

AGWSR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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AGWSR Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Brian Johnson	President	2013
Gary Heetland	Vice President	2015
Maureen Meyer	Board Member	2015
Pat Ubben	Board Member	2013
Darren Janssen	Board Member	2015
Steve Bartling	Board Member	2015
Anthony Sillman	Board Member	2013

(After September 2013 Election)

Brian Johnson	President	2017
Gary Heetland	Vice President	2015
Maureen Meyer	Board Member	2015
Pat Ubben	Board Member	2017
Darren Janssen	Board Member	2015
Steve Bartling	Board Member	2015
Anthony Sillman	Board Member	2017

School Officials

Marty Jimmerson	Superintendent	2014
Deb Barker	District Secretary/Treasurer and Business Manager	2014
Ahlers & Cooney	Attorney	2014

AGWSR 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 AGWSR 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 AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2014, 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 AGWSR Community School District as of June 30, 2014, 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 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AGWSR Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, 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 December 19, 2014 on our consideration of AGWSR Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering AGWSR Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

December 19, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

AGWSR 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,566,102 in fiscal 2013 to \$6,471,717 in fiscal 2014, while General Fund expenditures increased from \$6,915,313 in fiscal 2013 to \$6,926,393 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,395,307 in fiscal 2013 to a balance of \$940,631 in fiscal 2014, a 32.59% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal sources in fiscal 2014. The increase in expenditures was primarily due to the support services functional areas and AEA flowthrough.

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 AGWSR 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 AGWSR 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 AGWSR Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

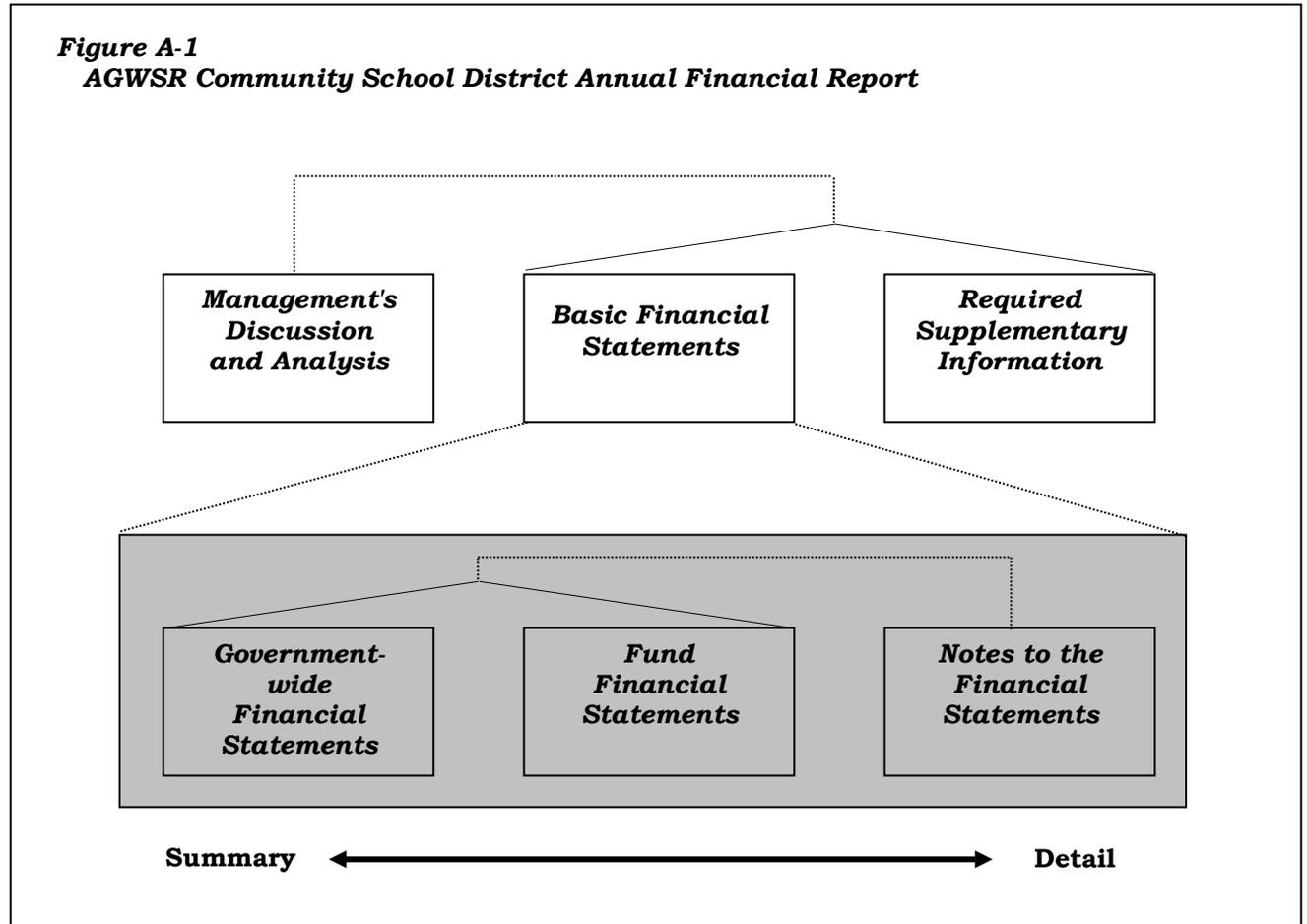


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 11,765,097	9,081,127	123,042	127,415	11,888,139	9,208,542	29.10%
Capital assets	8,703,757	4,712,810	67,200	62,914	8,770,957	4,775,724	83.66%
Total assets	20,468,854	13,793,937	190,242	190,329	20,659,096	13,984,266	47.73%
Long-term obligations	6,969,146	277,579	481	534	6,969,627	278,113	2406.04%
Other liabilities	1,321,251	971,560	21,777	17,531	1,343,028	989,091	35.78%
Total liabilities	8,290,397	1,249,139	22,258	18,065	8,312,655	1,267,204	555.98%
Deferred inflows of resources	3,378,939	3,293,734	-	-	3,378,939	3,293,734	2.59%
Net position:							
Net investment in capital assets	4,733,098	4,696,939	67,200	62,914	4,800,298	4,759,853	0.85%
Restricted	3,373,357	3,456,121	-	-	3,373,357	3,456,121	-2.39%
Unrestricted	693,063	1,098,004	100,784	109,350	793,847	1,207,354	-34.25%
Total net position	\$ 8,799,518	9,251,064	167,984	172,264	8,967,502	9,423,328	-4.84%

