

Wapsie Valley Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2014

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Independent Auditor's Report

To the Board of Education of
Wapsie Valley Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District, Fairbank, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

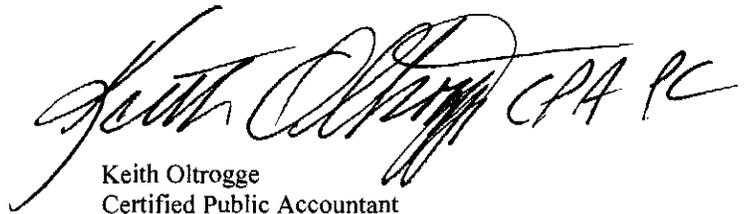
Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapsie Valley Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules I through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my 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, I have also issued my report dated February 27, 2015 on my consideration of Wapsie Valley Community School District's internal control over financial reporting and on my 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 my 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 Wapsie Valley Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

February 27, 2015

Wapsie Valley Community School District

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Wapsie Valley 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 \$7,121,370 in fiscal 2013 to \$7,782,867 in fiscal 2014, while General Fund expenditures increased from \$7,490,606 in fiscal 2013 to \$7,795,638 in fiscal 2014. The District's General Fund balance decreased from adjusted \$317,638 in fiscal year 2013 to \$304,867 in fiscal year 2014, a 4.0% decrease.
- The increase in General Fund revenues was attributable to an increase in local and state sources. The increase in expenditures was due to an increase in the instructional and support service expenditure function areas.
- The decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 1.6% in 2013 to 1.4% in fiscal 2014. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Wapsie Valley 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 Wapsie Valley 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 Wapsie Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to 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 non-major governmental funds.

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

Figure A-1
Wapsie Valley Community School District Annual Financial Report

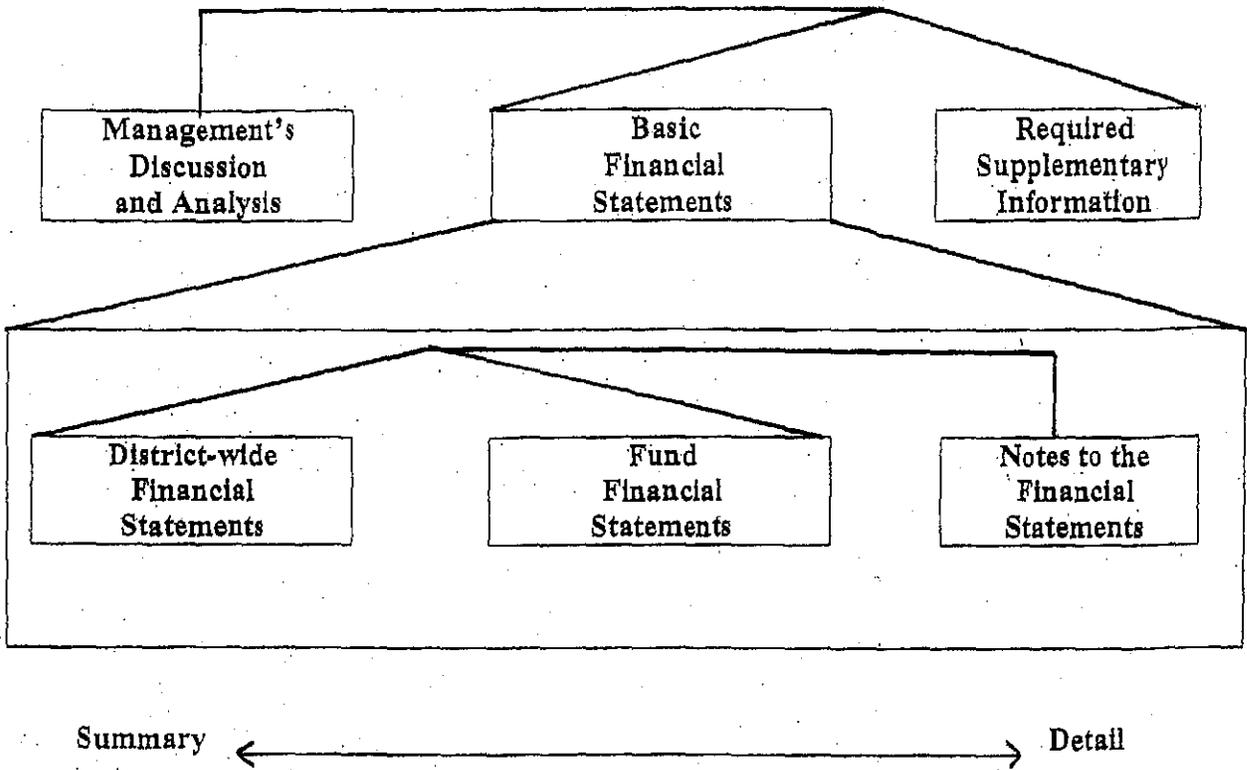


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

The required financial statements for 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, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's Internal Service Fund (one type of proprietary fund) is the same as its governmental activities but it provides more detail and additional information, such as cash flows. The District has one Internal Service Fund: Self-funded Insurance.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$5,292,406	\$6,448,005	\$29,319	\$18,272	\$5,321,725	\$6,466,277	-17.7%
Capital assets	12,076,253	11,319,369	3,879	4,640	12,080,132	11,324,009	6.7%
Total assets	\$17,368,659	\$17,767,374	\$33,198	\$22,912	\$17,401,857	\$17,790,286	-2.2%
Long-term liabilities	\$9,577,426	\$9,994,670	\$-	\$-	\$9,577,426	\$9,994,670	-4.2%
Other liabilities	871,299	1,151,012	4,006	6,898	875,305	1,157,910	-24.2%
Total liabilities	\$10,448,725	\$11,145,682	\$4,006	\$6,898	\$10,452,731	\$1,152,580	-6.3%
Deferred inflows of resources	\$2,550,169	\$2,480,963	\$-	\$-	\$2,550,169	\$2,480,963	2.8%
Net Position:							
Net investment in capital assets	\$2,950,253	\$1,752,369	\$3,879	\$4,640	\$2,954,132	\$1,757,009	68.1%
Restricted	1,533,541	2,447,149	-	-	1,533,541	2,447,149	-37.3%
Unrestricted	14,254	16,959	-102,970	-64,374	-88,716	-47,415	-87.1%
Total net position	\$4,498,048	\$4,216,477	-\$99,091	-\$59,734	\$4,398,957	\$4,156,743	5.8%

The District's combined net position increased by nearly 5.8%, or \$242,214, over the prior year. The largest portion of the District's net position is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how it can be used. The District's restricted net position decreased \$913,608 or 37.3%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$41,301. The decrease was primarily due to the general fund expenditures exceeding revenue.

