)
Total other financing sources(uses)	0	(325,203)	2,238,749	0	1,913,546
Net change in fund balances	346,159	12,211	1,874,669	49,746	2,282,785
Fund balance beginning of year	1,946,625	962,392	7,523	261,520	3,178,060
Fund balance end of year	\$ 2,292,784	974,603	1,882,192	311,266	5,460,845

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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) \$ 2,282,785

**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 Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 461,260	
Depreciation expense	(416,485)	44,775

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 18,606

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 liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Current year issuances and repayments are as follows:

Issued	(1,925,000)	
Repaid	585,199	(1,339,801)

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. 798

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	74,196	
Compensated Absences	466	
Net OPEB liability	(238,014)	(163,352)

**Changes in net position of governmental activities(page 19) \$ 843,811**

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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	\$ 15,363
Accounts receivable	2,635
Inventories	7,806
Capital assets, net of accumulated depreciation	110,166
<b>Total Assets</b>	<u>135,970</u>
<b>Liabilities</b>	
Due to other funds	142,440
Accounts payable	15,562
Unearned revenue	8,300
<b>Total Liabilities</b>	<u>166,302</u>
<b>Net Position</b>	
Invested in capital assets	110,166
Unrestricted	(140,498)
<b>Total Net Position</b>	<u>\$ (30,332)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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	\$ 206,736
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	3,450
Non-instructional programs:	
Food service operations:	
Services	300,515
Supplies	31,027
Depreciation	19,406
	350,948
TOTAL OPERATING EXPENSES	354,398
OPERATING LOSS	(147,662)
NON-OPERATING REVENUES:	
Interest income	1
State sources	2,711
Federal sources	125,251
TOTAL NON-OPERATING REVENUES	127,963
Decrease in net position	(19,699)
Net position beginning of year	(10,633)
Net position end of year	\$ (30,332)

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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	\$ 211,773
Cash payments to suppliers for goods or services	(308,984)
Net cash used in operating activities	(97,211)
Cash flows from non-capital financing activities:	
Repayments to the General Fund	(3,790)
State grants received	2,711
Federal grants received	103,432
Net cash provided by non-capital financing activities	102,353
Cash flows from investing activities:	
Interest on investments	1
Net increase in cash and cash equivalents	5,143
Cash and cash equivalents at beginning of year	10,220
Cash and cash equivalents at end of year	\$ 15,363
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (147,662)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	21,819
Depreciation	19,406
Increase in inventories	(1,157)
Decrease in accounts receivable	2,893
Increase in accounts payable	5,346
Increase in unearned revenue	2,144
Net cash used in operating activities	\$ (97,211)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$21,819 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

	Private Purpose	
	Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 47,040	4,205
<b>Total Assets</b>	<u>47,040</u>	<u>4,205</u>
<b>Liabilities</b>		
Due to other groups	0	4,205
<b>Total Liabilities</b>	<u>0</u>	<u>4,205</u>
<b>Net Position</b>		
Unrestricted	47,040	0
<b>Total Net Position</b>	<u>\$ 47,040</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2013

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 324
Contributions	750
Total additions	<u>1,074</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>2,254</u>
Change in net position	(1,180)
Net position beginning of year	<u>48,220</u>
Net position end of year	<u>\$ 47,040</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

The Woodward-Granger Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Woodward and Granger, Iowa, and the predominate agricultural territory in Dallas, Polk, and Boone 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, Woodward-Granger 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 Woodward-Granger Community School District has no component unit 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 Dallas, Polk, and Boone Counties Assessors' Conference Board.

**B. Basis of Presentation**

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

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation plus unspent bond proceeds 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* consist of net position that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the accumulation of resources for, and the payment of long-term debt principal and interest.

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Intangibles	75,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Intangibles	2 or more years
Furniture and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

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

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

At June 30, 2013 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1 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.

