

WAPELLO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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**Wapello Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Charles Kerr	President	2013
Duane Boysen	Vice President	2013
Matt Stewart	Board Member	2015
Traci McCleary	Board Member	2015
Rob Pritchard	Board Member	2015
<b>Board of Education</b>		
<b>(After September 2013 Election)</b>		
Duane Boysen	President	2017
Matt Stewart	Vice President	2015
Traci McCleary	Board Member	2015
Rob Pritchard	Board Member	2015
Larry Miller	Board Member	2017
<b>School Officials</b>		
Michael L. Peterson	Superintendent	2014
Eric Small	District Secretary/Business Manager	2014
Janell Heater	District Treasurer	2014
Roger Huddle	Attorney	2014
Brian Gruhn	Attorney	2014

**Wapello 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 Wapello Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Wapello Community School District, Wapello, 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, business type activities, each major fund, and the aggregate remaining fund information of the Wapello Community School District at 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Wapello 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 seven years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions 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 financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2015 on our consideration of the Wapello Community School District's internal control over financial reporting and 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 Wapello Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015  
Newton, Iowa

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

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Wapello 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 increased from \$7,687,023 in fiscal year 2013 to \$8,148,427 in fiscal year 2014, while General Fund expenditures decreased from \$7,700,497 in fiscal year 2013 to \$7,487,513 in fiscal year 2014. Revenues outpaced expenditures resulting in an increase in the District's General Fund balance from \$748,002 at June 30, 2013 to \$1,408,916 at June 30, 2014, an 88.36% increase from the prior year.
- The increase in General Fund revenues was mainly attributable to an increase in state source revenues and insurance proceeds from wind and hail damage incurred by the District in the prior year. The decrease in expenditures was primarily due to a decrease in instruction expenditures incurred as compared to the previous year.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

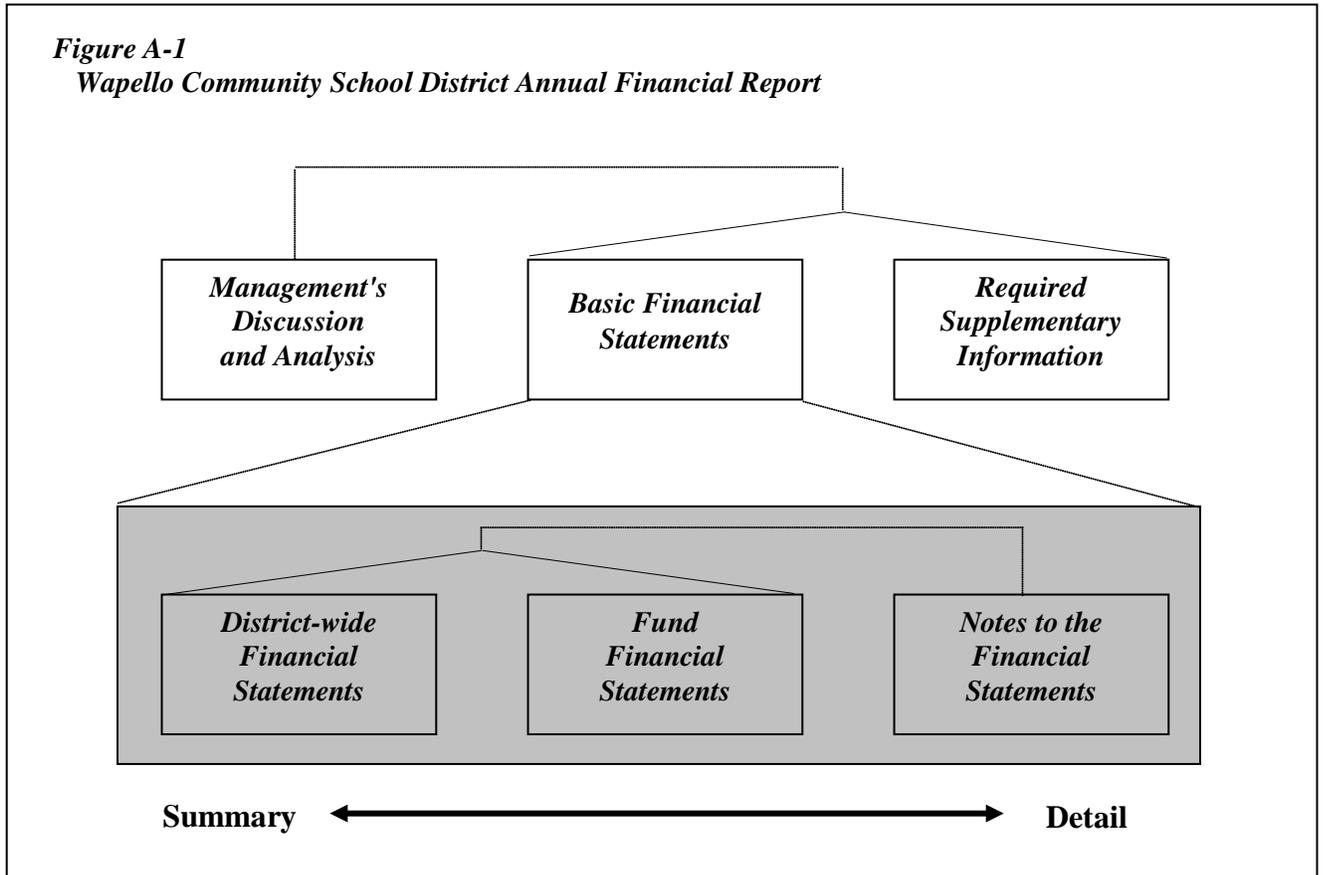


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

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

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, 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.

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

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

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

## **Fund Financial Statements**

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

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

The District has 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, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts. The District maintains records for the PTO and FCS organizations.

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 total net position at June 30, 2014 compared to June 30, 2013.

	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	\$ 6,988,108	6,554,894	15,947	49,575	7,004,055	6,604,469	6.05%
Capital assets	5,924,970	5,597,391	21,656	21,345	5,946,626	5,618,736	5.84%
Total assets	<u>12,913,078</u>	<u>12,152,285</u>	<u>37,603</u>	<u>70,920</u>	<u>12,950,681</u>	<u>12,223,205</u>	<u>5.95%</u>
Long-term liabilities	2,148,135	2,388,758	-	-	2,148,135	2,388,758	-10.07%
Other liabilities	851,183	953,875	4,160	5,936	855,343	959,811	-10.88%
Total liabilities	<u>2,999,318</u>	<u>3,342,633</u>	<u>4,160</u>	<u>5,936</u>	<u>3,003,478</u>	<u>3,348,569</u>	<u>-10.31%</u>
Deferred inflows of resources	<u>2,796,542</u>	<u>2,819,864</u>	-	-	<u>2,796,542</u>	<u>2,819,864</u>	<u>-0.83%</u>
Net position:							
Net investment in capital assets	4,101,497	3,473,510	21,656	21,345	4,123,153	3,494,855	17.98%
Restricted	2,230,506	2,283,505	-	-	2,230,506	2,283,505	-2.32%
Unrestricted	785,215	232,773	11,787	43,639	797,002	276,412	188.34%
Total net position	<u>\$ 7,117,218</u>	<u>5,989,788</u>	<u>33,443</u>	<u>64,984</u>	<u>7,150,661</u>	<u>6,054,772</u>	<u>18.10%</u>