The District's combined net position decreased by 4.84%, or \$455,826, compared to the prior year. A significant 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 decreased \$82,764, or 2.39% less than the prior year. The decrease was primarily a result of the reduction in the Capital Projects: Statewide Sales, Services and Use Tax fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$413,507, or 34.25%. This decrease in unrestricted net position was primarily a result the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 451,695	474,351	428,333	373,953	880,028	848,304	3.74%
Operating grants, contributions and restricted interest	558,644	889,160	189,126	199,279	747,770	1,088,439	-31.30%
Capital grants, contributions and restricted interest	-	6,500	-	-	-	6,500	-100.00%
General revenues:							
Property tax	3,340,475	3,285,808	-	-	3,340,475	3,285,808	1.66%
Income surtax	364,955	295,472	-	-	364,955	295,472	23.52%
Statewide sales, services and use tax	542,283	529,746	-	-	542,283	529,746	2.37%
Unrestricted state grants	2,617,241	2,456,158	-	-	2,617,241	2,456,158	6.56%
Unrestricted investment earnings	39,832	20,826	46	39	39,878	20,865	91.12%
Other	147,830	66,232	1,320	1,342	149,150	67,574	120.72%
Total revenues	8,062,955	8,024,253	618,825	574,613	8,681,780	8,598,866	0.96%
Program expenses:							
Instructional	5,442,877	5,162,708	-	-	5,442,877	5,162,708	5.43%
Support services	2,479,927	2,269,126	30,520	24,899	2,510,447	2,294,025	9.43%
Non-instructional programs	3,499	2,094	592,585	565,805	596,084	567,899	4.96%
Other expenses	588,198	457,145	-	-	588,198	457,145	28.67%
Total expenses	8,514,501	7,891,073	623,105	590,704	9,137,606	8,481,777	7.73%
Change in net position	(451,546)	133,180	(4,280)	(16,091)	(455,826)	117,089	-489.30%
Beginning net position	9,251,064	9,117,884	172,264	188,355	9,423,328	9,306,239	1.26%
Ending net position	\$ 8,799,518	9,251,064	167,984	172,264	8,967,502	9,423,328	-4.84%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 85.14% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.78% of the revenue from business type activities.

The District's total revenues were approximately \$8.68 million, of which approximately \$8.06 million was for governmental activities and less than \$0.62 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.96% increase in revenues and a 7.73% increase in expenses. The increase in expenses was related to an increase in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$8,062,955 and expenses were \$8,514,501 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,442,877	5,162,708	5.43%	4,736,021	4,093,817	15.69%
Support services	2,640,037	2,269,126	16.35%	2,439,680	2,223,373	9.73%
Non-instructional programs	3,499	2,094	67.10%	3,499	2,094	67.10%
Other expenses	428,088	457,145	-6.36%	324,962	201,778	61.05%
Totals	\$ 8,514,501	7,891,073	7.90%	7,504,162	6,521,062	15.08%

- The cost financed by users of the District's programs was \$451,695.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$558,644.
- The net cost of governmental activities was financed with \$3,340,475 in property tax, \$364,955 in income surtax, \$542,283 in statewide sales, services and use tax, \$2,617,241 in unrestricted state grants, \$39,832 in unrestricted investment earnings, and \$147,830 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$618,825 and expenses were \$623,105. The District's business type activities include the School Nutrition Fund, and the Cougar's Den Day Care Fund. Revenues of these activities were comprised of charges for service, donations, miscellaneous, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,782,643, well above last year's ending fund balances of \$4,543,405. The primary reason for the increase in combined fund balances in fiscal 2014 is due to approximately \$2 million in unspent bond proceeds received in fiscal 2014.

Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2014 decreased 1.44 % or \$94,385, to \$6,471,717 compared to \$6,566,102 in fiscal 2013. The expenses increased by 0.16% or \$11,080 to \$6,926,393 compared to \$6,915,313 in fiscal 2013. The General Fund balance decreased \$454,676.
- The Capital Projects Accounts balance increased from \$1,634,357 in fiscal 2013 to \$3,846,521 in fiscal 2014. The increase in fund balance was due primarily to the issuance of general obligation bonds.
- The Management Levy Fund balance decreased from \$1,419,644 in fiscal 2013 to \$1,406,457 in fiscal 2014. The decrease in fund balance was due primarily to an increase in insurance costs.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$72,709 at June 30, 2013 to \$61,802 at June 30, 2014, representing a decrease of 15.00%. The Cougar's Den Day Care Fund net position increased from \$99,555 at June 30, 2013 to \$106,182 at June 30, 2014, representing an increase of 6.66%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$289,763 more than budgeted revenues, a variance of 3.46%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$8,770,957, 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 4 to the financial statements. Depreciation expense for the year was \$452,792.

The original cost of the District's capital assets was \$16,255,313. Governmental funds account for \$15,970,184 with the remainder of \$285,129 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$4,599,496 at June 30, 2014, compared to \$425,096 reported at June 30, 2013. This increase resulted from construction on the new elementary building in Ackley.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 311,674	216,910	-	-	311,674	216,910	43.69%
Construction in progress	4,599,496	425,096	-	-	4,599,496	425,096	981.99%
Buildings and improvements	2,649,885	2,781,904	-	-	2,649,885	2,781,904	-4.75%
Land improvements	315,143	335,049	-	-	315,143	335,049	-5.94%
Machinery and equipment	827,559	953,851	67,200	62,914	894,759	1,016,765	-12.00%
Total	\$ 8,703,757	4,712,810	67,200	62,914	8,770,957	4,775,724	83.66%

Long-Term Debt

At June 30, 2014, the District had \$6,969,627 in long-term debt outstanding. This represents an increase of 2406.04% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had a total of \$6,155,000 in general obligation bonds at June 30, 2014.

The District had total termination benefits payable of \$654,294 at June 30, 2014.

The District had total outstanding other postemployment benefits payable of \$160,333 at June 30, 2014. A total of \$159,852 is attributable to governmental activities and \$481 is attributable to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bond	\$ 6,155,000	-	-	-	6,155,000	-	100.00%
Computer lease	-	15,871	-	-	-	15,871	-100.00%
Termination benefits	654,294	134,554	-	-	654,294	134,554	386.27%
Net OPEB liability	159,852	127,154	481	534	160,333	127,688	25.57%
Totals	\$ 6,969,146	277,579	481	534	6,969,627	278,113	2406.04%

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:

- School financing is highly dependent upon student enrollment. The District's October 2014 enrollment increased by approximately 24 students, but our five-year trend data has our enrollment decreasing by an average of 12 students per year. This increase in enrollment will decrease the District's funding for fiscal year 2016, but is something we are mindful of every year.