**(3) 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 Service	Capital Projects: Physical Plant and Equipment Levy	\$ 227,442
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>97,761</u>
Total		<u>\$ 325,203</u>

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

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

**(4) Due from and Due to Other Funds**

At June 30, 2013 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	\$ 142,440

The Enterprise, School Nutrition Fund is repaying the General Fund for money borrowed for cash flow purposes.

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,204	250,000	0	264,204
Total capital assets not being depreciated	14,204	250,000	0	264,204
Capital assets being depreciated:				
Buildings	16,333,267	8,000	0	16,341,267
Machinery and equipment	902,414	203,260	0	1,105,674
Total capital assets being depreciated	17,235,681	211,260	0	17,446,941
Less accumulated depreciation for:				
Buildings	3,524,442	323,148	0	3,847,590
Machinery and equipment	624,262	93,337	0	717,599
Total accumulated depreciation	4,148,704	416,485	0	4,565,189
Total capital assets being depreciated, net	13,086,977	(205,225)	0	12,881,752
Governmental activities capital assets, net	\$ 13,101,181	44,775	0	13,145,956
Business type activities:				
Machinery and equipment	\$ 268,913	0	0	268,913
Less accumulated depreciation	139,341	19,406	0	158,747
Business type activities capital assets, net	\$ 129,572	(19,406)	0	110,166

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,309
Special		666
Support services:		
Instructional staff		11,071
Administration		2,901
Operation and maintenance of plant		2,394
Transportation		74,996
		93,337
Unallocated depreciation		323,148
Total governmental activities depreciation expense		\$ 416,485
Business type activities:		
Food services		\$ 19,406

**(6) 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
General Obligation Bonds	\$ 7,095,000	1,925,000	310,000	8,710,000	325,000
Capital Loan Notes	1,215,000	0	185,000	1,030,000	190,000
Computer Lease	278,718	0	90,199	188,519	92,879
Termination Benefits	143,196	0	74,196	69,000	33,000
Compensated Absences	20,785	20,319	20,785	20,319	20,319
Net OPEB Liability	500,784	238,014	0	738,798	0
Total	\$ 9,253,483	2,183,333	680,180	10,756,636	661,198

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of July 1, 2004			Bond Issue of June 3, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	4.70 %	\$ 145,000	95,800	4.10	180,000	192,590
2015	4.13	150,000	88,984	4.10	190,000	185,210
2016	4.25	155,000	82,798	4.10	200,000	177,420
2017	4.37	165,000	76,210	4.10	205,000	169,220
2018	5.00	170,000	69,000	4.10	215,000	160,815
2019-2023	5.00	985,000	208,250	4.00	1,240,000	665,400
2024-2028	5.00	225,000	11,250	4.00	2,560,000	334,600
Total		\$ 1,995,000	632,292		\$ 4,790,000	1,885,255

Year Ending June 30,	Bond Issue of October 1, 2012			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	0.50	-	24,985	\$ 325,000	313,375	638,375
2015	0.50	185,000	24,985	525,000	299,179	824,179
2016	0.65	185,000	24,060	540,000	284,278	824,278
2017	0.85	190,000	22,858	560,000	268,288	828,288
2018	1.05	190,000	21,243	575,000	251,058	826,058
2019-2023	1.20-1.90	975,000	69,761	3,200,000	943,411	4,143,411
2024-2028	2.05	200,000	4,100	2,985,000	349,950	3,334,950
Total		\$ 1,925,000	191,992	\$ 8,710,000	2,709,539	11,419,539

Capital Loan Notes Payable

During the year ended June 30, 2008 the District issued \$1,900,000 in capital loan notes which are payable from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2013 capital loan notes indebtedness are as follows:

Year Ending June 30,	Note Issue of June 3, 2008				
	Interest Rates		Principal	Interest	Total
2014	3.25	% \$	190,000	35,930	225,930
2015	3.35		200,000	29,755	229,755
2016	3.50		205,000	23,055	228,055
2017	3.60		215,000	15,880	230,880
2018	3.70		220,000	8,140	228,140
Total			\$ 1,030,000	112,760	1,142,760