The District's combined net position increased by 18.10%, or \$1,095,889, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g. land, infrastructure, buildings, and equipment) net of related debt. The debt related to the invested 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 \$52,999 or 2.32% from the prior year. This decrease was primarily a result of the decrease in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$520,590, or 188.34%. The increase in unrestricted net position is mainly attributable to the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 as 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	\$ 575,411	656,174	91,383	87,963	666,794	744,137	-10.39%
Operating grants, contributions and restricted interest	672,606	671,552	204,025	216,815	876,631	888,367	-1.32%
Capital grants, contributions and restricted interest	127,573	4,853	-	-	127,573	4,853	2528.75%
General revenues:							
Property tax	2,804,069	2,807,497	-	-	2,804,069	2,807,497	-0.12%
Income surtax	232,413	182,259	-	-	232,413	182,259	27.52%
Statewide sales, services and use tax	635,932	612,614	-	-	635,932	612,614	3.81%
Unrestricted state grants	4,261,790	3,947,557	-	-	4,261,790	3,947,557	7.96%
Unrestricted investment earnings	8,144	13,214	-	-	8,144	13,214	-38.37%
Other general revenue	71,689	63,319	-	-	71,689	63,319	13.22%
Total revenues	<u>9,389,627</u>	<u>8,959,039</u>	<u>295,408</u>	<u>304,778</u>	<u>9,685,035</u>	<u>9,263,817</u>	<u>4.55%</u>
Program expenses:							
Instructional	5,945,406	6,199,321	-	-	5,945,406	6,199,321	-4.10%
Support services	1,963,569	1,918,009	-	-	1,963,569	1,918,009	2.38%
Non-instructional programs	-	-	326,949	324,629	326,949	324,629	0.71%
Other expenses	674,963	639,686	-	-	674,963	639,686	5.51%
Total expenses	<u>8,583,938</u>	<u>8,757,016</u>	<u>326,949</u>	<u>324,629</u>	<u>8,910,887</u>	<u>9,081,645</u>	<u>-1.88%</u>
Excess(Deficiency) of revenues over(under) expenses	805,689	202,023	(31,541)	(19,851)	774,148	182,172	324.95%
Transfers	-	14,782	-	-	-	14,782	-100.00%
Change in net position before extraordinary item	805,689	216,805	(31,541)	(19,851)	774,148	196,954	-100.00%
Extraordinary item(Note 14): Compensation for the loss of capital assets	<u>321,741</u>	-	-	-	<u>321,741</u>	-	<u>100.00%</u>
Change in net position	1,127,430	216,805	(31,541)	(19,851)	1,095,889	196,954	-456.42%
Net position beginning of year	<u>5,989,788</u>	<u>5,772,983</u>	<u>64,984</u>	<u>84,835</u>	<u>6,054,772</u>	<u>5,857,818</u>	<u>3.36%</u>
Net position end of year	<u>\$ 7,117,218</u>	<u>5,989,788</u>	<u>33,443</u>	<u>64,984</u>	<u>7,150,661</u>	<u>6,054,772</u>	<u>18.10%</u>

In fiscal year 2014, property tax and unrestricted state grants account for 75.25% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for all of the revenue from business type activities.

The District's total revenues were approximately \$9.69 million, of which approximately \$9.39 million was for governmental activities and approximately \$0.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.55% increase in revenues and a 1.88% decrease in expenses. The increase in revenues can be attributed to an increase in unrestricted state grant revenue received as compared to the previous year. The decrease in expenses can be attributed to the decrease in instructional expenses incurred as compared to the previous year.

### Governmental Activities

Revenues for governmental activities were \$9,389,627 and expenses were \$8,583,938 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 and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,945,406	6,199,321	-4.10%	4,993,122	5,156,581	-3.17%
Support services	1,963,569	1,918,009	2.38%	1,835,996	1,912,856	-4.02%
Other expenses	674,963	639,686	5.51%	379,230	355,000	6.83%
Totals	\$ 8,583,938	8,757,016	-1.98%	7,208,348	7,424,437	-2.91%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$575,411.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$800,179.
- The net cost of governmental activities was financed with \$2,804,069 in property tax, \$232,413 in income surtax, \$635,932 in statewide sales, services and use tax, \$4,261,790 in unrestricted state grants, \$8,144 in interest income and \$71,689 in other general revenues.

### Business type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$295,408 and expenses were \$326,949. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were mostly comprised of charges for service and, federal and state reimbursements.

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## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,189,965, above last year's ending combined fund balances of a \$2,650,654. This primary result of the increase in combined fund balances is the increase in the fund balance of the General Fund during the year.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. The General Fund balance increased from \$748,002 at June 30, 2013 to \$1,408,916 at June 30, 2014. Total revenues increased as compared to the prior year primarily from an increase in state revenues received and insurance proceeds received from wind and hail damage incurred by the District in a prior fiscal year. Expenditures also decreased from the prior year primarily due to a decrease in instruction expenditures incurred. Total revenues outpaced total expenditures during the year ensuring an increase in ending fund balance.
- The Capital Projects Fund balance decreased from \$1,042,012 at June 30, 2013 to \$864,007 at June 30, 2014. This decrease is primarily due to an increase in capital outlay expenditures incurred associated with various construction contracts entered into by the District as compared to the prior year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from \$72,965 at June 30, 2013 to \$41,424 at June 30, 2014, representing a decrease of 43.23%. This decrease in ending net position is primarily a result of a decrease in federal source revenues received as compared to the prior year and an increase in expenses incurred due to salaries and benefits paid to nutrition fund employees.

The Day Care Fund net position remained unchanged during the year starting and ending the year with a deficit \$7,981 fund net position. There was no activity in the Day Care Fund during fiscal year 2014.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$555,875 more than budgeted revenues, a variance of 6.09%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were more than budgeted expenditures, 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas as well as in total.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested approximately \$5.95 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$426,832.

The original cost of the District's capital assets was \$11,469,868. Governmental funds account for \$11,371,381 with the remaining \$98,487 accounted for 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 \$546,074 at June 30, 2014, compared to \$0 reported at June 30, 2013. This increase was due in part to the District beginning construction on a new Wellness Center during the year. Costs of this project will be accumulated as part of construction in progress until completion of the project. Once completed, the project will be capitalized as part of the District's capital assets listing.

	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
Land	\$ 35,000	35,000	-	-	35,000	35,000	0.00%
Construction in progress	546,074	-	-	-	546,074	-	100.00%
Buildings	4,487,811	4,736,113	-	-	4,487,811	4,736,113	-5.24%
Land improvements	546,469	574,978	-	-	546,469	574,978	-4.96%
Machinery and equipment	309,616	251,300	21,656	21,345	331,272	272,645	21.50%
<b>Total</b>	<b>\$ 5,924,970</b>	<b>5,597,391</b>	<b>21,656</b>	<b>21,345</b>	<b>5,946,626</b>	<b>5,618,736</b>	<b>5.84%</b>

### Long-Term Debt

At June 30, 2014, the District had \$2,148,135 in revenue bond and other long-term debt outstanding. This represents a decrease of 10.07% 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 total outstanding revenue bonds payable of \$1,823,473 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had a computer lease payable of \$52,888 at June 30, 2014. This lease is payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had accrued compensated absences of \$21,918 at June 30, 2014, payable from the General Fund.