-
- The District will be negotiating a new collective bargaining agreement during fiscal 2015. Settlements in the excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.
 - The phase out of the state budget guarantee will continue to have a negative impact on the school budget, as the district will no longer be on the 101% guarantee for the 2015-2016 budget year.

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 Deb Barker, Business Manager, AGWSR Community School District, 511 State Street, Ackley, Iowa, 50601.

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,769,944	108,521	7,878,465
Receivables:			
Property tax:			
Delinquent	39,731	-	39,731
Succeeding year	3,378,939	-	3,378,939
Income surtax	295,475	-	295,475
Accounts	211	7,665	7,876
Due from other governments	280,797	618	281,415
Inventories	-	6,238	6,238
Capital assets, net of accumulated depreciation	8,703,757	67,200	8,770,957
TOTAL ASSETS	20,468,854	190,242	20,659,096
LIABILITIES			
Accounts payable	682,381	4,070	686,451
Salaries and benefits payable	592,422	13,393	605,815
Unearned revenue	-	4,314	4,314
Advances from grantors	33,237	-	33,237
Interest payable	13,211	-	13,211
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	350,000	-	350,000
Termination benefits payable	321,756	-	321,756
Portion due after one year:			
General obligation bonds payable	5,805,000	-	5,805,000
Termination benefits payable	332,538	-	332,538
Net OPEB liability	159,852	481	160,333
TOTAL LIABILITIES	8,290,397	22,258	8,312,655
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	3,378,939	-	3,378,939
NET POSITION			
Net investment in capital assets	4,733,098	67,200	4,800,298
Restricted for:			
Categorical funding	383,191	-	383,191
Debt service	495,317	-	495,317
Management levy purposes	752,163	-	752,163
Student activities	80,506	-	80,506
School infrastructure	867,630	-	867,630
Physical plant and equipment	794,550	-	794,550
Unrestricted	693,063	100,784	793,847
TOTAL NET POSITION	\$ 8,799,518	167,984	8,967,502

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,683,235	183,000	71,152	(3,429,083)	-	(3,429,083)
Special	879,109	21,993	42,802	(814,314)	-	(814,314)
Other	880,533	212,510	175,399	(492,624)	-	(492,624)
	<u>5,442,877</u>	<u>417,503</u>	<u>289,353</u>	<u>(4,736,021)</u>	<u>-</u>	<u>(4,736,021)</u>
Support services:						
Student	84,786	-	-	(84,786)	-	(84,786)
Instructional staff	287,843	-	-	(287,843)	-	(287,843)
Administration	733,620	-	-	(733,620)	-	(733,620)
Operation and maintenance of plant	777,715	30,912	-	(746,803)	-	(746,803)
Transportation	595,963	3,280	6,055	(586,628)	-	(586,628)
	<u>2,479,927</u>	<u>34,192</u>	<u>6,055</u>	<u>(2,439,680)</u>	<u>-</u>	<u>(2,439,680)</u>
Non-instructional programs:						
Community service operations	3,499	-	-	(3,499)	-	(3,499)
Long-term debt interest	164,852	-	-	(164,852)	-	(164,852)
Other expenses:						
AEA flowthrough	263,236	-	263,236	-	-	-
Depreciation(unallocated)*	160,110	-	-	(160,110)	-	(160,110)
	<u>423,346</u>	<u>-</u>	<u>263,236</u>	<u>(160,110)</u>	<u>-</u>	<u>(160,110)</u>
Total governmental activities	<u>8,514,501</u>	<u>451,695</u>	<u>558,644</u>	<u>(7,504,162)</u>	<u>-</u>	<u>(7,504,162)</u>
Business type activities:						
Support services:						
Instructional staff	115	-	-	-	(115)	(115)
Operation and maintenance of plant	30,405	-	-	-	(30,405)	(30,405)
	<u>30,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,520)</u>	<u>(30,520)</u>
Non-instructional programs:						
Nutrition services	286,455	127,601	149,818	-	(9,036)	(9,036)
Day care services	306,130	300,732	39,308	-	33,910	33,910
	<u>592,585</u>	<u>428,333</u>	<u>189,126</u>	<u>-</u>	<u>24,874</u>	<u>24,874</u>
Total business type activities	<u>623,105</u>	<u>428,333</u>	<u>189,126</u>	<u>-</u>	<u>(5,646)</u>	<u>(5,646)</u>
Total	<u>\$ 9,137,606</u>	<u>880,028</u>	<u>747,770</u>	<u>(7,504,162)</u>	<u>(5,646)</u>	<u>(7,509,808)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,153,604	-	3,153,604
Capital outlay				186,871	-	186,871
Income surtax				364,955	-	364,955
Statewide sales and services tax				542,283	-	542,283
Unrestricted state grants				2,617,241	-	2,617,241
Unrestricted investment earnings				39,832	46	39,878
Other general revenues				147,830	1,320	149,150
Total general revenues				<u>7,052,616</u>	<u>1,366</u>	<u>7,053,982</u>
Change in net position				(451,546)	(4,280)	(455,826)
Net position beginning of year				<u>9,251,064</u>	<u>172,264</u>	<u>9,423,328</u>
Net position end of year				<u>\$ 8,799,518</u>	<u>167,984</u>	<u>8,967,502</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,672,870	1,407,849	4,100,191	589,034	7,769,944
Receivables:					
Property tax:					
Delinquent	35,636	2,424	1,671	-	39,731
Succeeding year	3,111,609	99,999	167,331	-	3,378,939
Income surtax	-	-	295,475	-	295,475
Accounts	71	30	110	-	211
Due from other governments	83,258	-	197,539	-	280,797
TOTAL ASSETS	\$ 4,903,444	1,510,302	4,762,317	589,034	11,765,097
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 229,391	-	452,990	-	682,381
Salaries and benefits payable	588,576	3,846	-	-	592,422
Advances from grantors	33,237	-	-	-	33,237
Total liabilities	851,204	3,846	452,990	-	1,308,040
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,111,609	99,999	167,331	-	3,378,939
Income surtax	-	-	295,475	-	295,475
Total deferred inflows of resources	3,111,609	99,999	462,806	-	3,674,414
Fund balances:					
Restricted for:					
Categorical funding	383,191	-	-	-	383,191
Debt service	-	-	-	508,528	508,528
Management levy purposes	-	1,406,457	-	-	1,406,457
Student activities	-	-	-	80,506	80,506
School infrastructure	-	-	3,051,971	-	3,051,971
Physical plant and equipment	-	-	794,550	-	794,550
Assigned	12,257	-	-	-	12,257
Unassigned	545,183	-	-	-	545,183
Total fund balances	940,631	1,406,457	3,846,521	589,034	6,782,643
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,903,444	1,510,302	4,762,317	589,034	11,765,097