#### Computer Lease

Details of the District's June 30, 2013 computer lease indebtedness that will be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund:

Year Ending June 30,	Computer lease of July 15, 2011				
	Interest Rates		Principal	Interest	Total
2014	1.90	% \$	92,879	4,882	97,761
2015	1.90		95,640	2,121	97,761
Total			\$ 188,519	7,003	195,522

#### Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 100% of a single plan health insurance coverage with the district's maximum expenditure not to exceed \$4,000. The coverage terminates upon the employee reaching age 65 or upon the death of the employee, whichever is first. Early retirement benefits paid during the year ended June 30, 2013, totaled \$74,196. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current early retirement.

#### **(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 123 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug dental benefit as active employees, which results in an implicit 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 is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 262,121
Interest on net OPEB obligation	(12,520)
Adjustment to annual required contribution	49,206
Annual OPEB cost	<u>298,807</u>
Contributions made	<u>(60,793)</u>
Increase in net OPEB obligation	238,014
Net OPEB obligation beginning of year	<u>500,784</u>
Net OPEB obligation end of year	<u>\$ 738,798</u>

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

For the year ended June 30, 2013, the District contributed \$60,793 to the medical and dental plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 218,535	21.63	% \$ 336,073
2012	234,631	13.81	500,784
2013	298,807	20.35	738,798

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.172 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.172 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.96 million and the ratio of the UAAL to covered payroll was 23.63%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far

into the future. Examples include assumptions about future employment, mortality and 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 the 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 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, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2011 and 2011 were \$484,049, \$430,685 and \$336,515, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Woodward-Granger Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability

for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) 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 \$319,167 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.

**(11) Deficit Fund Balance/Net Position**

The Enterprise, School Nutrition Fund had deficit unrestricted net position of \$140,498 and total net position deficit of \$30,332 at June 30, 2013. In addition the HS Girls Volleyball had a deficit balance of \$90.

**(12) Categorical Funding**

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

Program	Amount
Gifted and talented	\$ 5,509
Dropout and dropout prevention	181,017
Statewide voluntary preschool	93,084
Educator quality, salary improvement program	39,501
Educator quality, professional development	68,796
Educator quality, model core curriculum	11,409
Textbook aid for nonpublic students	137
Iowa early intervention block grant	45,037
	444,490
Total restricted for categorical funding	\$ 444,490

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER 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	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 9,558,054	206,737	9,764,791	9,369,536	9,369,536	395,255
State sources	4,749,979	2,711	4,752,690	4,988,437	4,988,437	(235,747)
Federal sources	522,547	125,251	647,798	744,000	744,000	(96,202)
Total revenues	14,830,580	334,699	15,165,279	15,101,973	15,101,973	63,306
Expenditures/expenses:						
Instruction	9,517,974	0	9,517,974	9,013,500	10,460,586	942,612
Support services	3,142,480	3,450	3,145,930	4,003,356	4,800,000	1,654,070
Non-instructional programs	0	350,948	350,948	490,697	600,000	249,052
Other expenditures	1,800,887	0	1,800,887	1,431,015	3,700,000	1,899,113
Total expenditures/expenses	14,461,341	354,398	14,815,739	14,938,568	19,560,586	4,744,847
Excess(Deficiency) of revenues over(under) expenditures/expenses	369,239	(19,699)	349,540	163,405	(4,458,613)	4,808,153
Other financing sources(uses), net	1,913,546	0	1,913,546	0	0	1,913,546
Excess(deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	2,282,785	(19,699)	2,263,086	163,405	(4,458,613)	6,721,699
Balance beginning of year	3,178,060	(10,633)	3,167,427	2,958,613	2,958,613	208,814
Balance end of year	\$ 5,460,845	(30,332)	5,430,513	3,122,018	(1,500,000)	6,930,513