The District had net OPEB liability of \$249,856 at June 30, 2014.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
Revenue bonds	\$ 1,823,473	2,105,717	-13.40%
Bank loan	-	18,164	-100.00%
Computer lease	52,888	-	100.00%
Termination benefits	-	50,000	-100.00%
Compensated absences	21,918	14,931	46.80%
Net OPEB liability	249,856	199,946	24.96%
Total	<u>\$ 2,148,135</u>	<u>2,388,758</u>	<u>-10.07%</u>

## 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:

- Declining Enrollment continues to negatively impact the district's budget. Contractual increases and program changes can't be made without thorough consideration of our unspent authorized budget.
- The rising costs of health care coverage and the associated fees and penalties with the Affordable Health Care Act will increase the Wapello Community School District's employer benefit costs during fiscal 2016.
- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

## 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 Eric Small, District Secretary, Wapello Community School District, 406 Mechanic Street, Wapello, Iowa, 52653.

## Basic Financial Statements

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,339,777	1,852	3,341,629
Receivables:			
Property tax:			
Delinquent	33,182	-	33,182
Succeeding year	2,796,542	-	2,796,542
Income surtax	189,871	-	189,871
Accounts	2,228	151	2,379
Due from other governments	626,508	3,581	630,089
Inventories	-	10,363	10,363
Capital assets, net of accumulated depreciation	5,924,970	21,656	5,946,626
<b>TOTAL ASSETS</b>	<b>12,913,078</b>	<b>37,603</b>	<b>12,950,681</b>
<b>LIABILITIES</b>			
Accounts payable	200,301	856	201,157
Salaries and benefits payable	601,025	-	601,025
Advances from grantors	10,404	-	10,404
Accrued interest payable	39,453	-	39,453
Unearned revenue	-	3,304	3,304
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	298,473	-	298,473
Computer lease payable	25,957	-	25,957
Compensated absences payable	21,918	-	21,918
Portion due after one year:			
Revenue bonds payable	1,525,000	-	1,525,000
Computer lease payable	26,931	-	26,931
Net OPEB liability	249,856	-	249,856
<b>TOTAL LIABILITIES</b>	<b>2,999,318</b>	<b>4,160</b>	<b>3,003,478</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenues	2,796,542	-	2,796,542
<b>NET POSITION</b>			
Net investment in capital assets	4,101,497	21,656	4,123,153
Restricted for:			
Categorical funding	485,381	-	485,381
Debt service	486,875	-	486,875
Management levy purposes	274,533	-	274,533
Student activities	119,710	-	119,710
School infrastructure	517,976	-	517,976
Physical plant and equipment	346,031	-	346,031
Unrestricted	785,215	11,787	797,002
<b>TOTAL NET POSITION</b>	<b>\$ 7,117,218</b>	<b>33,443</b>	<b>7,150,661</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,452,001	160,043	39,075	-	(3,252,883)	-	(3,252,883)
Special	1,397,742	73,704	129,098	-	(1,194,940)	-	(1,194,940)
Other	1,095,663	341,664	208,700	-	(545,299)	-	(545,299)
	<u>5,945,406</u>	<u>575,411</u>	<u>376,873</u>	<u>-</u>	<u>(4,993,122)</u>	<u>-</u>	<u>(4,993,122)</u>
Support services:							
Student	144,015	-	-	-	(144,015)	-	(144,015)
Instructional staff	94,038	-	-	-	(94,038)	-	(94,038)
Administration	626,964	-	-	-	(626,964)	-	(626,964)
Operation and maintenance of plant	738,017	-	-	127,573	(610,444)	-	(610,444)
Transportation	360,535	-	-	-	(360,535)	-	(360,535)
	<u>1,963,569</u>	<u>-</u>	<u>-</u>	<u>127,573</u>	<u>(1,835,996)</u>	<u>-</u>	<u>(1,835,996)</u>
Long-term debt interest	85,526	-	-	-	(85,526)	-	(85,526)
Other expenses:							
AEA flowthrough	295,733	-	295,733	-	-	-	-
Depreciation(unallocated)*	293,704	-	-	-	(293,704)	-	(293,704)
	<u>589,437</u>	<u>-</u>	<u>295,733</u>	<u>-</u>	<u>(293,704)</u>	<u>-</u>	<u>(293,704)</u>
Total governmental activities	<u>8,583,938</u>	<u>575,411</u>	<u>672,606</u>	<u>127,573</u>	<u>(7,208,348)</u>	<u>-</u>	<u>(7,208,348)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	326,949	91,383	204,025	-	-	(31,541)	(31,541)
Total	<u>\$ 8,910,887</u>	<u>666,794</u>	<u>876,631</u>	<u>127,573</u>	<u>(7,208,348)</u>	<u>(31,541)</u>	<u>(7,239,889)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 2,617,102	-	2,617,102
Capital outlay					186,967	-	186,967
Income surtax					232,413	-	232,413
Statewide sales, services and use tax					635,932	-	635,932
Unrestricted state grants					4,261,790	-	4,261,790
Unrestricted investment earnings					8,144	-	8,144
Other general revenues					71,689	-	71,689
					<u>8,014,037</u>	<u>-</u>	<u>8,014,037</u>
Total general revenues					8,014,037	-	8,014,037
Change in net position before extraordinary item					805,689	(31,541)	774,148
Extraordinary item(Note 14):							
Compensation for the loss of capital assets					321,741	-	321,741
Change in net position					1,127,430	(31,541)	1,095,889
Net position beginning of year					5,989,788	64,984	6,054,772
Net position end of year					<u>\$ 7,117,218</u>	<u>33,443</u>	<u>7,150,661</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,915,231	497,704	926,842	3,339,777
Receivables:				
Property tax:				
Delinquent	27,532	2,279	3,371	33,182
Succeeding year	2,429,529	127,013	240,000	2,796,542
Income surtax	189,871	-	-	189,871
Accounts	2,228	-	-	2,228
Due from other governments	238,981	387,527	-	626,508
<b>TOTAL ASSETS</b>	<b>\$ 4,803,372</b>	<b>1,014,523</b>	<b>1,170,213</b>	<b>6,988,108</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 163,627	23,503	13,171	200,301
Salaries and benefits payable	601,025	-	-	601,025
Advances from grantors	10,404	-	-	10,404
Total liabilities	775,056	23,503	13,171	811,730
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,429,529	127,013	240,000	2,796,542
Income surtax	189,871	-	-	189,871
Total deferred inflows of resources	2,619,400	127,013	240,000	2,986,413
Fund balances:				
Restricted for:				
Categorical funding	485,381	-	-	485,381
Debt service	-	-	526,328	526,328
Management levy purposes	-	-	274,533	274,533
Student activities	-	-	119,710	119,710
School infrastructure	-	517,976	-	517,976
Physical plant and equipment	-	346,031	-	346,031
Unassigned:				
General	923,535	-	-	923,535
Student activities	-	-	(3,529)	(3,529)
Total fund balances	1,408,916	864,007	917,042	3,189,965
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,803,372</b>	<b>1,014,523</b>	<b>1,170,213</b>	<b>6,988,108</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO 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)** \$ 3,189,965

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 5,924,970

Accounts receivable income surtax, are not yet available to finance expenditures of the current period and, therefore, is shown as deferred inflows of resources in the governmental funds. 189,871