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	6,782,643
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		8,703,757
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(13,211)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		295,475
Long-term liabilities, including general obligation bonds payable, termination benefits payable and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,969,146)</u>
Net position of governmental activities(page 18)	\$	<u><u>8,799,518</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,953,451	200,153	529,719	-	3,683,323
Tuition	187,628	-	-	-	187,628
Other	179,603	10,688	64,529	221,605	476,425
State sources	2,972,468	91	542,346	-	3,514,905
Federal sources	178,567	-	-	-	178,567
Total revenues	<u>6,471,717</u>	<u>210,932</u>	<u>1,136,594</u>	<u>221,605</u>	<u>8,040,848</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,198,612	52,542	-	-	3,251,154
Special	875,116	-	-	-	875,116
Other	643,245	-	614	235,196	879,055
	<u>4,716,973</u>	<u>52,542</u>	<u>614</u>	<u>235,196</u>	<u>5,005,325</u>
Support services:					
Student	84,123	-	-	-	84,123
Instructional staff	224,236	-	62,552	-	286,788
Administration	538,930	61,251	61,242	-	661,423
Operation and maintenance of plant	613,985	102,723	38,197	-	754,905
Transportation	481,411	7,603	125,831	-	614,845
	<u>1,942,685</u>	<u>171,577</u>	<u>287,822</u>	<u>-</u>	<u>2,402,084</u>
Non-instructional programs:					
Community service operations	3,499	-	-	-	3,499
Capital outlay	-	-	4,120,839	-	4,120,839
Long-term debt:					
Principal	-	-	-	360,871	360,871
Interest and fiscal charges	-	-	-	152,581	152,581
	<u>-</u>	<u>-</u>	<u>-</u>	<u>513,452</u>	<u>513,452</u>
Other expenditures:					
AEA flowthrough	263,236	-	-	-	263,236
Total expenditures	<u>6,926,393</u>	<u>224,119</u>	<u>4,409,275</u>	<u>748,648</u>	<u>12,308,435</u>
Deficiency of revenues under expenditures	(454,676)	(13,187)	(3,272,681)	(527,043)	(4,267,587)
Other financing sources(uses):					
Transfer in	-	-	310,034	1,021,980	1,332,014
Transfer out	-	-	(1,332,014)	-	(1,332,014)
General obligation bond issuance	-	-	6,500,000	-	6,500,000
Premium on general obligation bond issuance	-	-	6,825	-	6,825
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>5,484,845</u>	<u>1,021,980</u>	<u>6,506,825</u>
Change in fund balances	(454,676)	(13,187)	2,212,164	494,937	2,239,238
Fund balances beginning of year	<u>1,395,307</u>	<u>1,419,644</u>	<u>1,634,357</u>	<u>94,097</u>	<u>4,543,405</u>
Fund balances end of year	<u>\$ 940,631</u>	<u>1,406,457</u>	<u>3,846,521</u>	<u>589,034</u>	<u>6,782,643</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR 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, 2014

Change in fund balances - total governmental funds(page 22) \$ 2,239,238

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

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

Capital outlay	\$ 4,383,275	
Depreciation expense	<u>(392,328)</u>	3,990,947

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 exceeded repayments, as follows:

Issued	(6,500,000)	
Repaid	<u>360,871</u>	(6,139,129)

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. (12,271)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 22,107

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	(519,740)	
Other postemployment benefits	<u>(32,698)</u>	<u>(552,438)</u>

Change in net position of governmental activities(page 19) \$ (451,546)

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2014

	School Nutrition	Cougar's Den Daycare	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 28,925	79,596	108,521
Accounts receivable	-	7,665	7,665
Due from other governments	-	618	618
Inventories	6,238	-	6,238
Total current assets	<u>35,163</u>	<u>87,879</u>	<u>123,042</u>
Non-current assets:			
Capital assets, net of accumulated depreciation	30,953	36,247	67,200
TOTAL ASSETS	<u>66,116</u>	<u>124,126</u>	<u>190,242</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	4,070	4,070
Salaries and benefits payable	-	13,393	13,393
Unearned revenue	4,314	-	4,314
Total current liabilities	<u>4,314</u>	<u>17,463</u>	<u>21,777</u>
Long-term liabilities:			
Net OPEB liability	-	481	481
TOTAL LIABILITIES	<u>4,314</u>	<u>17,944</u>	<u>22,258</u>
NET POSITION			
Net investment in capital assets	30,953	36,247	67,200
Unrestricted	30,849	69,935	100,784
TOTAL NET POSITION	<u>\$ 61,802</u>	<u>106,182</u>	<u>167,984</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School Nutrition	Cougar's Den Daycare	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 127,601	300,732	428,333
Donations	-	25,447	25,447
Miscellaneous	1,320	-	1,320
TOTAL OPERATING REVENUES	128,921	326,179	455,100
OPERATING EXPENSES:			
Support services:			
Instructional staff:			
Other	-	115	115
Operation and maintenance of plant:			
Services	3,237	15,988	19,225
Supplies	-	11,180	11,180
	<u>3,237</u>	<u>27,168</u>	<u>30,405</u>
Total support services	<u>3,237</u>	<u>27,283</u>	<u>30,520</u>
Non-instructional programs:			
Food service operations:			
Salaries	99,731	-	99,731
Benefits	16,776	-	16,776
Supplies	156,213	-	156,213
Depreciation	13,735	-	13,735
	<u>286,455</u>	<u>-</u>	<u>286,455</u>
Community service operations:			
Salaries	-	251,811	251,811
Benefits	-	39,939	39,939
Supplies	-	9,830	9,830
Depreciation	-	3,729	3,729
Other	-	821	821
	<u>-</u>	<u>306,130</u>	<u>306,130</u>
Total non-instructional programs	<u>286,455</u>	<u>306,130</u>	<u>592,585</u>
TOTAL OPERATING EXPENSES	289,692	333,413	623,105
OPERATING LOSS	(160,771)	(7,234)	(168,005)
NON-OPERATING REVENUES:			
State sources	2,412	-	2,412
Federal sources	147,406	13,861	161,267
Interest income	46	-	46
TOTAL NON-OPERATING REVENUES	149,864	13,861	163,725
Change in net position	(10,907)	6,627	(4,280)
Net position beginning of year	72,709	99,555	172,264
Net position end of year	<u>\$ 61,802</u>	<u>106,182</u>	<u>167,984</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School Nutrition	Cougar's Den Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 128,264	-	128,264
Cash received from daycare operations	-	297,428	297,428
Cash received from miscellaneous sources	1,320	25,447	26,767
Cash payments to employees for services	(116,507)	(289,889)	(406,396)
Cash payments to suppliers for goods or services	(136,614)	(36,026)	(172,640)
Net cash used in operating activities	<u>(123,537)</u>	<u>(3,040)</u>	<u>(126,577)</u>
Cash flows from non-capital financing activities:			
State grants received	2,412	-	2,412
Federal grants received	125,276	13,928	139,204
Net cash provided by non-capital financing activities	<u>127,688</u>	<u>13,928</u>	<u>141,616</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(21,750)	(21,750)
Cash flows from investing activities:			
Interest on investments	46	-	46
Net increase(decrease) in cash and cash equivalents	4,197	(10,862)	(6,665)
Cash and cash equivalents at beginning of year	24,728	90,458	115,186
Cash and cash equivalents at end of year	<u>\$ 28,925</u>	<u>79,596</u>	<u>108,521</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (160,771)	(7,234)	(168,005)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	23,994	-	23,994
Depreciation	13,735	3,729	17,464
Increase in inventories	(919)	-	(919)
Increase in accounts receivable	-	(3,304)	(3,304)
(Decrease) Increase in accounts payable	(239)	1,908	1,669
Increase in salaries and benefits payable	-	1,914	1,914
Increase in unearned revenue	663	-	663
Decrease in other postemployment benefits	-	(53)	(53)
Net cash used in operating activities	<u>\$ (123,537)</u>	<u>(3,040)</u>	<u>(126,577)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$23,994.