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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 Standard 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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 budget expenditures by \$4,622,018.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 1,244,652	\$ 1,244,652	0.00%	\$ 4,367,794	28.50%
2011	July 1, 2009	0	1,244,652	1,244,652	0.00%	4,377,964	28.43%
2012	July 1, 2011	0	1,295,536	1,295,536	0.00%	5,317,637	24.36%
2013	July 1, 2011	0	1,172,246	1,172,246	0.00%	4,960,293	23.63%

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

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue		Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	
<b>Assets</b>			
Cash and pooled investments	252,273	69,488	321,761
Receivables:			
Property tax:			
Delinquent	2,241	0	2,241
Succeeding year	291,999	0	291,999
<b>Total Assets</b>	<b>\$ 546,513</b>	<b>69,488</b>	<b>616,001</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 0	12,736	12,736
Deferred revenue:			
Succeeding year property tax	291,999	0	291,999
Total liabilities	291,999	12,736	304,735
Fund balances:			
Restricted for:			
Management levy purposes	254,514	0	254,514
Student activities	0	56,842	56,842
Unassigned	0	(90)	(90)
Total fund balances	254,514	56,752	311,266
<b>Total Liabilities and Fund Balances</b>	<b>\$ 546,513</b>	<b>69,488</b>	<b>616,001</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue		Total Special Revenue Funds
	Manage- ment Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 288,571	0	288,571
Other	4,937	264,153	269,090
Total revenues	293,508	264,153	557,661
Expenditures:			
Current:			
Instruction:			
Other	0	259,524	259,524
Support services:			
Administration	69,120	0	69,120
Operation and maintenance of plant	179,271	0	179,271
Total expenditures	248,391	259,524	507,915
Excess of revenues over expenditures	45,117	4,629	49,746
Fund balances beginning of year	209,397	52,123	261,520
Fund balances end of year	\$ 254,514	56,752	311,266

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2013

	Capital Project Funds		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Capital Projects
<b>ASSETS</b>			
Cash and pooled investments	\$ 603,453	261,440	864,893
Receivables:			
Property tax			
Delinquent	0	2,873	2,873
Succeeding year	0	391,282	391,282
Accounts	0	4,228	4,228
Due from other governments	102,609	0	102,609
<b>TOTAL ASSETS</b>	<b>\$ 706,062</b>	<b>659,823</b>	<b>1,365,885</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	391,282	391,282
Total liabilities	0	391,282	391,282
Fund balances:			
Restricted for:			
School infrastructure	706,062	0	706,062
Physical plant and equipment	0	268,541	268,541
Total fund balances	706,062	268,541	974,603
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 706,062</b>	<b>659,823</b>	<b>1,365,885</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Project Fund		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources			
Local tax	\$ 575,332	371,648	946,980
Other	0	34,204	34,204
Total revenues	575,332	405,852	981,184
Expenditures:			
Current:			
Support services:			
Administration	112,950	4,276	117,226
Capital outlay	381,004	145,540	526,544
Total expenditures	493,954	149,816	643,770
Excess of revenues over expenditures	81,378	256,036	337,414
Other financing uses:			
Transfer out	(97,761)	(227,442)	(325,203)
Total other financing uses	(97,761)	(227,442)	(325,203)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(16,383)	28,594	12,211
Fund balances beginning of year	722,445	239,947	962,392
Fund balances end of year	\$ 706,062	268,541	974,603