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

**Figure A-4
Changes in Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$751,014	\$736,296	\$186,371	\$176,015	\$937,385	\$912,311	2.7%
Operating grants, contributions and restricted interest	1,199,163	1,096,723	118,798	106,149	1,317,961	1,202,872	9.6%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,487,029	2,444,905	-	-	2,487,029	2,444,905	1.7%
Income surtax	421,105	314,033	-	-	421,105	314,033	34.1%
State sales, services and use tax	625,018	460,412	-	-	625,018	460,412	35.8%
Unrestricted state grants	3,312,819	3,345,103	-	-	3,312,819	3,345,103	-1.0%
Unrestricted investment earnings	18,910	18,458	107	97	19,017	18,555	2.5%
Other	354,218	49,307	-	-	354,218	49,307	618.4%
Total revenues	\$9,169,276	\$8,465,237	\$305,276	\$282,261	\$9,474,552	\$8,747,498	8.3%
Program expenses:							
Governmental activities:							
Instruction	\$6,021,740	\$6,094,252	\$-	\$-	\$6,021,740	\$6,094,252	1.2%
Support services	2,168,973	1,954,011	-	-	2,168,973	1,954,011	11.0%
Non-instructional programs	1,444	5,576	344,633	320,022	346,077	325,598	6.3%
Other expenses	690,539	589,865	-	-	690,539	589,865	17.1%
Total expenses	\$8,882,696	\$8,643,704	\$344,633	\$320,022	\$9,227,329	\$8,963,726	2.9%
Change in net position	\$286,580	-\$178,467	\$39,357	-\$37,761	\$247,223	-\$216,228	114.3%
Net position, beginning of year	\$4,216,477	\$4,394,944	-\$59,734	-\$21,973	\$4,156,743	\$4,372,971	-5.0%
Prior period adjustment	-5,009	-	-	-	-5,009	-	100%
Adjusted net position, beginning of year	\$4,211,468	\$4,394,944	-\$59,734	-\$21,973	\$4,151,734	\$4,372,971	-5.1%
Net position, end of year	\$4,498,048	\$4,216,477	-\$99,091	-\$59,734	\$4,398,957	\$4,156,743	5.8%

In fiscal year 2014, property tax and unrestricted state grants account for 61.2% of the total governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$9.5 million, of which approximately \$9.2 million was for governmental activities and \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.3% increase in revenues and a 2.9% increase in expenses. Property tax increased approximately \$42,124. The increase in expenses is related to an increase in the support service expenditure functional area.

Governmental Activities

Revenues for governmental activities were \$9,169,276 and expenses were \$8,882,696 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

**Figure A-5
Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$6,021,740	\$6,094,252	-1.2%	\$4,078,137	\$4,263,656	-4.4%
Support services	2,168,973	1,954,011	11.0%	2,162,399	1,951,588	10.8%
Non-instructional programs	1,444	5,576	-74.1%	1,444	5,576	-74.1%
Other expenses	690,539	589,865	17.1%	690,539	589,865	17.1%
Totals	\$8,882,696	\$8,643,704	2.8%	\$6,932,519	\$6,810,685	1.8%

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$937,385.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,317,961.
- The net cost of governmental activities was financed with \$3,533,152 in property and other taxes and \$3,312,819 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$305,276 and expenses were \$344,633. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Wapsie Valley 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 a combined fund balance of \$4,398,957 above last year’s ending adjusted fund balances of \$4,156,743.

Governmental Fund Highlights

- The General Fund balance decreased from adjusted \$317,638 to \$304,867 due, in part, to the expenditures exceeding revenue.
- The Capital Project Funds balance decreased \$804,229 due to completion of the high school renovation, drive way and parking lot projects.
 - The Statewide Sale, Services and Use Tax Fund balance increased by \$170,629 due to the increase in taxes collected over the transfer out to Debt Service.
 - The Physical Plant and Equipment Levy Fund balance decreased by \$974,858 due to facilities acquisitions.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from -\$59,734 at June 30, 2013 to -\$99,091 at June 30, 2014, representing a decrease of \$39,357 or 60.3%. The decrease in net position was due to the increase in the cost of food and supplies.

BUDGETARY HIGHLIGHTS

The District's receipts were \$521,051 more than budgeted receipts, a variance of 5.9%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget 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, support service, non-instructional programs and other expenditures function areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

Fund Balance vs. Unspent (Unused) Budget Authority

Unspent budget authority is a unique feature of the Iowa school foundation formula. Iowa public school districts are required to keep track of fund balance and unused budget authority.

Simply stated, fund balance is the balance on the books assuming the District would cease operations at the end of the fiscal year. The following pages within the audit report will state fund balances for the various funds required to operate the District.

The Iowa public school funding formula is a pupil based formula. Each district receives an amount of funding (cash) and the authorization to spend it (authority). Another way to look at authority is to think of it as a credit card limit. Simply stated the budget authority is the number of student's times the formula amount per student. Unspent budget authority is the total authority (credit card limit) minus expenditures for the fiscal year. This "unspent budget authority" amount is carried forward to be included in the total authorized budget or spending authority for the next fiscal year.

Total authorized budget or spending authority is the legal limit an Iowa public school district can spend in a fiscal year. As stated above, this is not the same as cash or fund balance. The State of Iowa has established spending authority to enforce per pupil spending equity across the state. Unspent budget authority gained more importance in 2007 when the Iowa Legislature passed a law allowing the initiation of a Phase II review of public school districts that overspend their budget spending authority for two consecutive years. This review is both a financial viability review as well as a full academic review. At the completion of the review, the School Budget Review committee (SBRC), through the State Board of Education, may order remedies up to and including dissolution of the school district.

Adequate unspent budget authority is critical in management of the District in the event of unforeseen increases or decreases in enrollment as well as unanticipated mid-year across the board reductions in state foundation aid. With approximately 80% of a public school districts expenses directly tied to labor contracts, it is very difficult to make mid-year corrections when state mandated across the board funding reductions are implemented.

The following chart shows the change in Unspent Budget Authority between fiscal years 2013 and 2014.

	Unspent Budget Authority Comparison		
	2013	2014	Change
Budget Revenue			
Maximum General Fund District Cost	\$5,919,223	\$5,860,477	-\$58,746
Preschool Foundation Aid	153,026	134,662	-18,364
Instructional Support Fund	307,287	309,112	1,825
Other Miscellaneous Income	622,992	1,060,253	437,261
Previous Year Unspent Budget Authority	1,395,535	907,458	-488,077
Maximum Budget Authority	\$8,398,063	\$8,271,962	-\$126,101
Total Expenditures	\$7,490,605	\$7,802,001	\$311,396
End Fiscal Year Unspent Budget Authority	\$907,458	\$469,961	-\$437,497

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$12,080,132, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 6.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$352,224.

The original cost of the District's capital assets was \$19,585,848. Governmental funds account for \$19,576,723, with the remainder of \$9,125 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category. It decreased due to the completion of the high school drive way and parking lot improvements and the high school office improvement projects.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$156,672	\$156,672	\$-	\$-	\$156,672	\$156,672	-
Construction in process	365,590	840,702	-	-	365,590	840,702	-56.5%
Buildings	10,347,808	9,807,518	-	-	10,347,808	9,807,518	5.5%
Improvements other than buildings	735,105	173,416	-	-	735,105	173,416	323.8%
Furniture and equipment	471,078	341,061	3,879	4,640	474,957	345,701	37.4%
Totals	\$12,076,253	\$11,319,369	\$3,879	\$4,640	\$12,080,132	\$11,324,009	6.7%

Long-Term Debt

At June 30, 2014, the District had \$9,126,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 4.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$15.8 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$8,910,000	\$9,315,000	-4.4%
Revenue bonds	216,000	252,000	-14.3%
Totals	\$9,126,000	\$9,567,000	-4.6%

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 which could significantly affect its financial health in the future:

- Funding from federal and state sources could be reduced as budget concerns and cutbacks are dealt with at those levels of government.
- Employee benefits, especially health care costs, continue to rise with the effects of new health care legislation.