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 44,168	22,339
LIABILITIES		
Due to other groups	-	22,339
NET POSITION		
Restricted for scholarships	\$ 44,168	-

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,500
Interest	354
Total additions	<u>1,854</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>1,819</u>
Change in net position	35
Net position beginning of year	<u>44,133</u>
Net position end of year	<u>\$ 44,168</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Ackley, Geneva, Wellsburg, and Steamboat Rock, Iowa, and the predominantly agricultural territory in Grundy, Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin County, Franklin County, Butler County and Grundy County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding principal 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The Capital Projects Accounts are used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District also reports the following nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Cougar's Den Daycare Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Cougar's Den Daycare Fund is used to account for the day care services provided to citizens 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 held 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 - committed, assigned 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 Funds 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, Deferred Inflows of Resources and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balance 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 purpose 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 Taxes - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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 - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ 5,000
Buildings and improvements	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	20-50 years
Land improvements	20-25 years
Intangibles	3-10 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the current school year, but which have balances payable in July and August have been accrued as liabilities.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unspent federal grant proceeds, succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

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

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

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

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

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balances in the District's General Fund are for smaller projects that are not able to be accounted for in other governmental funds.

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

Note 2. Deposits and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,823 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Investments in common stock are stated at the approximate fair value based on the closing price for the stock on June 30, 2014. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. At June 30, 2014, the District owned 134 shares of Prudential stock at a fair value of \$11,895.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,021,980
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: General Obligation Bond Construction	310,034
Total		\$ 1,332,014

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was needed for principal and interest payments on the District's general obligation bonds. The transfer from the Capital Projects: General Obligation Bond Construction to Capital Projects: Statewide Sales, Services and Use Tax was needed for architect fee reimbursements.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 263,379	21,750	-	285,129
Less accumulated depreciation	200,465	17,464	-	217,929
Business-type activities capital assets, net	\$ 62,914	4,286	-	67,200

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 216,910	94,764	-	311,674
Construction in progress	425,096	4,174,400	-	4,599,496
Total capital assets not being depreciated	642,006	4,269,164	-	4,911,170
Capital assets being depreciated:				
Buildings and improvements	6,860,979	-	-	6,860,979
Land improvements	1,008,819	8,185	-	1,017,004
Machinery and equipment	3,075,105	148,926	43,000	3,181,031
Total capital assets being depreciated	10,944,903	157,111	43,000	11,059,014
Less accumulated depreciation for:				
Buildings and improvements	4,079,075	132,019	-	4,211,094
Land improvements	673,770	28,091	-	701,861
Machinery and equipment	2,121,254	275,218	43,000	2,353,472
Total accumulated depreciation	6,874,099	435,328	43,000	7,266,427
Total capital assets being depreciated, net	4,070,804	(278,217)	-	3,792,587
Governmental activities capital assets, net	\$ 4,712,810	3,990,947	-	8,703,757

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 146,657
Other		15,178
Support services:		
Administration		940
Operation and maintenance of plant		5,823
Transportation		106,620
		<u>275,218</u>
Unallocated depreciation		<u>160,110</u>
Total governmental activities depreciation expense		<u>\$ 435,328</u>
Business type activities:		
Food service operations		\$ 13,735
Daycare operations		3,729
Total business type activities depreciation expense		<u>\$ 17,464</u>

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Business type Activities:</u>					
Net OPEB liability	\$ 534	-	53	481	-

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General obligation bonds	\$ -	6,500,000	345,000	6,155,000	350,000
Computer lease	15,871	-	15,871	-	-
Termination benefits	134,554	564,591	44,851	654,294	321,756
Net OPEB liability	127,154	32,698	-	159,852	-
Total	\$ 277,579	7,097,289	405,722	6,969,146	671,756

General Obligation Bonds

Details of the District's June 30, 2014 general obligation indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2013			
	Interest Rate	Principal	Interest	Total
2015	2.00 %	\$ 350,000	158,528	508,528
2016	2.00	350,000	151,528	501,528
2017	2.00	355,000	144,528	499,528
2018	2.00	360,000	137,428	497,428
2019	2.00	365,000	130,228	495,228
2020-2024	2.00-3.00	1,945,000	534,388	2,479,388
2025-2029	3.00-3.30	2,195,000	251,510	2,446,510
2030	3.45	235,000	8,107	243,107
Total		\$ 6,155,000	1,516,245	7,671,245

Termination Benefits

The District offered a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 50% of the employee's annual regular salary, not including any supplemental payments received by the employee for extracurricular or co-curricular duties, in effect during the employee's last year of employment.