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. (39,453)

Long-term liabilities, including revenue bonds payable, computer lease payable, compensated absences payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,148,135)

**Net position of governmental activities (page 18)** \$ 7,117,218

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,559,107	186,967	285,495	3,031,569
Tuition	232,900	-	-	232,900
Other	103,438	127,627	318,852	549,917
State sources	4,633,222	639,087	-	5,272,309
Federal sources	298,019	-	-	298,019
Total revenues	<u>7,826,686</u>	<u>953,681</u>	<u>604,347</u>	<u>9,384,714</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,354,301	114,140	73,514	3,541,955
Special	1,391,079	-	-	1,391,079
Other	800,792	-	312,863	1,113,655
	<u>5,546,172</u>	<u>114,140</u>	<u>386,377</u>	<u>6,046,689</u>
Support services:				
Student	131,323	-	10,212	141,535
Instructional staff	88,838	-	4,736	93,574
Administration	609,781	-	9,538	619,319
Operation and maintenance of plant	530,700	-	79,332	610,032
Transportation	284,966	19,150	18,175	322,291
	<u>1,645,608</u>	<u>19,150</u>	<u>121,993</u>	<u>1,786,751</u>
Capital outlay	-	689,921	-	689,921
Long-term debt:				
Principal	-	-	325,208	325,208
Interest and fiscal charges	-	-	100,530	100,530
	<u>-</u>	<u>-</u>	<u>425,738</u>	<u>425,738</u>
Other expenditures:				
AEA flowthrough	295,733	-	-	295,733
Total expenditures	<u>7,487,513</u>	<u>823,211</u>	<u>934,108</u>	<u>9,244,832</u>
Excess(Deficiency) of revenues over(under) expenditures	339,173	130,470	(329,761)	139,882
OTHER FINANCING SOURCES(USES):				
Compensation for the loss of capital assets	321,741	-	-	321,741
Computer lease proceeds	-	77,688	-	77,688
Transfer in	-	-	386,163	386,163
Transfer out	-	(386,163)	-	(386,163)
TOTAL OTHER FINANCING SOURCES(USES)	<u>321,741</u>	<u>(308,475)</u>	<u>386,163</u>	<u>399,429</u>
Change in fund balances	660,914	(178,005)	56,402	539,311
Fund balances beginning of year	<u>748,002</u>	<u>1,042,012</u>	<u>860,640</u>	<u>2,650,654</u>
Fund balances end of year	<u>\$ 1,408,916</u>	<u>864,007</u>	<u>917,042</u>	<u>3,189,965</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO 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)** \$ 539,311

*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. Capital outlay and depreciation expense in the current year as follows:

Capital outlay	\$ 748,747	
Depreciation expense	<u>(421,168)</u>	327,579

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 repayments and issuances, are as follows:

Issued	(77,688)	
Repaid	<u>325,208</u>	247,520

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. 15,004

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow of resources in the governmental funds. 4,913

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

Compensated absences	(6,987)	
Termination benefits	50,000	
Other postemployment benefits	<u>(49,910)</u>	<u>(6,897)</u>

**Change in net position of governmental activities (page 19)** \$ 1,127,430

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,852	-	1,852
Accounts receivable	151	-	151
Due from other governments	3,581	-	3,581
Inventories	10,363	-	10,363
Due from other funds	7,981	-	7,981
Capital assets, net of accumulated depreciation	21,656	-	21,656
<b>TOTAL ASSETS</b>	<b>45,584</b>	<b>-</b>	<b>45,584</b>
<b>LIABILITIES</b>			
Due to other funds	-	7,981	7,981
Accounts payable	856	-	856
Unearned revenue	3,304	-	3,304
<b>TOTAL LIABILITIES</b>	<b>4,160</b>	<b>7,981</b>	<b>12,141</b>
<b>NET POSITION</b>			
Net investment in capital assets	21,656	-	21,656
Unrestricted	19,768	(7,981)	11,787
<b>TOTAL NET POSITION</b>	<b>\$ 41,424</b>	<b>(7,981)</b>	<b>33,443</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 91,383	-	91,383
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	152,035	-	152,035
Benefits	24,774	-	24,774
Services	1,928	-	1,928
Supplies	142,548	-	142,548
Depreciation	5,664	-	5,664
Total operating expenses	326,949	-	326,949
Operating loss	(235,566)	-	(235,566)
Non-operating revenues:			
State sources	2,675	-	2,675
Federal sources	201,350	-	201,350
Total non-operating revenues	204,025	-	204,025
Change in net position	(31,541)	-	(31,541)
Net position beginning of year	72,965	(7,981)	64,984
Net position end of year	\$ 41,424	(7,981)	33,443

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 92,215
Cash payments to employees for services	(178,925)
Cash payments to suppliers for goods or services	(125,890)
Net cash used in operating activities	(212,600)
Cash flows from non-capital financing activities:	
State grants received	2,675
Federal grants received	185,953
Net cash provided by non-capital financing activities	188,628
Cash flows from capital financing activities:	
Acquisitions of assets	(5,975)
Net decrease in cash and cash equivalents	(29,947)
Cash and cash equivalents beginning of year	31,799
Cash and cash equivalents end of year	\$ 1,852
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (235,566)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,376
Depreciation	5,664
Decrease in inventories	3,372
Decrease in accounts receivable	986
Increase in due from other governments	(656)
Decrease in accounts payable	(162)
Decrease in salaries and benefits payable	(2,116)
Increase in unearned revenue	502
Net cash used in operating activities	\$ (212,600)

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

During the year ended June 30, 2014, the District received \$15,376 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 12,833	3,643
<b>LIABILITIES</b>		
Accounts payable	-	2,859
Due to other groups	-	784
Total liabilities	-	3,643
<b>NET POSITION</b>		
Restricted for scholarships	\$ 12,833	-

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship Fund
ADDITIONS:	
Local sources:	
Donations	\$ 3,179
Interest income	52
TOTAL ADDITIONS	3,231
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	1,600
Change in net position	1,631
Net position beginning of year	11,202
Net position end of year	\$ 12,833

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

The Wapello Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District operates or sponsors various adult educational programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Wapello, Iowa, and the predominate agricultural territory in Louisa and Des Moines 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, Wapello 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 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 Des Moines and Louisa 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 activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's 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/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. 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 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are its Enterprise Fund. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service operations of the District.

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

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

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

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

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measureable 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 - assigned and then unassigned fund balances.

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

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

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

Property Tax Receivable - Property taxes 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. 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 the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

Asset Class	Amount
Land	\$ 300
Buildings	300
Land improvements	300
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	300
Other machinery and equipment	300

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund.

The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of 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.

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

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

Unassigned - All amounts not included in preceding classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded budgeted amounts in the instruction and other expenditures functional areas as well as in total.

### **Note 2. Cash 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 \$219,845 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 and Poor's Financial Services.

**Note 3. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
School Nutrition	Day Care	\$ 7,981

The Enterprise: Day Care Fund is repaying the Enterprise: School Nutrition Fund for money borrowed at year end to cover a cash shortage from prior years.