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 Carol Foster, District Secretary, Wapsie Valley Community School District, 2535 Viking Avenue, Fairbank IA 50629.

Basic Financial Statements

Wapsie Valley Community School District

Statement of Net Position

June 30, 2014

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalent and pooled investments	\$ 2,037,259	\$ 16,191	\$ 2,053,450
Receivables:			
Property tax:			
Delinquent	27,501	-	27,501
Succeeding year	2,550,169	-	2,550,169
Income surtax	346,574	-	346,574
Accounts	44,042	5,852	49,894
Due from other governments	286,861	-	286,861
Inventories	-	7,276	7,276
Capital assets, net of accumulated depreciation	12,076,253	3,879	12,080,132
Total Assets	\$ 17,368,659	\$ 33,198	\$ 17,401,857
Liabilities			
Excess of warrants issued over bank balance	\$ 1,723	\$ -	\$ 1,723
Accounts payable	98,117	-	98,117
Accrued interest payable	28,118	-	28,118
Salaries and benefits payable	743,341	-	743,341
Unearned revenue	-	4,006	4,006
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	415,000	-	415,000
Revenue bonds	36,000	-	36,000
Early retirement	31,429	-	31,429
Compensated absences	106,148	-	106,148
Portion due after one year:			
General obligation bonds payable	8,495,000	-	8,495,000
Revenue bonds	180,000	-	180,000
Early retirement	2,005	-	2,005
Net OPEB liability	311,844	-	311,844
Total Liabilities	\$ 10,448,725	\$ 4,006	\$ 10,452,731
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,550,169	\$ -	\$ 2,550,169
Net Position			
Net investment in capital assets	\$ 2,950,253	\$ 3,879	\$ 2,954,132
Restricted for:			
Categorical funding	180,354	-	180,354
Debt service	9,000	-	9,000
Management levy	79,623	-	79,623
Student activities	41,779	-	41,779
Physical plant and equipment levy	177,388	-	177,388
Other special revenues purposes	1,045,397	-	1,045,397
Unrestricted	14,254	-102,970	-88,716
Total Net Position	\$ 4,498,048	\$ -99,091	\$ 4,398,957

See notes to financial statements.

Wapsie Valley Community School District

Statement of Activities

Year Ended June 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,140,632	\$ 336,655	\$ 1,076,176	\$ -
Special instruction	729,793	82,026	48,026	-
Other instruction	1,151,315	332,333	68,387	-
	<u>\$ 6,021,740</u>	<u>\$ 751,014</u>	<u>\$ 1,192,589</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 174,330	\$ -	\$ 6,347	\$ -
Instructional staff services	55,451	-	-	-
Administration services	852,489	-	-	-
Operation and maintenance of plant services	817,443	-	-	-
Transportation services	269,260	-	227	-
	<u>\$ 2,168,973</u>	<u>\$ -</u>	<u>\$ 6,574</u>	<u>\$ -</u>
Non Instructional:				
Food service operations	\$ 1,444	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 49,689	\$ -	\$ -	\$ -
Long-term debt interest	349,506	-	-	-
AEA flow-through	291,344	-	-	-
	<u>\$ 690,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 8,882,696</u>	<u>\$ 751,014</u>	<u>\$ 1,199,163</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 344,633	\$ 186,371	\$ 118,798	\$ -
Total	<u>\$ 9,227,329</u>	<u>\$ 937,385</u>	<u>\$ 1,317,961</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -2,727,801	\$ -	\$ -2,727,801
-599,741	-	-599,741
-750,595	-	-750,595
<u>\$ -4,078,137</u>	<u>\$ -</u>	<u>\$ -4,078,137</u>
\$ -167,983	\$ -	\$ -167,983
-55,451	-	-55,451
-852,489	-	-852,489
-817,443	-	-817,443
-269,033	-	-269,033
<u>\$ -2,162,399</u>	<u>\$ -</u>	<u>\$ -2,162,399</u>
\$ -1,444	\$ -	\$ -1,444
\$ -49,689	\$ -	\$ -49,689
-349,506	-	-349,506
-291,344	-	-291,344
<u>\$ -690,539</u>	<u>\$ -</u>	<u>\$ -690,539</u>
\$ -6,932,519	\$ -	\$ -6,932,519
\$ -	\$ -39,464	\$ -39,464
<u>\$ -6,932,519</u>	<u>\$ -39,464</u>	<u>\$ -6,971,983</u>

Wapsie Valley Community School District

Statement of Activities

Year Ended June 30, 2014

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Expenses</u>			

General Revenues:

Property Tax Levied For:
 General purposes
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total General Revenues

Change in net position
Net position beginning of year
Prior period adjustment
Adjusted net position beginning of year

Net Position End of Year

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,240,055	\$ -	\$ 2,240,055
246,974	-	246,974
421,105	-	421,105
625,018	-	625,018
3,312,819	-	3,312,819
18,910	107	19,017
354,218	-	354,218
<u>\$ 7,219,099</u>	<u>\$ 107</u>	<u>\$ 7,219,206</u>
\$ 286,580	\$ -39,357	\$ 247,223
\$ 4,216,477	\$ -59,734	\$ 4,156,743
-5,009	-	-5,009
<u>4,211,468</u>	<u>-59,734</u>	<u>4,151,734</u>
<u>\$ 4,498,048</u>	<u>\$ -99,091</u>	<u>\$ 4,398,957</u>

Wapsie Valley Community School District

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital Projects	Non- major Funds	Total
Assets				
Cash, cash equivalent and pooled investments	\$ 909,068	\$ 974,744	\$ 153,447	\$ 2,037,259
Receivables:				
Property Tax:				
Delinquent	23,432	2,680	1,389	27,501
Succeeding year	2,175,177	249,991	125,001	2,550,169
Income surtax	288,812	57,762	-	346,574
Accounts	44,042	-	-	44,042
Due from other funds	128,310	-	-	128,310
Due from other governments	36,903	249,958	-	286,861
Total Assets	\$ 3,605,744	\$ 1,535,135	\$ 279,837	\$ 5,420,716
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Excess or warrants issued over bank balance	\$ -	\$ -	\$ 1,723	\$ 1,723
Accounts payable	93,547	4,570	-	98,117
Due to other funds	-	27	-	27
Salaries and benefits payable	743,341	-	-	743,341
Total liabilities	\$ 836,888	\$ 4,597	\$ 1,723	\$ 843,208
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 2,175,177	\$ 249,991	\$ 125,001	\$ 2,550,169
Other	288,812	57,762	-	346,574
Total deferred inflows of resources	\$ 2,463,989	\$ 307,753	\$ 125,001	\$ 2,896,743
Fund Balances:				
Restricted for:				
Categorical funding	\$ 180,354	\$ -	\$ -	\$ 180,354
Debt service	-	-	9,000	9,000
Management levy purposes	-	-	113,057	113,057
Student activities	-	-	41,779	41,779
School infrastructure	-	1,045,397	-	1,045,397
Physical plant and equipment	-	177,388	-	177,388
Unassigned	124,513	-	-10,723	113,790
Total fund balances	\$ 304,867	\$ 1,222,785	\$ 153,113	\$ 1,680,765
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,605,744	\$ 1,535,135	\$ 279,837	\$ 5,420,716

See notes to financial statements.