Early retirement benefits will be paid in two equal installments beginning in July following the start of retirement. The first payment will occur on July 10, 2014 and the second payment will be made in July 2015.

At June 30, 2014, the District has obligations to nine participants with a total liability of \$654,294. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$44,851.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 66 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 45,005
Interest on net OPEB obligation	3,192
Adjustment to annual required contribution	<u>(9,248)</u>
Annual OPEB cost	38,949
Contributions made	<u>(6,304)</u>
Increase in net OPEB obligation	32,645
Net OPEB obligation beginning of year	127,688
Net OPEB obligation end of year	<u><u>\$ 160,333</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 38,625	9.00%	\$ 95,174
2013	38,424	15.40%	127,688
2014	38,949	16.19%	160,333

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$296,271, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$296,271. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,242,979, and the ratio of the UAAL to covered payroll was 9.1%. As of June 30, 2014, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation

and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$378,758, \$373,104 and \$338,144, respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 was \$523,776.

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

AGWSR 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$263,236 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District has entered into construction contracts totaling \$7,385,029 for the construction of a new elementary building in Ackley. As of June 30, 2014, costs of \$4,599,496 had been incurred against the contracts. The balance of \$2,785,533 will be paid as work progresses. The total cost of the improvements will be added to the District's capital asset listing upon completion.

Note 11. Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
LEP weighting	\$ 9,452
At-risk supplemental weighting	3,060
Gifted and talented	76,421
Dropout and dropout prevention	33,885
Beginning teacher mentoring and induction	239
Educator quality, professional development	1,697
Educator quality, basic salary	34,740
Home school assistance program	92,309
Four-year-old preschool	101,233
Successful progression for early readers	14,534
Professional development for model core curriculum	10,583
Teacher leadership grants	5,038
Total	<u>\$ 383,191</u>

Note 12. Operating Lease Commitment

The District entered into a five year contract to lease copiers during fiscal year 2010. The final payment the District will make in fiscal year 2015 is below:

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payment</u>
2015	<u>\$ 12,600</u>

Note 13. 28 E Management Agreement

The District participates in a 28E management agreement with the City of Ackley to provide service and management of a child care facility servicing residents of the Ackley area. The agreement is to remain in effect until either the District or the City of Ackley wishes to terminate the agreement.

The following are the terms agreed upon by the District and the City of Ackley concerning the child care facility:

The City of Ackley (City) agrees to purchase from the school and maintain ownership of the lot for the daycare facility. The City agrees to pay principal and interest due on the Rural Development Loan that the City obtained from the United States Department of Agriculture. The City will be responsible for property and casualty insurance on the daycare facility. The City will provide water, sewer and yard care services for the daycare facility as well as reimbursing the District \$8,000 per year for utilities. The City will be responsible for payment of emergency repairs to the daycare facility in excess of \$1,000.

The District agrees to be responsible for the hiring of the daycare staff, providing their salaries and benefit packages, providing certificate of liability insurance for all staff and students, providing custodial maintenance for the facility, providing food servings for daycare students and staff, providing

furnishings and personal property and equipment, and for maintaining proper licensing, certifications and accreditation as necessary to operate and manage the facility. The District will maintain compliance with appropriate third-party requirements, such as Department of Human Services. The District shall pay the City \$5,000 annually as a lease payment for the daycare facility which will be used by the City as part of the payment of principal and interest due on the City's Rural Development Loan with the United States Department of Agriculture. The District will be responsible for payment of all utility costs of the daycare facility. The District also agrees to sublease a space to MICA Headstart, an educational program sponsored by the federal government. The District will be responsible for providing general maintenance and repairs of under \$1,000, to keep the facility functional and in good repair. The District shall provide monthly and annual reports to the City covering appropriate financial and operational statistics of the daycare facility.

Note 14. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the governmental funds balance sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service	Management Levy	School Infrastructure	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	508,528	1,406,457	3,051,971	545,183
Capital assets, net of accumulated depreciation	8,703,757	-	-	-	-
General obligation bond capitalized indebtedness	(3,970,659)	-	-	-	-
Unspent general obligation bond proceeds	-	-	-	(2,184,341)	-
Termination benefits payable	-	-	(654,294)	-	-
Income surtax	-	-	-	-	295,475
Accrued interest payable	-	(13,211)	-	-	-
Assigned fund balance	-	-	-	-	12,257
Net OPEB liability	-	-	-	-	(159,852)
Net position (Exhibit A)	\$ 4,733,098	495,317	752,163	867,630	693,063

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR 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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,347,376	455,146	4,802,522	5,217,691	5,217,691	(415,169)
State appropriations	3,514,905	2,412	3,517,317	2,840,855	2,840,855	676,462
Federal appropriations	178,567	161,267	339,834	311,364	311,364	28,470
Total revenues	8,040,848	618,825	8,659,673	8,369,910	8,369,910	289,763
Expenditures/expenses:						
Instruction	5,005,325	-	5,005,325	5,413,000	5,413,000	407,675
Support services	2,402,084	30,520	2,432,604	2,869,000	2,869,000	436,396
Non-instructional programs	3,499	592,585	596,084	602,000	602,000	5,916
Other expenditures/expenses	4,897,527	-	4,897,527	7,111,211	7,111,211	2,213,684
Total expenditures/expenses	12,308,435	623,105	12,931,540	15,995,211	15,995,211	3,063,671
Excess(Deficiency) of revenues over(under) expenditures/expenses	(4,267,587)	(4,280)	(4,271,867)	(7,625,301)	(7,625,301)	3,353,434
Other financing sources, net	6,506,825	-	6,506,825	11,588	11,588	6,495,237
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	2,239,238	(4,280)	2,234,958	(7,613,713)	(7,613,713)	9,848,671
Balance beginning of year	4,543,405	172,264	4,715,669	10,852,344	10,852,344	(6,136,675)
Balance end of year	\$ 6,782,643	167,984	6,950,627	3,238,631	3,238,631	3,711,996

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 274,321	\$ 274,321	0.0%	\$ 3,095,000	8.9%
2011	July 1, 2009	-	272,869	272,869	0.0%	3,220,000	8.5%
2012	July 1, 2009	-	264,845	272,869	0.0%	3,260,000	8.1%
2013	July 1, 2012	-	313,487	313,487	0.0%	3,445,426	9.1%
2014	July 1, 2012	-	296,271	296,271	0.0%	3,242,979	9.1%

See Note 6 in the accompanying Notes to the 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