**Note 4. 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	\$ 339,252
Debt Service	Capital Projects: Physical Plant and Equipment Levy	46,911
Total		\$ 386,163

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

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

**Note 5. Long-Term Debt**

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
<b>Governmental activities:</b>					
Revenue bonds	\$ 2,105,717	-	282,244	1,823,473	298,473
Bank loan	18,164	-	18,164	-	-
Computer lease	-	77,688	24,800	52,888	25,957
Termination benefits	50,000	-	50,000	-	-
Compensated absences	14,931	21,918	14,931	21,918	21,918
Net OPEB liability	199,946	49,910	-	249,856	-
Total	\$ 2,388,758	149,516	390,139	2,148,135	346,348

## Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 27, 2010			Bond Issue of April 1, 2011			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	5.75 %	\$ 298,473	17,162	2.00 %	-	40,778	298,473	57,940	356,413
2016		-	-	2.00	200,000	38,777	200,000	38,777	238,777
2017		-	-	2.00	205,000	34,728	205,000	34,728	239,728
2018		-	-	2.00	210,000	30,262	210,000	30,262	240,262
2019		-	-	2.30	215,000	24,999	215,000	24,999	239,999
2020-2022		-	-	2.65-3.35	695,000	34,515	695,000	34,515	729,515
Total		<u>\$ 298,473</u>	<u>17,162</u>		<u>\$ 1,525,000</u>	<u>204,059</u>	<u>1,823,473</u>	<u>221,221</u>	<u>2,044,694</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,100,000 of bonds issued in May 2010 and the \$1,525,000 of bonds issued in April 2011. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015 and 2022 respectively. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 56 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining on the notes is \$2,044,694. For the current year, \$282,244 of principal and \$74,169 of interest was paid on the bonds and total statewide sales, service and use tax revenues were \$635,932.

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

- a) The revenue bonds dated April 1, 2011 have a reserve \$152,500 to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The revenue bonds dated May 27, 2010 do not have a reserve or sinking requirement.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

## Computer Lease

Details of the District's June 30, 2014 computer lease indebtedness payable from the Capital Projects: Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Computer lease Dated June 17, 2012			
	Interest Rates	Principal	Interest	Total
2015	3.75 %	\$ 25,957	1,983	27,940
2016	3.75	26,931	1,009	27,940
Total		<u>\$ 52,888</u>	<u>2,992</u>	<u>55,880</u>

### **Termination Benefits**

The District did not offer an early retirement incentive during fiscal year 2014. However, the District offered a voluntary early retirement plan to its employees during fiscal year 2013. Employees must have completed at least ten 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 commenced.

The early retirement benefit for each eligible employee was equal to \$25,000 paid to a Health Reimbursement Arrangement (HRA) or a 403B plan chosen by the District per applicant's choice and to be paid on or before July 12, 2013.

At June 30, 2014, the District had no outstanding obligation. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$50,000.

### **Note 6. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 35,000	-	-	35,000
Construction in progress	-	546,074	-	546,074
Total capital assets not being depreciated	35,000	546,074	-	581,074
Capital assets being depreciated:				
Buildings	7,341,531	-	-	7,341,531
Land improvements	892,651	16,893	-	909,544
Machinery and equipment	2,353,452	185,780	-	2,539,232
Total capital assets being depreciated	10,587,634	202,673	-	10,790,307
Less accumulated depreciation for:				
Buildings	2,605,418	248,302	-	2,853,720
Land improvements	317,673	45,402	-	363,075
Machinery and equipment	2,102,152	127,464	-	2,229,616
Total accumulated depreciation	5,025,243	421,168	-	5,446,411
Total capital assets being depreciated, net	5,562,391	(218,495)	-	5,343,896
Governmental activities capital assets, net	\$ 5,597,391	327,579	-	5,924,970
<b>Business type activities:</b>				
Machinery and equipment	\$ 92,512	5,975	-	98,487
Less accumulated depreciation	71,167	5,664	-	76,831
Business type activities capital assets, net	\$ 21,345	311	-	21,656

Governmental activities:	
Instruction:	\$ 54,835
Regular	
Support services:	
Student	987
Administration	13,509
Operation and maintenance of plant	1,253
Transportation	56,880
	<hr/>
	127,464
Unallocated depreciation	293,704
	<hr/>
Total governmental activities depreciation expense	\$ 421,168
	<hr/>
Business type activities:	
Food services	\$ 5,664
	<hr/>

**Note 7. 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 68 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

*Annual OPEB Cost and Net OPEB Obligation* - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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	\$ 63,556
Interest on net OPEB obligation	4,999
Adjustment to annual required contribution	<hr/> (13,891)
Annual OPEB cost	54,664
Contributions made	<hr/> (4,754)
Increase in net OPEB obligation	49,910
Net OPEB obligation beginning of year	<hr/> 199,946
	<hr/>
Net OPEB obligation end of year	\$ 249,856
	<hr/>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$4,754 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 59,331	4.64%	\$ 151,046
2013	55,618	12.08%	199,946
2014	54,664	8.70%	249,856

*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 \$408,847 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$408,847. The covered payroll (annual payroll of active employees covered by the plan) was \$3,813,878 and the ratio of the UAAL to covered payroll was 10.72%. 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 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, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$401,024, \$384,614 and \$371,148, respectively, equal to the required contributions for each year.

**Note 9. Risk Management**

Wapello 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.

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$295,733 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 11. Deficit Unassigned Fund Balance/Net Position**

The Student Activity Fund contained one account with deficit unassigned fund balance of \$3,529 at June 30, 2014. The Enterprise: Day Care Fund had a deficit unrestricted and total net position of \$7,981 at June 30, 2014.

**Note 12. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, District expenditures exceeded budgeted amounts in the instruction and other expenditures functional areas as well as in total.

**Note 13. Categorical Funding**

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

Program	Amount
Home School Assistance Program	\$ 41,196
Dropout and Dropout Prevention Programs	200,496
Teacher Salary Supplement	121,129
Beginning Administrator Mentoring and Induction Program	750
Four-year-old Preschool State Aid	31,947
Successful Progression for Early Readers	17,662
Professional Development for Model Core Curriculum	53,606
Professional Development	13,920
Teacher Leadership Grants	4,675
Total	<u>\$ 485,381</u>

**Note 14. Extraordinary Item**

During the year ended June 30, 2014, the District received compensation for loss of capital assets due to hail and wind damage that occurred in the fall of 2013. As a result the District suffered damage to several District buildings, and its athletic complex.

As work progresses to repair or replace capital assets due to the hail and wind damage, the District will be receiving additional compensation for the loss of capital assets in the next fiscal year.

### **Note 15. Construction Commitments**

As of June 30, 2014, the District has entered into various construction contracts totaling \$1,080,102 for the construction of a new wellness center, a roof and a track replacement project. As of June 30, 2014, costs of \$546,074 had been incurred against these contracts. The balance remaining at June 30, 2014 will be paid as work on the projects progresses.