Wapsie Valley 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 17)	\$ 1,680,765
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,076,253
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	346,574
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.	-28,118
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>-9,577,426</u>
Net position of governmental activities (page 14)	<u>\$ 4,498,048</u>

Wapsie Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Non- Major Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,489,088	\$ 871,992	\$ 125,316	\$ 3,486,396
Tuition	395,875	-	-	395,875
Other	386,120	13,666	328,481	728,267
Intermediate sources	-	-	-	-
State sources	4,360,596	134	64	4,360,794
Federal sources	151,188	-	-	151,188
Total Revenues	\$ 7,782,867	\$ 885,792	\$ 453,861	\$ 9,122,520
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,891,455	\$ -	\$ 34,471	\$ 3,925,926
Special instruction	729,793	-	-	729,793
Other instruction	869,564	-	317,304	1,186,868
	\$ 5,490,812	\$ -	\$ 351,775	\$ 5,842,587
Support Services:				
Student services	\$ 173,996	\$ -	\$ -	\$ 173,996
Instructional staff services	55,451	-	-	55,451
Administration services	794,724	-	53,394	848,118
Operation and maintenance of plant services	755,314	-	71,727	827,041
Transportation services	233,997	21,699	9,723	265,419
	\$ 2,013,482	\$ 21,699	\$ 134,844	\$ 2,170,025
Other Expenditures:				
Facility acquisition	\$ -	\$ 962,362	\$ -	\$ 962,362
Long-term debt:				
Principal	-	-	441,000	441,000
Interest and fiscal charges	-	-	350,560	350,560
AEA flow-through	291,344	-	-	291,344
	\$ 291,344	\$ 962,362	\$ 791,560	\$ 2,045,266
Total Expenditures	\$ 7,795,638	\$ 984,061	\$ 1,278,179	\$ 10,057,878
Excess (deficiency) of revenues over (under) expenditures	\$ -12,771	\$ -98,269	\$ -824,318	\$ -935,358
Other Financing Sources (Uses):				
Operating transfers in (out)	\$ -	\$ -705,960	\$ 705,960	\$ -
Net change in fund balances	\$ -12,771	\$ -804,229	\$ -118,358	\$ -935,358
Fund balances beginning of year	\$ 322,191	\$ 2,027,470	\$ 271,471	\$ 2,621,132
Prior period adjustment	-4,553	-456	-	-5,009
Adjusted balance beginning of year	\$ 317,638	\$ 2,027,014	\$ 271,471	\$ 2,616,123
Fund Balances End of Year	\$ 304,867	\$ 1,222,785	\$ 153,113	\$ 1,680,765

See notes to financial statements.

Wapsie Valley 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

Net change in fund balances – total governmental funds (page 19) \$ -935,358

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

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

Expenditures for capital assets	\$ 1,109,108	
Depreciation expense	<u>-352,224</u>	756,884

Income surtax revenue not received until several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		46,756
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<p>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, are as follows:</p>		
Repaid		441,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,054
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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, as follows:

Early retirement	\$ 34,010	
Compensated absences	-24,278	
Other postemployment benefits	<u>-33,488</u>	-23,756

Change in Net Position of Governmental Activities (page 16)		<u>\$ 286,580</u>
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Wapsie Valley Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	Business Type Activities:		Governmental Activities:
	Enterprise Fund	School Nutrition	Internal Service Fund
Assets			
Current Assets:			
Cash and cash equivalents	\$ 16,191	\$	2,169
Accounts receivable	5,852		22,096
Inventories	7,276		-
Total Current Assets	\$ 29,319	\$	24,265
Non-Current Assets			
Capital assets, net of accumulated depreciation	\$ 3,879	\$	-
Total Assets	\$ 33,198	\$	24,265
Liabilities			
Current Liabilities:			
Inter-fund payable	\$ 128,283	\$	-
Accounts payable	-		8,437
Unearned revenue	4,006		-
Total Current Liabilities	\$ 132,289	\$	8,437
Total Liabilities	\$ 132,289	\$	8,437
Net Position			
Net investment in capital assets	\$ 3,879	\$	-
Restricted	-		15,828
Unrestricted	-102,970		-
Total Net Position	\$ -99,091	\$	15,828

Wapsie Valley Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Year Ended June 30, 2014

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 186,371	\$ 910,092
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	\$ 93,807	\$ -
Benefits	69,080	-
Purchased services	1,330	-
Supplies	179,655	-
Depreciation	761	-
	\$ 344,633	\$ -
Other enterprise operations:		
Benefits	-	990,523
Total operating expenses	\$ 344,633	\$ 990,523
Operating income (loss)	\$ -158,262	\$ -80,431
Non-operating revenues:		
State sources	\$ 2,846	\$ -
Federal sources	115,952	-
Interest income	107	-
Total non-operating revenues	\$ 118,905	\$ -
Change in net position	\$ -39,357	\$ -80,431
Net Position beginning of year	-59,734	96,259
Net Position End of Year	\$ -99,091	\$ 15,828

See notes to financial statements.

Wapsie Valley Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2014

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 181,923	\$ -
Cash received from miscellaneous operating activities	-	891,169
Cash paid to employees for services	-110,352	-
Cash paid to suppliers for goods or services	-162,659	-897,516
Net cash provided (used) by operating activities	<u>\$ -91,088</u>	<u>\$ -6,347</u>
Cash flows from non-capital financing activities:		
State grants received	\$ 2,846	\$ -
Federal grants received	95,705	-
Net cash provided by non-capital financing activities	<u>\$ 98,551</u>	<u>\$ -</u>
Cash flows from investing activities:		
Interest on investments	\$ 107	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 7,570	\$ -6,347
Cash and cash equivalents beginning of year	<u>8,621</u>	<u>8,516</u>
Cash and Cash Equivalents End of Year	<u>\$ 16,191</u>	<u>\$ 2,169</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ -158,262	\$ -80,431
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	20,247	-
Depreciation	761	-
(Increase) in inventories	-1,921	-
Decrease in prepaid expenses	-	84,569
(Increase) in accounts receivable	-1,556	-18,922
(Decrease) in unearned revenue	-2,892	-
Increase in inter-fund payable	52,535	-
Increase in accounts payable	-	8,437
Net Cash Provided (Used) by Operating Activities	<u>\$ -91,088</u>	<u>\$ -6,347</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$20,247 of federal commodities.

See notes to financial statements.

Wapsie Valley Community School District

Notes to Financial Statements

June 30, 2014

(I) Summary of Significant Accounting Policies

Wapsie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Readlyn, Fairbank and Oran, Iowa and portions of the predominately agricultural territories in Bremer, Buchanan, Fayette and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does 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 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in 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 preceding categories. Unrestricted net position is often subject to constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

The 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 major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Self-funded Insurance Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Self-funded Insurance Fund is used to account for employee and board contributions for health insurance premiums.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

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

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 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 in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. 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 paid primarily by the General Fund.