AGWSR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		Total
	Student Activity	Debt Service	
ASSETS			
Cash and pooled investments	\$ 80,506	508,528	589,034
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt Service		- 508,528	508,528
Student activities	80,506	-	80,506
Total fund balances	80,506	508,528	589,034
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 80,506	508,528	589,034

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>		
	Student Activity	Debt Service	Total
REVENUES:			
Local sources:			
Other	\$ 221,605	-	221,605
EXPENDITURES:			
Current:			
Instruction:			
Other	235,196	-	235,196
Other expenditures:			
Long-term debt:			
Principal	-	360,871	360,871
Interest and fiscal charges	-	152,581	152,581
Total expenditures	235,196	513,452	748,648
Deficiency of revenues under expenditures	(13,591)	(513,452)	(527,043)
OTHER FINANCING SOURCES:			
Transfers in	-	1,021,980	1,021,980
Change in fund balances	(13,591)	508,528	494,937
Fund balances beginning of year	94,097	-	94,097
Fund balances end of year	\$ 80,506	508,528	589,034

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 670,091	2,631,739	798,361	4,100,191
Receivables:				
Property tax:				
Delinquent	-	-	1,671	1,671
Succeeding year	-	-	167,331	167,331
Income surtax	-	-	295,475	295,475
Accounts	-	-	110	110
Due from other governments	197,539	-	-	197,539
TOTAL ASSETS	\$ 867,630	2,631,739	1,262,948	4,762,317
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	447,398	5,592	452,990
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	167,331	167,331
Income surtax	-	-	295,475	295,475
Total deferred inflows of resources	-	-	462,806	462,806
Fund balances:				
Restricted for:				
School infrastructure	867,630	2,184,341	-	3,051,971
Physical plant and equipment levy	-	-	794,550	794,550
Total fund balances	867,630	2,184,341	794,550	3,846,521
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 867,630	2,631,739	1,262,948	4,762,317

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	529,719	529,719
Other	3,545	24,097	36,887	64,529
State sources	542,283	-	63	542,346
Total revenues	<u>545,828</u>	<u>24,097</u>	<u>566,669</u>	<u>1,136,594</u>
EXPENDITURES:				
Current:				
Instruction:				
Other	-	-	614	614
Support services:				
Instructional staff	1,654	-	60,898	62,552
Administration	-	23,437	37,805	61,242
Operation and maintenance of plant	-	-	38,197	38,197
Transportation	-	-	125,831	125,831
Other expenditures:				
Capital outlay	8,339	3,890,151	222,349	4,120,839
Total expenditures	<u>9,993</u>	<u>3,913,588</u>	<u>485,694</u>	<u>4,409,275</u>
Excess(deficiency) of revenues over(under) expenditures	535,835	(3,889,491)	80,975	(3,272,681)
Other financing sources(uses):				
Transfers in	310,034	-	-	310,034
Transfer out	(1,021,980)	(310,034)	-	(1,332,014)
General obligation bond issuance	-	6,500,000	-	6,500,000
Premium on general obligation bond issuance	-	6,825	-	6,825
Total other financing sources(uses)	<u>(711,946)</u>	<u>6,196,791</u>	<u>-</u>	<u>5,484,845</u>
Change in fund balances	(176,111)	2,307,300	80,975	2,212,164
Fund balances beginning of year	<u>1,043,741</u>	<u>(122,959)</u>	<u>713,575</u>	<u>1,634,357</u>
Fund balances end of year	<u>\$ 867,630</u>	<u>2,184,341</u>	<u>794,550</u>	<u>3,846,521</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech	\$ 432	2,184	1,806	810
Cross country	539	-	10	529
Boys basketball	5,746	10,215	12,255	3,706
Football	7,135	32,180	25,823	13,492
Baseball	177	3,266	3,443	-
Boys track	-	2,186	2,186	-
Boys golf	-	193	193	-
Boys bowling	886	-	-	886
Wrestling	1,181	4,260	5,441	-
Girls basketball	12,359	7,015	12,186	7,188
Volleyball	4,690	6,211	6,174	4,727
Softball	177	12,969	13,146	-
Girls track	-	2,854	2,854	-
Girls golf	-	702	702	-
Athletics	-	6,807	4,358	2,449
After prom	1,065	1,056	1,996	125
Art club	484	75	-	559
Clay targeting club	462	150	-	612
Booster club donations	149	4,058	4,193	14
Cheerleaders	1,133	783	1,788	128
Class of 2015	507	11,169	9,777	1,899
Class of 2012	947	-	947	-
Class of 2013	29	-	29	-
Class of 2014	2,454	2,795	5,179	70
Spring Musical/Play	1,104	212	294	1,022
Drill team	154	3,689	3,083	760
Elementary music fundraiser	376	-	-	376
Fall musical	1,577	2,975	1,912	2,640
FCCLA	229	1,581	1,724	86
FFA	12,574	50,995	52,642	10,927
Foreign language club	5	5	-	10
Mat club	141	-	-	141
Material for resale	14	-	-	14
Music trip fund	21,799	28,665	38,819	11,645
National honor society	284	123	228	179
Nurse	150	-	-	150
Student council	3,949	7,680	9,082	2,547
Torch	5,326	12,690	10,851	7,165
Youth basketball	241	-	-	241
Youth football	4,929	1,712	1,966	4,675
Flag football	693	150	109	734
TOTAL	\$ 94,097	221,605	235,196	80,506

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ELEMENTARY EMPLOYEE VENDING</u>				
ASSETS				
Cash and pooled investments	\$ 1,878	226	2,104	-
LIABILITIES				
Due to other groups	\$ 1,878	226	2,104	-
<u>HS EMPLOYEE VENDING</u>				
ASSETS				
Cash and pooled investments	\$ 1,722	147	1,869	-
LIABILITIES				
Due to other groups	\$ 1,722	147	1,869	-
<u>COUGAR IMPACT</u>				
ASSETS				
Cash and pooled investments	\$ 7,470	15,324	13,535	9,259
LIABILITIES				
Due to other groups	\$ 7,470	15,324	13,535	9,259
<u>COUGAR CONNECTION</u>				
ASSETS				
Cash and pooled investments	\$ 15,081	14,596	16,597	13,080
LIABILITIES				
Due to other groups	\$ 15,081	14,596	16,597	13,080
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 26,151	30,293	34,105	22,339
LIABILITIES				
Due to other groups	\$ 26,151	30,293	34,105	22,339