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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	Intrafund Transfers	Balance End of Year
<b>JH Athletic Accounts:</b>					
JH Boys Basketball	\$ 0	1,250	1,250	0	0
JH Football	0	946	946	0	0
JH Boys Track	0	836	836	0	0
JH Wrestling	0	180	180	0	0
JH Girls Basketball	0	1,000	1,000	0	0
JH Volleyball	0	241	241	0	0
JH Girls Track	0	135	135	0	0
	<u>0</u>	<u>4,588</u>	<u>4,588</u>	<u>0</u>	<u>0</u>
<b>JH Athletic Fundraiser:</b>					
JH Boys Basketball	\$ 0	0	0	91	91
JH Football	0	0	0	226	226
JH Boys Track	0	43	43	0	0
JH Girls Basketball	0	0	0	247	247
JH Volleyball	0	0	0	217	217
Elementary Girls Basketball	688	0	0	0	688
	<u>688</u>	<u>43</u>	<u>43</u>	<u>781</u>	<u>1,469</u>
<b>HS Athletic Accounts:</b>					
HS General Athletics	3,419	35,935	37,694	0	1,660
HS Golf	0	650	650	0	0
HS Boys Basketball	0	1,401	1,401	0	0
HS Football	0	11,004	11,004	0	0
HS Baseball	0	7,137	7,137	0	0
HS Boys Track	0	1,154	1,154	0	0
HS Wrestling	0	2,674	2,674	0	0
HS Girls Basketball	0	1,914	1,914	0	0
HS Volleyball	0	2,267	2,267	0	0
HS Softball	0	7,176	7,176	0	0
HS Girls Track	0	1,803	1,803	0	0
	<u>3,419</u>	<u>73,115</u>	<u>74,874</u>	<u>0</u>	<u>1,660</u>
<b>HS Athletic Fundraiser:</b>					
Girls and Boys Golf	29	0	0	0	29
Weightlifting	28	0	0	0	28
HS Boys Basketball	4,098	7,969	5,676	(91)	6,300
HS Football	2,495	26,333	26,849	(226)	1,753
Baseball	3,204	23,480	23,178	0	3,506
HS Boys Track	540	4,719	5,007	0	252
HS Wrestling	459	3,063	2,424	0	1,098
HS Girls Basketball	1,532	4,842	4,917	(247)	1,210
HS Girls Volleyball	265	3,422	3,560	(217)	(90)
HS Girls Softball	259	13,783	10,029	0	4,013
HS Girls Track	0	610	568	0	42
	<u>12,909</u>	<u>88,221</u>	<u>82,208</u>	<u>(781)</u>	<u>18,141</u>
<b>Activities Accounts:</b>					
Cash on hand	475	7,844	7,844	0	475
HS Cheerleaders	1,927	11,787	10,310	0	3,404
MS Cheerleaders	94	1,592	1,474	0	212
Class of 2013	4,621	1,052	5,673	0	0
Class of 2014	5,778	24,722	24,147	0	6,353
Class of 2015	260	8,845	5,544	0	3,561
Concession Stand	0	7,049	7,049	0	0
HS Dance Team	236	4,500	4,621	0	115
Drama	3,937	3,122	3,136	0	3,923
Flag Team Fundraiser	315	0	0	0	315
Jazz Festival	1,697	10,067	7,010	0	4,754
Marketing Fundraiser	603	0	0	0	603
Spanish Club	1,276	0	0	0	1,276
HS Student Council	2,710	9,206	10,269	0	1,647
MS Student Council	4,982	3,610	6,905	0	1,687
ELP	1,540	0	0	0	1,540
Yearbook	3,163	4,790	3,829	0	4,124
Elementary Student Council	1,054	0	0	0	1,054
Tri-M Fundraiser	439	0	0	0	439
	<u>35,107</u>	<u>98,186</u>	<u>97,811</u>	<u>0</u>	<u>35,482</u>
Total	<u>\$ 52,123</u>	<u>264,153</u>	<u>259,524</u>	<u>0</u>	<u>56,752</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b><u>Statewide Sales, Services and Use Tax</u></b>				
ASSETS				
Cash and pooled investments	\$ 203	132,505	132,505	203
	<u>\$ 203</u>	<u>132,505</u>	<u>132,505</u>	<u>203</u>
LIABILITIES				
Due to other groups	\$ 203	132,505	132,505	203
	<u>\$ 203</u>	<u>132,505</u>	<u>132,505</u>	<u>203</u>
<b><u>Teacher Pop</u></b>				
ASSETS				
Cash and pooled investments	\$ 3,248	754	0	4,002
	<u>\$ 3,248</u>	<u>754</u>	<u>0</u>	<u>4,002</u>
LIABILITIES				
Due to other groups	\$ 3,248	754	0	4,002
	<u>\$ 3,248</u>	<u>754</u>	<u>0</u>	<u>4,002</u>
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
ASSETS				
Cash and pooled investments	\$ 3,451	133,259	132,505	4,205
	<u>\$ 3,451</u>	<u>133,259</u>	<u>132,505</u>	<u>4,205</u>
LIABILITIES				
Due to other groups	\$ 3,451	133,259	132,505	4,205
	<u>\$ 3,451</u>	<u>133,259</u>	<u>132,505</u>	<u>4,205</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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
Revenues:					
Local sources:					
Local tax	\$ 5,270,699	5,138,771	4,846,166	4,462,938	4,334,175
Tuition	3,819,099	3,180,926	3,139,875	3,199,273	3,042,327
Other	468,256	389,231	414,454	382,451	525,164
State sources	4,749,979	4,557,865	3,796,564	3,520,267	4,018,933
Federal sources	522,547	707,802	723,654	1,028,426	469,552
Total	\$ 14,830,580	13,974,595	12,920,713	12,593,355	12,390,151
Expenditures:					
Current:					
Instruction:					
Regular	\$ 4,213,839	4,050,095	3,209,307	3,192,705	3,352,348
Special	4,026,606	3,714,620	3,651,361	3,697,322	3,684,357
Other	1,277,529	1,327,989	1,302,638	1,127,644	854,627
Support services:					
Student	288,808	231,888	208,513	284,119	228,214
Instructional staff	279,318	603,979	221,919	260,217	217,634
Administration	1,249,663	1,235,954	1,147,874	953,422	966,516
Operation and maintenance of plant	959,605	874,470	811,331	871,673	673,494
Transportation	365,086	317,957	373,584	269,129	292,760
Non-instructional programs	0	0	0	25	0
Capital outlay	526,544	163,588	715,412	1,731,187	4,776,431
Long-term debt:					
Principal	585,199	572,999	515,000	742,935	761,309
Interest	369,977	371,290	388,105	418,625	443,513
Other expenditures:					
AEA flow-through	319,167	299,111	306,467	305,777	270,262
Total	\$ 14,461,341	13,763,940	12,545,044	13,549,003	16,251,203