### **Note 16. Operating Lease**

The District entered into a sixty month contract with US Bank Equipment Finance to lease five copy machines in June 2012. During the year ended June 30, 2014, the District made lease payments totaling \$13,077. As of June 30, 2014 there are thirty-five months remaining on the lease, which is payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

### **Note 17. Reconciliation Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position are as follows:

	<u>Net investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	526,328	923,535
Capital assets, net of accumulated depreciation	5,924,970	-	-
Revenue bond capitalized indebtedness	(1,823,473)	-	-
Computer lease indebtedness	-	-	(52,888)
Accrued interest payable	-	(39,453)	-
Unassigned Student Activities	-	-	(3,529)
Income surtax	-	-	189,871
Compensated absences payable	-	-	(21,918)
Net OPEB liability	-	-	(249,856)
Net position (Exhibit A)	<u>\$ 4,101,497</u>	<u>486,875</u>	<u>785,215</u>

### **Note 18. 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

**WAPELLO COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE 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 Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,814,386	91,383	3,905,769	4,114,614	4,114,614	(208,845)
State sources	5,272,309	2,675	5,274,984	4,514,633	4,514,633	760,351
Federal sources	298,019	201,350	499,369	495,000	495,000	4,369
Total revenues	9,384,714	295,408	9,680,122	9,124,247	9,124,247	555,875
Expenditures/Expenses:						
Instruction	6,046,689	-	6,046,689	5,879,542	5,879,542	(167,147)
Support services	1,786,751	-	1,786,751	2,250,000	2,250,000	463,249
Non-instructional programs	-	326,949	326,949	375,000	375,000	48,051
Other expenditures	1,411,392	-	1,411,392	770,230	770,230	(641,162)
Total expenditures/expenses	9,244,832	326,949	9,571,781	9,274,772	9,274,772	(297,009)
Excess(Deficiency) of revenues over(under) expenditures/expenses	139,882	(31,541)	108,341	(150,525)	(150,525)	258,866
Other financing sources, net	399,429	-	399,429	-	-	399,429
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	539,311	(31,541)	507,770	(150,525)	(150,525)	658,295
Balances beginning of year	2,650,654	64,984	2,715,638	523,430	523,430	2,192,208
Balances end of year	\$ 3,189,965	33,443	3,223,408	372,905	372,905	2,850,503

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

During the year ended June 30, 2014, District expenditures exceeded budgeted amounts in the instruction and other expenditures functional areas as well as in total.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 351,708	351,708	0.0%	\$ 3,891,531	9.04%
2011	July 1, 2009	-	359,314	359,314	0.0%	3,823,201	9.40%
2012	July 1, 2009	-	359,233	359,233	0.0%	3,870,571	9.28%
2013	July 1, 2012	-	410,634	410,634	0.0%	3,760,499	10.92%
2014	July 1, 2012	-	408,847	408,847	0.0%	3,813,878	10.72%

See Note 7 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

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

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
<b>ASSETS</b>					
Cash and pooled investments	\$ 271,162	129,352	400,514	526,328	926,842
Receivables:					
Property tax:					
Delinquent	3,371	-	3,371	-	3,371
Succeeding year	240,000	-	240,000	-	240,000
<b>TOTAL ASSETS</b>	<b>\$ 514,533</b>	<b>129,352</b>	<b>643,885</b>	<b>526,328</b>	<b>1,170,213</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	13,171	13,171	-	13,171
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	240,000	-	240,000	-	240,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	526,328	526,328
Management levy purposes	274,533	-	274,533	-	274,533
Student activities	-	119,710	119,710	-	119,710
Unassigned	-	(3,529)	(3,529)	-	(3,529)
Total fund balances	274,533	116,181	390,714	526,328	917,042
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 514,533</b>	<b>129,352</b>	<b>643,885</b>	<b>526,328</b>	<b>1,170,213</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 285,495	-	285,495	-	285,495
Other	4,483	308,795	313,278	5,574	318,852
<b>TOTAL REVENUES</b>	<b>289,978</b>	<b>308,795</b>	<b>598,773</b>	<b>5,574</b>	<b>604,347</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	73,514	-	73,514	-	73,514
Other	-	312,863	312,863	-	312,863
Support services:					
Student	10,212	-	10,212	-	10,212
Instructional staff	4,736	-	4,736	-	4,736
Administration	9,538	-	9,538	-	9,538
Operation and maintenance of plant	79,332	-	79,332	-	79,332
Transportation	18,175	-	18,175	-	18,175
Long-term debt:					
Principal	-	-	-	325,208	325,208
Interest and fiscal charges	-	-	-	100,530	100,530
<b>TOTAL EXPENDITURES</b>	<b>195,507</b>	<b>312,863</b>	<b>508,370</b>	<b>425,738</b>	<b>934,108</b>
Excess(Deficiency) of revenues over(under) expenditures	94,471	(4,068)	90,403	(420,164)	(329,761)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	386,163	386,163
Change in fund balances	94,471	(4,068)	90,403	(34,001)	56,402
Fund balances beginning of year	180,062	120,249	300,311	560,329	860,640
Fund balances end of year	\$ 274,533	116,181	390,714	526,328	917,042

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 153,952	343,752	497,704
Receivables:			
Property tax:			
Delinquent	-	2,279	2,279
Succeeding year	-	127,013	127,013
Due from other governments	387,527	-	387,527
<b>TOTAL ASSETS</b>	<b>\$ 541,479</b>	<b>473,044</b>	<b>1,014,523</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 23,503	-	23,503
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	127,013	127,013
Fund balances:			
Restricted for:			
School infrastructure	517,976	-	517,976
Physical plant and equipment	-	346,031	346,031
Total fund balances	517,976	346,031	864,007
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 541,479</b>	<b>473,044</b>	<b>1,014,523</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	186,967	186,967
Other	3	127,624	127,627
State sources	635,932	3,155	639,087
<b>TOTAL REVENUES</b>	<b>635,935</b>	<b>317,746</b>	<b>953,681</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	114,140	114,140
Support Services:			
Transportation	-	19,150	19,150
Capital outlay	514,956	174,965	689,921
<b>TOTAL EXPENDITURES</b>	<b>514,956</b>	<b>308,255</b>	<b>823,211</b>
Excess of revenues over expenditures	120,979	9,491	130,470
OTHER FINANCING SOURCES(USES):			
Computer lease proceeds	-	77,688	77,688
Transfer out	(339,252)	(46,911)	(386,163)
Total other financing sources(uses)	(339,252)	30,777	(308,475)
Change in fund balances	(218,273)	40,268	(178,005)
Fund balances beginning of year	736,249	305,763	1,042,012
Fund balances end of year	\$ 517,976	346,031	864,007