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,683,323	4,111,026	4,784,546	4,759,307	4,762,974	4,872,510	4,830,275	4,757,060	4,275,824	4,144,623
Tuition	187,628	192,068	187,371	322,770	240,815	237,111	252,150	232,604	343,758	215,062
Other	476,425	456,963	435,398	537,635	471,441	453,238	423,310	464,362	568,551	497,507
State sources	3,514,905	3,081,919	3,060,643	2,838,624	2,539,863	3,169,761	3,143,861	3,220,655	3,326,912	3,151,878
Federal sources	178,567	182,277	214,606	380,354	667,676	222,826	192,547	209,234	250,051	354,977
Total	\$ 8,040,848	8,024,253	8,682,564	8,838,690	8,682,769	8,955,446	8,842,143	8,883,915	8,765,096	8,364,047
Expenditures:										
Instruction:										
Regular	\$ 3,251,154	3,250,097	3,314,126	3,274,789	3,005,112	3,333,739	3,162,690	3,199,790	3,317,628	3,349,177
Special	875,116	943,730	1,022,076	998,301	1,058,571	1,084,424	1,014,283	1,026,015	1,008,315	985,460
Other	879,055	974,827	969,390	976,873	977,139	1,071,314	1,054,820	918,241	1,106,578	1,029,519
Support services:										
Student	84,123	70,414	73,338	89,139	95,915	48,586	58,624	87,292	106,019	137,762
Instructional staff	286,788	260,940	554,618	460,026	288,953	283,863	352,093	460,685	288,477	179,666
Administration	661,423	649,786	628,260	613,090	742,988	760,376	697,426	758,660	764,416	721,870
Operation and maintenance of plant	754,905	683,389	625,201	643,880	623,404	608,118	622,784	601,767	564,602	530,142
Transportation	614,845	509,692	523,922	505,955	605,266	582,492	474,441	540,451	531,060	433,654
Non-instructional programs	3,499	2,094	1,879	-	968	-	-	22,699	4,829	21,978
Other expenditures:										
Capital outlay	4,120,839	649,941	205,770	239,347	264,197	434,232	441,775	262,830	89,747	1,285,886
Long-term debt:										
Principal	360,871	148,321	147,479	150,144	133,333	133,333	133,333	133,333	133,333	133,333
Interest and other charges	152,581	6,087	11,463	13,200	17,600	22,000	26,546	30,800	35,200	38,280
AEA flow-through	263,236	255,367	263,495	296,938	295,137	260,298	253,638	251,670	246,678	244,405
Total	\$ 12,308,435	8,404,685	8,341,017	8,261,682	8,108,583	8,622,775	8,292,453	8,294,233	8,196,882	9,091,132

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 AGWSR Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AGWSR Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

AGWSR Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of AGWSR 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.

December 19, 2014
Newton, Iowa

AGWSR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged.

I-B-14 Purchase Orders - During our audit we noted the District currently uses purchase orders in the purchasing process, however, the Student Activity Fund had instances of invoices without purchase orders.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We will continue to monitor our purchase order procedures, while paying closer attention to the dates to ensure purchases are not being made before the date of the purchase order.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures/expenses for the year ended June 30, 2014, did not exceed the amount budgeted.

II-B-14 Questionable Disbursements - We noted during our audit disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979. We noted polos were purchased for coaches using Student Activity Funds in the girls and boys basketball accounts.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - This process has been changed.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. However, we noted several meal purchases made by employees using the District's credit card which lacked a detailed receipt. According to board policy number 401.10, a detailed receipt must be turned in for every purchase made with the District credit card.

Recommendation - The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response – We will continue to monitor expense reimbursements and charges, making sure detailed receipts are being submitted.

Conclusion - Response accepted.

II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 2.10 students.

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

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

Conclusion - Response accepted.

II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - The District's investment policy 704.3 appears to be in compliance with Chapter 12B and 12C of the Code of Iowa. However, during our audit, we noted the District received dividends from the ownership of Prudential stock. We also noted the approximate \$2,109 increase in value of the Prudential stock was not recorded on the District's financial statements. The District's ownership of Prudential stock does not appear to be in compliance with the District policy 704.3 and Chapters 12B and 12C of the Code of Iowa. We also noted the District did not name all official depositories in the board minutes.

Recommendation - The District should review Board policy 704.3 and Chapters 12B and 12C of the Code of Iowa. The Prudential stock should be sold and the District should invest in an investment that is in compliance with the District policy and Chapter 12B and 12C of the Code of Iowa.

Section 12C.2 of the Iowa Code states the board minutes "shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository."

Response - The District will work on selling the Prudential Stock. The District will name all depositories and their limits in accordance with Section 12C.2 of the Iowa Code.

Conclusion – Response accepted.

- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District’s CAR:

Beginning balance		\$ 1,043,741
Revenues/transfers in:		
Sales tax revenues	\$ 542,283	
Other local revenue	3,545	
Transfers from other funds:		
General obligation bond construction	310,034	855,862
		<u>1,899,603</u>
Expenditures/transfers out:		
Equipment	1,654	
Other	8,339	
Transfers to other funds:		
Debt service fund	1,021,980	1,031,973
		<u>1,031,973</u>
Ending balance		<u><u>\$ 867,630</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-14 Non-certified Time Sheets - We noted during our audit the District does not maintain documentation of hours worked by coaches who are non-certified staff.

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

Response – The District will start documenting hours for non-certified coaches.

Conclusion – Response accepted.

II-N-14 Payroll Authorization – We noted during our audit the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - We will implement this process of authorization.

Conclusion - Response accepted.

II-O-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted accounts in the Student Activity Fund that do not appear to be extracurricular or cocurricular.

Inactive Accounts – We noted a material resale and a nurse account in the Student Activity Fund. These accounts are now accounted for in the General Fund. However, both of these accounts are inactive with a carrying balance in the Student Activity Fund.

Recommendation - The remaining funds should be transferred to the General Fund where it can be expended for its intended purpose.

Response - This procedure has been changed.

Conclusion – Response accepted.

Fundraiser Commissions - We noted that the FFA runs a program containing a point system in which FFA members can earn points by fundraising and various other activities. At the end of the year, the students are paid a cash award based on the points they have accumulated over the year. Giving cash to students does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979. Also, giving cash does not allow the Board to audit the final purchase to determine if the purchase meets public purpose requirements.

Recommendation - The District should avoid issuing cash rewards incentives to students for their performance in activities and fundraisers. Instead, the District should have all prizes handled through the company that is sponsoring the fundraiser.

Response - We are working on a solution and will work on getting the procedure changed.

Conclusion - Response accepted.