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

2008	2007	2006	2005	2004
3,562,849	3,411,897	2,970,812	2,866,489	2,485,726
2,902,427	2,416,577	2,369,680	2,367,322	1,416,833
490,237	387,814	367,226	321,089	271,143
3,846,070	3,627,329	3,201,767	3,034,280	2,512,232
387,945	366,931	392,317	371,799	344,294
11,189,528	10,210,548	9,301,802	8,960,979	7,030,228
3,477,718	3,113,317	2,672,466	2,492,078	2,537,706
3,400,319	3,048,937	2,804,889	2,832,695	1,930,535
584,943	435,368	639,858	618,314	416,418
195,404	205,935	181,587	222,986	214,108
190,316	190,944	251,380	182,376	157,706
980,359	1,018,479	997,818	688,281	675,188
651,067	630,563	518,574	429,979	472,061
407,459	365,278	356,718	248,768	203,210
0	0	0	0	0
941,913	762,944	1,486,917	1,877,531	199,688
522,319	461,462	336,864	304,313	235,000
171,897	168,299	163,341	151,545	76,235
254,635	235,532	206,218	193,002	184,489
11,523,714	10,401,526	10,410,412	10,048,866	7,117,855

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	\$ 14,471
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	109,797 *
			<u>124,268</u>
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 13	<u>983</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	<u>62,730</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	84.013	FY 13	<u>338,671</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 13	<u>18,268</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	<u>6,487</u>
HEARTLAND AREA EDUCATION AGENCY 11: SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 13	<u>43,109</u>
TOTAL			<u>\$ 594,516</u>

\* - Includes \$21,819 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **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  
Woodward-Granger Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 Woodward-Granger Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodward-Granger Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodward-Granger Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woodward-Granger 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 and Questioned Costs, we identified a certain deficiency in internal control over financial reporting 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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodward-Granger Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

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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 IV of the accompanying Schedule of Findings and Questioned Costs.