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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	Intrafund Transfers	Balance End of Year
<u>Graduating Classes:</u>					
Class of:					
2012	\$ 879	-	-	-	879
2013	234	-	95	-	139
2014	1,243	1,027	2,031	-	239
2015	-	2,379	1,278	-	1,101
	2,356	3,406	3,404	-	2,358
<u>Clubs and Organizations:</u>					
FFA	2,390	16,063	19,795	1,342	-
FFA Concessions	13,667	9,765	11,197	-	12,235
FFA Greenhouse	(1,062)	2,312	978	-	272
FFA Software	6,041	-	4,618	-	1,423
FCCLA	79	2,329	1,806	-	602
Cheerleading - Football/Basketball	959	115	107	-	967
Cheerleading - Wrestling	608	5	87	-	526
Key Club	220	195	184	-	231
Poms	1,275	7,044	5,530	-	2,789
FFA Health Machine	3,059	923	1,820	-	2,162
FFA Rodeo	15,168	86,574	66,040	(1,544)	34,158
	42,404	125,325	112,162	(202)	55,365
<u>Athletics:</u>					
Athletics	21,308	68,297	72,778	(20,356)	(3,529)
Wrestling Fundraiser	2,814	6,309	5,617	-	3,506
Boys Basketball / Resale	-	385	-	(385)	-
Boys Basketball Fundraiser	283	186	986	646	129
Girls Basketball Fundraiser	2,356	51	1,112	-	1,295
Volleyball Fundraiser	3,499	3,501	6,634	-	366
Cross Country	575	2,894	2,857	-	612
Baseball Fundraiser	1,969	8,598	8,814	-	1,753
Softball Fundraiser	4,436	4,948	6,604	-	2,780
Boys Track Fundraiser	358	404	728	-	34
Girls Track Fundraiser	4,102	11,745	14,584	-	1,263
Football Fundraiser	1,141	11,355	11,361	20	1,155
Golf Fundraiser	(321)	948	950	323	-
Soccer	1,379	5,128	7,307	800	-
	43,919	124,749	140,332	(18,972)	9,364
<u>Academic Clubs:</u>					
Drama Trip	1,759	341	1,283	-	817
Drama and Speech	6,006	8,892	5,833	-	9,065
Vocal	4,682	3,499	5,481	1,278	3,978
Vocal Uniform	1,434	-	-	(1,434)	-
Music Trip	1,395	-	-	-	1,395
Vocal Fundraiser	69	20	625	536	-
Band	1,381	6,871	7,593	456	1,115
Band Uniforms	420	-	-	(420)	-
Instrument Repair	36	-	-	(36)	-
Art Club	169	474	321	-	322
Yearbook - Odd	(16,539)	2,759	5,014	18,794	-
Student Senate	1,320	4,633	4,598	-	1,355
National Honor Society	311	570	286	-	595
Prom	2,258	1,382	1,523	-	2,117
Mock Trial	276	-	-	-	276
	4,977	29,441	32,557	19,174	21,035

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>Junior High:</u>					
Junior High	2,554	5,813	6,182	-	2,185
Student Senate	298	193	433	-	58
	<u>2,852</u>	<u>6,006</u>	<u>6,615</u>	<u>-</u>	<u>2,243</u>
<u>Elementary:</u>					
Elementary	12,076	16,058	13,896	-	14,238
Elem Yearbook	(385)	1,847	1,383	-	79
Elem Vocal Music	3,868	281	1,450	-	2,699
Elem Student Council	265	-	-	-	265
Character Counts Program	272	-	-	-	272
Elem Ticket Store	191	-	-	-	191
	<u>16,287</u>	<u>18,186</u>	<u>16,729</u>	<u>-</u>	<u>17,744</u>
<u>Miscellaneous:</u>					
Bus Barn Pop	117	-	15	-	102
Spanish Trip	2	857	220	-	639
Hometown Days	9	-	-	-	9
Interest Checking	295	125	-	-	420
School Nurse Fund	7,031	700	829	-	6,902
	<u>7,454</u>	<u>1,682</u>	<u>1,064</u>	<u>-</u>	<u>8,072</u>
Total	<u>\$ 120,249</u>	<u>308,795</u>	<u>312,863</u>	<u>-</u>	<u>116,181</u>

WAPELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST- SCHOLARSHIP ACCOUNTS  
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund						
	Wapello					Jeans	Total
	Gerdner Scholarship	Foundation Scholarship	Matthews Scholarship	Walker Scholarship	Pickering Scholarship	Day Scholarship	
<b>ASSETS</b>							
Cash and pooled investments	\$ 7,943	200	367	3,000	1,120	203	12,833
<b>LIABILITIES</b>							
	-	-	-	-	-	-	-
<b>NET POSITION</b>							
Restricted for scholarships	\$ 7,943	200	367	3,000	1,120	203	12,833

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WAPELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST – SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund							Total
	Wapello			Jeans				
	Gerdner Scholarship	Foundation Scholarship	Matthews Scholarship	Walker Scholarship	Pickering Scholarship	Keltner Scholarship	Day Scholarship	
ADDITIONS:								
Local sources:								
Donations	\$ -	-	-	2,000	-	200	979	3,179
Interest income	28	-	-	-	-	-	24	52
<b>TOTAL ADDITIONS</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>200</b>	<b>1,003</b>	<b>3,231</b>
DEDUCTIONS:								
Instruction:								
Regular:								
Scholarships awarded	100	-	-	500	-	200	800	1,600
Change in net position	(72)	-	-	1,500	-	-	203	1,631
Net position beginning of year	8,015	200	367	1,500	1,120	-	-	11,202
Net position end of year	\$ 7,943	200	367	3,000	1,120	-	203	12,833

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,186	2,976	1,519	3,643
Accounts receivable	673	-	673	-
Total assets	<u>\$ 2,859</u>	<u>2,976</u>	<u>2,192</u>	<u>3,643</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	2,859	-	2,859
Due to other groups	2,859	117	2,192	784
Total liabilities	<u>\$ 2,859</u>	<u>2,976</u>	<u>2,192</u>	<u>3,643</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**WAPELLO 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
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 3,031,569	3,609,985	3,437,226	3,477,597	3,469,688	3,440,859	3,192,897	3,358,514	3,046,344	2,873,859
Tuition	232,900	248,578	234,223	211,213	209,779	151,993	171,800	176,768	215,080	196,802
Other	549,917	488,689	415,505	426,312	406,404	383,733	453,729	442,145	422,413	424,466
State sources	5,272,309	4,314,572	4,508,363	4,144,326	3,626,844	4,347,592	4,219,007	4,098,662	3,834,209	3,446,281
Federal sources	298,019	304,830	396,569	488,342	585,785	269,075	222,304	204,199	221,391	193,239
<b>Total</b>	<b>\$ 9,384,714</b>	<b>8,966,654</b>	<b>8,991,886</b>	<b>8,747,790</b>	<b>8,298,500</b>	<b>8,593,252</b>	<b>8,259,737</b>	<b>8,280,288</b>	<b>7,739,437</b>	<b>7,134,647</b>
<b>Expenditures:</b>										
<b>Current:</b>										
<b>Instruction:</b>										
Regular	\$ 3,541,955	3,730,267	3,596,694	3,540,026	3,540,140	3,684,116	3,507,759	3,407,171	3,124,319	3,028,768
Special	1,391,079	1,349,341	1,216,504	1,139,305	1,086,232	879,598	906,180	870,521	958,535	999,754
Other	1,113,655	1,130,747	1,041,579	1,097,280	1,147,125	986,133	1,057,949	1,024,131	1,035,072	786,460
<b>Support services:</b>										
Student	141,535	149,642	139,147	125,968	123,859	104,190	117,735	127,343	117,265	105,746
Instructional staff	93,574	91,583	69,418	71,746	73,466	68,016	66,246	76,407	59,603	69,495
Administration	619,319	646,299	695,030	681,362	667,032	664,170	658,873	618,373	614,171	611,608
<b>Operation and maintenance</b>										
of plant	610,032	620,722	525,272	519,866	583,198	503,711	650,469	635,163	664,509	459,932
Transportation	322,291	358,516	331,034	471,900	305,753	394,984	359,840	345,497	317,789	368,999
Capital outlay	689,921	105,021	1,200,920	1,280,311	613,948	1,483,681	358,708	46,635	55,207	3,509
<b>Long-term debt:</b>										
Principal	325,208	344,377	388,263	303,159	289,416	222,691	218,886	159,102	153,158	204,865
Interest and fiscal charges	100,530	92,078	100,783	20,877	32,749	35,395	44,823	46,490	53,805	61,871
<b>Other expenditures:</b>										
AEA flow-through	295,733	284,686	287,363	313,414	311,759	291,503	275,760	271,268	248,746	227,703
<b>Total</b>	<b>\$ 9,244,832</b>	<b>8,903,279</b>	<b>9,592,007</b>	<b>9,565,214</b>	<b>8,774,677</b>	<b>9,318,188</b>	<b>8,223,228</b>	<b>7,628,101</b>	<b>7,402,179</b>	<b>6,928,710</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Wapello Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapello Community School District 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, and have issued our report thereon dated March 24, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Wapello 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 Wapello Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Wapello 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a significant deficiency.