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable 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 in the instruction, support services, non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash, Cash Equivalents 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 \$81,735 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Moody's Investors Service.

(3) **Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects – Physical Plant and Equipment Levy	\$ 27
General Fund	Enterprise - Nutrition	128,283
		<u>\$ 128,310</u>

The Nutrition Fund owes the General Fund for salaries. The balance will be repaid when the funds become available. The Capital Projects – Physical Plant and Equipment Levy owes the General Fund for property taxes transferred in error. The balance will be repaid by June 30, 2015.

(4) **Inter-fund Transfers**

The detail of inter-fund 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	\$ 463,409
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	242,551
Total		<u>\$ 705,960</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) **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
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 156,672	\$ -	\$ -	\$ 156,672
Construction in process	840,702	365,590	840,702	365,590
Total capital assets not being depreciated	<u>\$ 997,374</u>	<u>365,590</u>	<u>840,702</u>	<u>522,262</u>
Capital assets being depreciated:				
Buildings	\$ 13,613,982	\$ 780,934	\$ -	\$ 14,394,916
Improvements other than buildings	560,521	579,883	-	1,140,404
Furniture and equipment	3,295,738	223,403	-	3,519,141
Total capital assets being depreciated	<u>\$ 17,470,241</u>	<u>\$ 1,584,220</u>	<u>\$ -</u>	<u>\$ 19,054,461</u>
Less accumulated depreciation for:				
Buildings	\$ 3,806,464	\$ 240,644	\$ -	\$ 4,047,108
Improvements other than buildings	387,105	18,194	-	405,299
Furniture and equipment	2,954,677	93,386	-	3,048,063
Total accumulated depreciation	<u>\$ 7,148,246</u>	<u>\$ 352,224</u>	<u>\$ -</u>	<u>\$ 7,500,470</u>
Total capital assets being depreciated, net	<u>\$ 10,321,995</u>	<u>\$ 1,231,996</u>	<u>\$ -</u>	<u>\$ 11,553,991</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,319,369</u>	<u>\$ 1,597,586</u>	<u>\$ 840,702</u>	<u>\$ 12,076,253</u>
Business type activities:				
Furniture and equipment	\$ 9,125	\$ -	\$ -	\$ 9,125
Less accumulated depreciation	4,485	761	-	5,246
Business Type Activities Capital Assets, Net	<u>\$ 4,640</u>	<u>\$ 761</u>	<u>\$ -</u>	<u>\$ 3,879</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 310,400
Other	11,471

Support services:

Administration	1,721
Operation and maintenance of plant	16,391
Transportation	12,241

Total Depreciation Expense – Governmental Activities \$ 352,224

Business Type Activities:

Food service operations	<u>\$ 761</u>
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(6) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 9,315,000	\$ -	\$ 405,000	\$ 8,910,000	\$ 415,000
Compensated absences	81,870	24,278	-	106,148	106,148
Early retirement	67,444	8,000	42,010	33,434	31,429
Revenue bonds	252,000	-	36,000	216,000	36,000
Net OPEB liability	278,356	33,488	-	311,844	-
Total	<u>\$ 9,994,670</u>	<u>\$ 65,766</u>	<u>\$ 483,010</u>	<u>\$ 9,577,426</u>	<u>\$ 588,577</u>

Early Retirement

The District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full time service to the District and must have reached the age of fifty-five before June 30, 2014. The application for early retirement was subject to approval by the Board of Education. Each eligible employee approved by the Board will receive a maximum of \$4,000 per year towards a health insurance policy of the employee's selection for up to five years or until the employee is eligible for Medicare. At June 30, 2014, the District had obligations to four participants with a total liability of \$33,434.

General Obligation Bonds Payable

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

Series 2009

Year Ending	Interest Rate	Principal	Interest	Total
2015	4.40%	\$ 130,000	\$ 207,440	\$ 337,440
2016	4.40%	240,000	201,720	441,720
2017	4.40%	250,000	191,160	441,160
2018	4.40%	260,000	180,160	440,160
2019	4.40%	270,000	168,720	438,720
2020	4.40%	280,000	156,840	436,840
2021	4.40%	290,000	144,520	434,520
2022	4.40%	300,000	131,760	431,760
2023	4.40%	315,000	118,560	433,560
2024	4.50%	330,000	104,700	434,700
2025	4.60%	345,000	89,850	434,850
2026	4.70%	360,000	73,980	433,980
2027	4.75%	375,000	57,060	432,060
2028	4.85%	395,000	39,247	434,247
2029	4.90%	410,000	20,090	430,090
Total		\$ 4,550,000	\$ 1,885,807	\$ 6,435,807

Series 2011

Year Ending	Interest Rate	Principal	Interest	Total
2015	2.5%	\$ 75,000	\$ 102,530	\$ 177,530
2016	2.5%	75,000	100,655	175,655
2017	3.0%	100,000	98,780	198,780
2018	3.0%	105,000	95,780	200,780
2019	3.5%	110,000	92,630	202,630
2020	3.5%	110,000	88,780	198,780
2021	3.5%	115,000	84,930	199,930
2022	4.0%	125,000	80,905	205,905
2023	4.0%	130,000	75,905	205,905
2024	4.0%	135,000	70,705	205,705
2025	4.5%	140,000	65,305	205,305
2026	4.5%	145,000	59,005	204,005
2027	4.6%	155,000	52,480	207,480
2028	4.6%	160,000	45,350	205,350
2029	4.7%	170,000	37,990	207,990
2030	5.0%	600,000	30,000	630,000
Total		\$ 2,450,000	\$ 1,181,730	\$ 3,631,730

Series 2011 Energy Management Capital Loan Notes

Year Ending	Interest Rate	Principal	Interest	Total
2015	3.0%	\$ 20,000	\$ 3,600	\$ 23,600
2016	3.0%	20,000	3,000	23,000
2017	3.0%	20,000	2,400	22,400
2018	3.0%	20,000	1,800	21,800
2019	3.0%	20,000	1,200	21,200
2020	3.0%	20,000	600	20,600
Total		\$ 120,000	\$ 12,600	\$ 132,600

Series 2013

<u>Year Ending</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	0.65%	\$ 190,000	\$ 23,843	\$ 213,843
2016	0.80%	190,000	22,607	212,607
2017	0.95%	195,000	21,088	216,088
2018	1.10%	195,000	19,235	214,235
2019	1.25%	200,000	17,090	217,090
2020	1.45%	200,000	14,590	214,590
2021	1.65%	205,000	11,690	216,690
2022	1.85%	205,000	8,307	213,307
2023	2.15%	210,000	4,515	214,515
Total		<u>\$ 1,790,000</u>	<u>\$ 142,965</u>	<u>\$ 1,932,965</u>

Revenue Bonds

Details of the District's June 30, 2014 Revenue Bond indebtedness is as follows:

REC Revenue Bond issued June 1, 2011 no interest loan.