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

#### Woodward Granger CSD Responses to Findings

Woodward-Granger Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Woodward-Granger Community School District's responses 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 Woodward-Granger 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

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

To the Board of Education of  
Woodward-Granger Community School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Woodward-Granger Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

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

## Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Woodward-Granger Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Woodward-Granger Community School District's responses and, accordingly, we express no opinion on them.

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 15, 2014  
Newton, Iowa

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Individual Program:
    - CFDA Number 84.013 - Title I State Agency Program for Neglected and Delinquent Children and Youth
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Woodward-Granger Community School District did not qualify as a low-risk auditee.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of 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) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Inventories - ordering, receiving, issuing and storing.
- 4) Capital assets - purchasing, recording and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Transfers - preparing and approving.
- 7) Financial reporting - preparing, reconciling and approving.

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 - We hired another .5 FTE business office person to try to improve the situation. We also have each other verify our receipts and deposits.

Conclusion - Response accepted.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.013 - Title I State Agency Program for Neglected and Delinquent Children and Youth

Federal Award Year: 2013

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-13 Segregation of Duties - One important aspect of 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) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.

2) Disbursements - purchase order processing, check preparation, mailing and recording.

3) Financial reporting - preparing, reconciling and approving.

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 - We hired another .5 FTE business office person to try to improve the situation. We also have each other verify our receipts and deposits.

Conclusion - Response accepted

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 did not exceed the certified budget.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Rich Ashton, Bus Driver Owner of Dicks Fire Extinguisher	Services	\$1,476
Michael Blaser, Bus Driver Owner of Blaser Electric	Services	\$1,176
Larry Burgus, Custodian Owner Creative Spirit Studio	Services	\$400

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the named employees do not appear to represent conflicts of interest.

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

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

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

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

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

IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

IV-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the 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.3 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 reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 722,445
Revenues:		
Sales tax revenues		<u>575,332</u>
		<u>1,297,777</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 89,427	
Equipment	154,527	
Land purchased	250,000	
Other		
Transfers to other funds:		
Debt service fund	<u>97,761</u>	<u>591,715</u>
Ending balance		<u>\$ 706,062</u>

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

IV-M-13 Financial Condition - The District has a deficit unrestricted net position in the Enterprise, School Nutrition Fund of \$140,498 and a deficit total net position of \$30,332.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit fund balances.

Response - The District has hired a food service management company to run the school nutrition program to try to improve the situation.

Conclusion - Response accepted.

IV-N-13 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District’s year-end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District’s Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should seek financing from the local bank for the deficit in the Enterprise, Nutrition Fund.

Response - The District will investigate options for obtaining a loan for the Nutrition fund.

Conclusion - Response accepted.

IV-O-13 Credit Card Purchases - We noted numerous instances of the expenses on the District's credit card that lacked a detailed receipt, in addition we noted several instances that lacked a credit card receipt being provided to support the charge. The School Board Policy 401.10 states in part "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim."

Recommendation - The District should evaluate methods of ensuring compliance with the Board Policy.

Response - Receipts are required to be turned in for all physical purchases and order confirmations or receipts for online purchases.

Conclusion -Response accepted.

IV-P-13 Purchase Orders - We noted the Purchase Order system is not being consistently used for purchases with the District's credit cards. The purpose of the Purchase Order is to allow the school administration to approve the purchase before the purchase is completed.

Recommendation - The District should evaluate the controls on use of credit cards to ensure adequate control is maintained.

Response - Purchase orders are required prior to signing out the credit card and a sign out log is being used.

Conclusion - Response accepted.

IV-Q-13 Student Activity Fund - We noted an Excelerated Learning Program or ELP account is maintained in the Student Activity Fund. This is related to the TAG program and appears to be instructional in nature.

Recommendation - Due to the instructional nature of the account it would appear to be more appropriately maintained in the General Fund.

Response - We moved the account to the general fund.

Conclusion - Response accepted.