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

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

**Compliance and Other Matters**

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

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

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

### **Wapello Community School District's Responses to Findings**

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015  
Newton, Iowa

WAPELLO 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 DEFICIENCY:**

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 may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation.
- 4) Payroll - recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) School lunch program - 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 - The District will continue to review procedures and achieve the maximum internal controls possible.

Conclusion - Response accepted.

I-B-14 Financial Reporting - During our audit we, identified material amounts of payables which were not recorded on the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure all payables are identified and included in the District's financial statements.

Response - The District will implement procedures to ensure all payables are identified and included in the District's financial statements.

Conclusion - Response accepted.

I-C-14 Supporting Documentation - During our audit we noted instances of credit card purchases which were supported by only the credit card invoice, and not by a receipt of the items purchased. We also noted instances of meal purchases on District credit cards which lacked a detail receipt of the purchase. Without proof of receipt, the District is unable to determine if the costs incurred are appropriate.

Recommendation - We noted the District has adopted board policy 401.10 which outlines the proper use of District credit cards in which it states “Employees and officers using a school district credit card must submit a detailed receipt in addition to the credit card receipt indicating the date, purpose and nature for each claim item. Failure to provide a receipt shall make the employee responsible for the expenses incurred.” The District should review their credit card policies and procedures to ensure credit cards purchases are supported by detailed receipts and use in accordance with board policy 401.10.

Response - The District will review credit card policies with all employees to ensure that supporting documentation is received in accordance with board policy 401.10.

Conclusion - Response accepted.

#### OTHER MATTERS:

I-D-14 Student Activity Fund - We noted during our audit that the Student Activity Fund has an interest checking account. It appears that interest earned during the year has not been allocated to the individual accounts within the Student Activity Fund that earned the interest.

Recommendation - Interest earned each year should be allocated at least annually during the fiscal year to the individual activity fund accounts that earned the interest.

Response - The District will allocate interest annually during the fiscal year to the individual activity accounts that earned the interest throughout the year.

Conclusion - Response accepted.

#### **Part II: Other Findings Related to Required Statutory Reporting:**

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014, exceeded the certified budgeted amounts in the instruction and other expenditures functional areas as well as in total.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will monitor the certified budget and amend in accordance with Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements – Disbursements noted which may not meet public purpose as defined by Attorney General’s opinion dated April 25, 1979 are noted as follows:

**Gift Cards:** Noted the District purchased gift cards to be given to needy families from the Nurses account within the Student Activity Fund. Giving cash or gift certificates/cards does not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response - The District will communicate to all employees that gift cards are not an allowable purchase and all employees should no longer purchase gift cards to be given as prizes, gifts, or incentives.

Conclusion - Response accepted.

**Fundraiser Prizes:** We noted during our audit a disbursement for fundraiser prizes to be given to top sellers purchased from the Girls Track account within the Student Activity Fund. Giving prizes for a fundraiser does not appear to meet public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and refrain from purchasing prizes to be given to students to be in compliance with Attorney General’s opinion dated April 25, 1979.

Response - The District will communicate with all employees that prizes should not be purchased for students for fundraisers or other activities to be in compliance with Attorney General’s opinion dated April 25, 1979.

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. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Duane Boyson, Board Member Owns JD's Irish Ivy	Supplies	\$649

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

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 discrepancies in the enrollment data certified to the Iowa Department of Education for the fall 2013 count date as follows:

**Student Adjustments:** We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was overstated by 0.50 students for the fall 2013 count date.

Recommendation - The Iowa Department of Education and the Iowa 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 behalf of the District to resolve this matter.

Conclusion - Response accepted.

**Late Certification:** We noted the District did not meet the October 15th deadline for certifying enrollment for the fall of 2013 as required by Chapter 257.6 (7b) of the Code of Iowa.

Recommendation - The District should review procedures to ensure that enrollment data is certified to the Iowa Department of Education in a timely manner to be in compliance with Iowa Code 257.6(7b).

Response - The District will review procedures to ensure that enrollment data is certified to the Iowa Department of Education in a timely manner to be in compliance with Iowa Code 257.6(7b).

Conclusion - Response accepted.

II-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 0.32 for the fall of 2013.

Recommendation - The Iowa Department of Education and the Iowa 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 behalf of the District to resolve this matter.

Conclusion - Response accepted.

II-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not 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 Financial Condition - The District had one Student Activity account with deficit balance at June 30, 2014, totaling \$3,529. The District also had deficit unrestricted and total net position of \$7,981 in the Enterprise, Day Care Fund at June 30, 2014.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial condition. The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - The District will continue to monitor the accounts with deficit balances and investigate alternative ways to return the accounts to a sound financial position.

Conclusion - Response accepted.

II-M-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	736,249
Revenues:			
Sales tax revenues	\$	635,932	
Other local revenues		3	635,935
			<u>1,372,184</u>
Expenditures/transfers out:			
School infrastructure construction	\$	514,956	
Transfer to another fund:			
Debt service fund		339,252	854,208
			<u>854,208</u>
Ending Balance		\$	<u>517,976</u>

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

II-N-14 Student Activity Fund - During our audit concerns arose about certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program.

**Administratively Maintained Account:** We noted during our audit the District had a Bus Barn Pop account in the Student Activity Fund. This account is not a student run organization and does not appear to be extracurricular in nature; furthermore, purchases from this account appear to be for administrative purposes and should be run through the District's General Fund.

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. This account should be transferred to the General Fund where these monies can be receipted and expended.

Response - The District will review the propriety of the receipts and expenditures that are recorded in the Student Activity Fund and transfer monies that appear to be more administrative in nature to the appropriate fund.

Conclusion - Response accepted.

**Scholarships:** We noted that the District paid FFA scholarships from the FFA club account within the Student Activity Fund even though the District's Private Purpose Trust Fund also includes an FFA account.

Recommendation - When fundraising takes place, the District should deposit the proceeds into the appropriate fund. Moneys fundraised for scholarships should be receipted and expensed from the Private Purpose Trust Fund. Furthermore, scholarships should not be paid from the Student Activity Fund as those expenses are not extracurricular or co-curricular in nature.

Response - Scholarships will be paid from the Private Purpose Trust Fund in the future and fundraising for these activities will be receipted into the Private Purpose Trust Fund as well.

Conclusion - Response accepted.

II-O-14 Checks Outstanding - We noted during our audit that the District had checks included in the activity and general bank reconciliations that have been outstanding for over a year.

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

Response - The District will review the list of outstanding checks and determine the disposition of all outstanding check and deal with each accordingly.

Conclusion - Response accepted.