<u>Year Ending</u>	<u>Principal</u>
2015	\$ 36,000
2016	36,000
2017	36,000
2018	36,000
2019	36,000
2020	36,000
Total	<u>\$ 216,000</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$360,000 of bonds issued on June 1, 2011. The bonds were issued for the purpose of financing a portion of the costs of a new school. 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 2020. 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 payments on the bonds are expected to require 8 percent of the statewide sales, services and use tax revenues. The total principal remaining to be paid on the notes is \$216,000. For the current year, \$36,000 principal and no interest was paid on the bonds and total statewide sales, services and use tax revenues were \$625,018.

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

- a) A sinking fund is required for monthly deposits equal to the amount necessary to pay in full the installment of principal coming due.

The District complied with all of the revenue bond provisions during the year ended June 30, 2014

During the year ended June 30, 2014, the District made principal, interest and fees payments totaling \$791,560 under the agreements.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$389,283, \$364,786 and \$279,287, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 100 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Cedar Valley Health. 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 which, 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 County's net OPEB obligations:

Annual required contribution	\$	118,000
Interest on net OPEB obligation		12,526
Adjustment to annual required contribution		-11,038
Annual OPEB cost	\$	119,488
Contributions made		-86,000
Increase in net OPEB obligation	\$	33,488
Net OPEB obligation beginning of year		278,356
Net OPEB obligation end of year	\$	311,844

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$971,634 to the medical plan. Plan members eligible for benefits contributed \$50,410, or 4.9% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$142,000	38.73%	\$87,000
June 30, 2011	\$142,000	50.70%	\$157,043
June 30, 2012	\$142,000	47.89%	\$231,120
June 30, 2013	\$118,000	61.02%	\$278,356
June 30, 2014	\$118,000	72.88%	\$311,844

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1.034 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.034 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,862,055 and the ratio of the UAAL to covered payroll was 26.7%. 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 July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$510.62 per month for retirees less than age 65 and \$510.62 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

During the year ended June 30, 2014, employees of the District were covered by the District's health and prescription drug self-insurance plan. The contributions made by the District are part of the negotiated agreements with specific employee groups. Employees authorize payroll withholdings to pay contributions for dependents or increased coverage. Claims were paid by a third-party administrator acting on behalf of the District. The plans are authorized by Chapter 509A of the Code of Iowa.

The administrative contract between the District and the third-party administrator is renewable annually and administrative fees and stop loss premiums are included in the contractual provisions. In accordance with state statute, and the District was protected against unanticipated catastrophic individual or aggregate loss by stop loss coverage from a private insurance company. Stop loss coverage was in effect for individual's claims that exceeded \$30,000 and for the aggregate amount of \$747,992.

All claim handling procedures are performed by an independent claims administrator. Liabilities are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Recognized liabilities include a provision for all estimated claims incurred but not reported. Changes in the medical claims liability amounts for the year ended June 30, 2014 were as follows:

Self-Insurance Liability (Prepaid)	Beginning	Claims and Changes in Estimates	Claims Payments	Ending
Health: 2014	-\$96,259	\$990,523	\$910,092	-\$15,828

(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 \$291,344 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.

(11) Commitments

The District entered into a contract for a high school roof project for \$384,831, with a retainage balance of \$19,242 to be paid in 2014-15 fiscal year. The District also has a retainer of \$47,452 left on the high school renovation project at June 30, 2014, payable upon completion of the project.

(12) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Gifted and Talented	\$ 15,918
Voluntary Preschool Aid	76,392
Beginning Teacher Mentoring	1,866
Teacher Salary Supplement	2,768
Non Public Textbooks	81
Core Curriculum	8,737
Professional Development	26,218
Limited English Proficient	21,747
Iowa Early	9,076
Early Literacy	17,551
	<u>\$ 180,354</u>

(13) Subsequent Events

The District has evaluated subsequent events through February 27, 2015 which is the date that the financial statements were available to be issued.

(14) Deficit Balances

The School Nutrition Fund had a deficit balance of \$99,091 at June 30, 2014. The deficit balance was a result of fund costs incurred exceeding available revenues. The deficit plans to be eliminated with future budget cut backs.

(15) Prospective Accounting Change

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

Required Supplementary Information

Wapsie Valley Community School District

Budgetary Comparison Schedule of Revenue, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 4,610,538	\$ 186,478
Intermediate sources	-	-
State sources	4,360,794	2,846
Federal sources	151,188	115,952
Total Receipts	<u>\$ 9,122,520</u>	<u>\$ 305,276</u>
Disbursements:		
Instruction	\$ 5,842,587	\$ -
Support services	2,170,025	-
Non-instructional programs	-	344,633
Other expenditures	2,045,266	-
Total Disbursements	<u>\$ 10,057,878</u>	<u>\$ 344,633</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -935,358</u>	<u>\$ -39,357</u>
Balances beginning of year	\$ 2,621,132	\$ -59,734
Prior period adjustment	-5,009	-
Adjusted balance beginning of year	<u>\$ 2,616,123</u>	<u>\$ -59,734</u>
Balances End of Year	<u>\$ 1,680,765</u>	<u>\$ -99,091</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Final to Actual Variance
\$	4,797,016	\$ 4,381,083	\$ 415,933
	-	-	-
	4,363,640	4,224,937	138,703
	267,140	300,725	-33,585
\$	9,427,796	\$ 8,906,745	\$ 521,051
\$	5,842,587	\$ 5,685,750	\$ -156,837
	2,170,025	2,127,700	-42,325
	344,633	294,500	-50,133
	2,045,266	902,261	-1,143,005
\$	10,402,511	\$ 9,010,211	\$ -1,392,300
\$	-974,715	\$ -103,466	\$ -871,249
\$	2,561,398	\$ 1,840,488	\$ 720,910
	-5,009	-	-5,009
\$	2,556,389	\$ 1,840,488	\$ 715,901
\$	1,581,674	\$ 1,737,022	\$ -155,348

Wapsie Valley 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 Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2014, expenditures in the instruction, support services, non-instructional program and other expenditures functions exceeded the amounts budgeted.

Wapsie Valley Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Position (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	-	\$1.291	\$1.291	0.0%	\$3.015	42.8%
2011	July 1, 2009	-	\$1.291	\$1.291	0.0%	\$2.844	45.4%
2012	July 1, 2009	-	\$1.291	\$1.291	0.0%	\$3.250	39.7%
2013	July 1, 2011	-	\$1.034	\$1.034	0.0%	\$2.342	44.2%
2014	July 1, 2011	-	\$1.034	\$1.034	0.0%	\$3.862	26.7%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB obligation, funded status and funding progress.

Other Supplementary Information

Wapsie Valley Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2014

	Debt Service	Special Revenue		Total
		Management Levy	Student Activity	
Assets				
Cash, cash equivalents and pooled investments	\$ -	\$ 111,668	\$ 41,779	\$ 153,447
Receivables:				
Property Tax:				
Delinquent	-	1,389	-	1,389
Succeeding year	-	125,001	-	125,001
Total Assets	\$ -	\$ 238,058	\$ 41,779	\$ 279,837
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Excess of warrants issued over bank balance	\$ 1,723	\$ -	\$ -	\$ 1,723
Total liabilities	\$ 1,723	\$ -	\$ -	\$ 1,723
Deferred inflows of resources:				
Unearned revenue:				
Succeeding year property tax	\$ -	\$ 125,001	\$ -	\$ 125,001
Total deferred inflows of resources	\$ -	\$ 125,001	\$ -	\$ 125,001
Fund Balances:				
Restricted for:				
Debt service	\$ 9,000	\$ -	\$ -	\$ 9,000
Management levy purposes	-	113,057	-	113,057
Student activities	-	-	41,779	41,779
Unrestricted	-10,723	-	-	-10,723
Total fund balances	\$ -1,723	\$ 113,057	\$ 41,779	\$ 153,113
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ -	\$ 238,058	\$ 41,779	\$ 279,837

See accompanying independent auditor's report.

Wapsie Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2014

	Debt Service	Special Revenue		Total
		Management Levy	Student Activity	
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 125,316	\$ -	\$ 125,316
Other	-	-	328,481	328,481
State sources	-	64	-	64
Total Revenues	\$ -	\$ 125,380	\$ 328,481	\$ 453,861
Expenditures:				
Current:				
Instruction:				
Instruction	\$ -	\$ 34,471	\$ -	\$ 34,471
Other instruction	-	-	317,304	317,304
Support Services:				
Administration services	-	53,394	-	53,394
Operation and maintenance of plant services	-	71,727	-	71,727
Transportation services	-	9,723	-	9,723
Other Expenditures:				
Long-Term Debt:				
Principal	441,000	-	-	441,000
Interest and fiscal charges	350,560	-	-	350,560
Total Expenditures	\$ 791,560	\$ 169,315	\$ 317,304	\$ 1,278,179
Excess (deficiency) of revenues over (under) expenditures	\$ -791,560	\$ -43,935	\$ 11,177	\$ -824,318
Other Financing Sources (Uses):				
Operating transfers in (out)	\$ 705,960	\$ -	\$ -	\$ 705,960
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	\$ 85,600	\$ -43,935	\$ 11,177	\$ -118,358
Fund balances beginning of year	83,877	156,992	30,602	271,471
Fund Balances End of Year	\$ -1,723	\$ 113,057	\$ 41,779	\$ 153,113

See accompanying independent auditor's report.

Wapsie Valley Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	
Assets				
Cash, cash equivalents and pooled investments	\$ 762,156	\$ 179,305	\$ 33,283	\$ 974,744
Receivables:				
Property Tax:				
Delinquent	-	2,680	-	2,680
Succeeding year	-	249,991	-	249,991
Due from other governments	249,958	-	-	249,958
Surtax	-	57,762	-	57,762
Total Assets	\$ 1,012,114	\$ 489,738	\$ 33,283	\$ 1,535,135
Liabilities, Deferred Inflows of Resources and Fund Equity				
Liabilities:				
Due to other funds	\$ -	\$ 27	\$ -	\$ 27
Accounts payable	-	4,570	-	4,570
Total liabilities	\$ -	\$ 4,597	\$ -	\$ 4,597
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	\$ -	\$ 249,991	\$ -	\$ 249,991
Other	-	57,762	-	57,762
Total deferred inflows of resources	\$ -	\$ 307,753	\$ -	\$ 307,753
Fund Balances:				
Restricted for:				
School infrastructure	\$ 1,012,114	\$ -	\$ 33,283	\$ 1,045,397
Physical plant and equipment	-	177,388	-	177,388
Total fund balances	\$ 1,012,114	\$ 177,388	\$ 33,283	\$ 1,222,785
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,012,114	\$ 489,738	\$ 33,283	\$ 1,535,135

See accompanying independent auditor's report.

Wapsie Valley Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts**

Year Ended June 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	
Revenues:				
Local Sources:				
Local tax	\$ 625,018	\$ 246,974	\$ -	\$ 871,992
Other	9,020	4,646	-	13,666
State sources	-	134	-	134
Total Revenues	<u>\$ 634,038</u>	<u>\$ 251,754</u>	<u>\$ -</u>	<u>\$ 885,792</u>
Expenditures:				
Current:				
Support Services:				
Transportation services	\$ -	\$ 21,699	\$ -	\$ 21,699
Other Expenditures:				
Facilities acquisition	-	962,362	-	962,362
Total Expenditures	<u>\$ -</u>	<u>\$ 984,061</u>	<u>\$ -</u>	<u>\$ 984,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 634,038</u>	<u>\$ -732,307</u>	<u>\$ -</u>	<u>\$ -98,269</u>
Other Financing Sources (Uses):				
Operating transfers in (out)	<u>\$ -463,409</u>	<u>\$ -242,551</u>	<u>\$ -</u>	<u>\$ -705,960</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 170,629</u>	<u>\$ -974,858</u>	<u>\$ -</u>	<u>\$ -804,229</u>
Fund balances beginning of year	\$ 841,485	\$ 1,152,702	\$ 33,283	\$ 2,027,470
Prior period adjustment	-	-456	-	-456
Adjusted balance beginning of year	<u>\$ 841,485</u>	<u>\$ 1,152,246</u>	<u>\$ 33,283</u>	<u>\$ 2,027,014</u>
Fund Balances End of Year	<u>\$ 1,012,114</u>	<u>\$ 177,388</u>	<u>\$ 33,283</u>	<u>\$ 1,222,785</u>

See accompanying independent auditor's report.

Wapsie Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Transfers	Balance End of Year
Ed Foundation	\$ 37,024	\$ 33,804	\$ 9,978	\$ -	\$ 60,850
Resale:					
Industrial Arts	1,444	420	-	-1,864	-
Athletics	-45,954	182,282	190,894	2,596	-51,970
Yearbook	8,300	6,689	11,443	-	3,546
Music programs	832	6,612	5,736	1	1,709
Music Trust Fund	1,037	-	167	-	870
Student Council	1,461	3,833	1,048	-	4,246
Vocational Agriculture Club	12,594	86,254	86,459	-353	12,036
Junior High Student Council	1,699	135	153	-483	1,198
Interest	6,840	3,141	-	-2,362	7,619
Class of 2010	40	-	-	-40	-
Class of 2011	2,158	-	-	-2,158	-
Class of 2012	1,063	-	-	-1,063	-
Class of 2013	-550	-	485	1,035	-
Class of 2014	1,294	1,742	3,337	301	-
Class of 2015	-	2,463	3,302	2,226	1,387
Class of 2017	-	68	-	-46	22
NHS	-448	50	85	483	-
Dramatic	387	328	2,442	1,727	-
Textbooks	-1,413	-	-	-	-1,413
Children's Emergency Fund	1,724	660	765	-	1,619
Archery	1,070	-	1,010	-	60
Total	\$ 30,602	\$ 328,481	\$ 317,304	\$ -	\$ 41,779

Wapsie Valley Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local tax	\$ 3,486,396	\$ 3,194,092	\$ 3,209,044	\$ 2,979,766
Tuition	395,875	363,328	388,159	351,528
Other	728,267	440,733	893,590	502,869
Intermediate sources	-	-	-	-
State sources	4,360,794	4,265,789	4,276,062	3,883,330
Federal sources	151,188	176,037	195,148	737,732
Total	\$ 9,122,520	\$ 8,439,979	\$ 8,962,003	\$ 8,455,225
Expenditures:				
Instruction:				
Regular instruction	\$ 3,925,926	\$ 3,921,570	\$ 3,460,144	\$ 3,262,559
Special instruction	729,793	889,023	822,406	722,941
Other instruction	1,186,868	1,043,016	1,039,922	1,057,599
Support services:				
Student services	173,996	161,345	166,878	176,549
Instructional staff services	55,451	57,040	37,566	30,365
Administration services	848,118	714,575	578,690	530,442
Operation and maintenance of plant services	827,041	1,596,811	1,084,851	753,812
Transportation services	265,419	324,761	366,768	228,501
Community services	-	-	-	-
Central support services	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	962,362	125,571	211,508	1,261,098
Long-term debt:				
Principal	441,000	251,000	351,000	341,000
Interest and other charges	350,560	329,617	342,580	354,883
AEA flow-through	291,344	276,319	285,627	304,665
Total	\$ 10,057,878	\$ 9,690,648	\$ 8,747,940	\$ 9,024,414

See accompanying independent auditor's report.

Modified Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 2,928,475	\$ 2,709,572	\$ 2,393,271	\$ 1,747,997	\$ 1,732,495	1,791,249
248,007	211,560	191,073	193,585	120,922	115,269
541,992	476,787	456,548	911,391	720,352	806,291
-	-	-	-	-	-
3,171,268	3,721,162	3,480,100	3,217,606	2,965,728	2,877,391
714,977	283,084	143,076	176,392	182,013	188,619
\$ 7,604,719	\$ 7,402,165	\$ 6,664,068	\$ 6,246,971	\$ 5,721,510	5,778,819

\$ 3,151,482	\$ 3,147,107	\$ 2,978,621	\$ 3,145,279	\$ 2,664,094	2,290,311
702,027	677,604	608,310	523,237	510,558	513,911
946,034	841,993	887,338	712,719	683,449	703,850
154,509	147,331	143,857	97,881	86,535	83,826
27,608	31,780	53,431	127,779	51,112	46,994
536,044	570,345	670,714	613,031	524,665	427,426
639,626	818,987	937,033	931,840	889,770	433,600
198,947	263,983	217,188	163,732	163,577	198,957
366	62	505	-	-	182
-	-	-	-	-	-
-	-	-	-	-	13,214
6,611,465	691,115	-	39,251	123,136	309,573
160,000	155,000	150,000	145,000	140,000	130,000
264,392	49,906	36,335	42,280	47,880	52,430
294,328	255,237	234,608	215,598	205,288	205,149
\$ 13,686,828	\$ 7,650,450	\$ 6,917,940	\$ 6,757,627	\$ 6,090,064	5,409,423

**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**

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
Wapsie Valley Community School District:

I 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 Wapsie Valley Community School District as of and for the year ended June 30, 2014, and related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 27, 2015.

Internal Control Over Financial Reporting

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

My 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, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapsie Valley Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I 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 my audit of the financial statements of the District. Since my 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.

Wapsie Valley Community School District's Responses to the Findings

Wapsie Valley Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Wapsie Valley Community School District's responses and, accordingly, I express no opinion on them.

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Wapsie Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

February 27, 2015

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-14 Internal Controls – One of the most important responsibilities of the District is to maintain a system of internal control for efficient operation. The District’s Board of Directors is responsible for making policies and procedures that safeguard District assets, ensure District financial information is accurate, ensure employees are complying with laws and regulations pertinent to the District and discipline employees that choose not to comply with board policies and procedures.

The successful operation of the District’s internal control is dependent upon having sufficient and properly trained management and personnel to ensure that the policies and procedures formed by the Board of Directors are being followed. Based on my audit, it appears the District’s internal control structure has several breakdowns, some of which are apparent in the comments that follow in the remainder of this report.

Recommendation – The District’s Board of Directors and management staff should review policies and procedures in place and evaluate the effectiveness of internal controls currently in place. Changes in the internal control structure will have to be made for the District to gain full effectiveness of internal control. Additional training may be necessary to achieve this goal.

Response – The Board of Directors and management will review and evaluate the effectiveness of the policies and procedures in place; develop new policies and procedures, where necessary; and determine changes that need to be made to assure a proper, reliable and efficient system of internal controls are in place. Educating staff on the importance of internal controls will be provided by the Superintendent.

Conclusion – Response accepted.

- I-B-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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 currently available staff, including elected officials.

Response – We will continue to review our procedures and implement additional control where possible.

Conclusion – Response accepted.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

- I-C-14 School Accounting Software Integration – I noted during my audit that the Special Revenue, Student Activity Fund accounts and Nutrition Fund were not integrated with the general ledger accounting system. The District may maintain subsidiary records for student activities and nutrition fund but all official records of the Student Activity Fund and Nutrition Fund shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly.

It was also noted that the Nutrition Fund uses manually prepared checks. The integration of the Nutrition Fund with the District's accounting software preparation provides controls in the preparation such as limiting the vendors used and ensuring that the vendor's payments are monitored for tax reporting as well as subsequent bank reconciliation process.

Recommendation – The District should contact Software support and integrate the accounting for individual Student Activity and Nutrition Fund accounts. Since the certified annual report upload requires the entire accounting software to be uploaded together, the District should maintain all accounting records for the District in one accounting system.

Response – The District will consider other software programs.

Conclusion – Response accepted.

School Account Software – I noted that several accounts were not set up correctly. Receivables and payables were not being posted to the correct accounts.

Recommendation – The Business Manager needs to verify that all accounts are set up to close to the proper accounts in the future.

Response – We are working on verifying that all accounts are posting to the correct balance sheet accounts.

Conclusion – Response accepted.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

- I-D-14 Other Accounts – I noted during my audit, that the District’s PTOs, Greenhouse, Education Association, Athletic Booster Club and Performing Arts Booster Club use the District’s Federal Identification Number. Because these clubs are using the District’s Federal Identification Number, the District should be accounting for the clubs within the District’s Student Activity Fund. The Clubs’ accounts and transactions should be included in the District’s financial statements and subjected to the same Code of Iowa requirements as well as internal controls that the District follows.

Recommendation – The District should contact the clubs and request the accounts to be turned over to the District. The clubs may establish a 501 (c)(3) organization with a federal identification number separate than that of the District, however the current accounts are and should be turned over to the District for proper recording.

In addition, the Board of Directors should consider contacting local banks and request listings of accounts utilizing the District’s Federal Identification Number. The District should research any unfamiliar accounts and make the necessary changes.

Response – The District will contact local banks and research any unfamiliar accounts and make the necessary changes.

Conclusion – Response accepted.

- I-E-14 Disbursements – Credit card purchases did not have supporting receipts attached prior to a check being released for payment. At the time of audit field work, the credit card statements and receipts were in a bundle. The receipts were not matched with the appropriate statement at the time of payment.

Recommendation – All disbursements should have adequate support by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – All future disbursements including credit card payments will have proper support.

Conclusion – Response accepted.

- I-F-14 Supporting Documentation – I noted four instances of a check being written to a vendor from a purchase order without an invoice or supporting documentation in addition to the credit card purchases.

Recommendation – The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response accepted.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-G-14 Disbursement Approval – For 16 of 45 general fund, 3 of 5 physical plant and equipment levy, all 28 of the activity fund and all 6 of the nutrition fund disbursements tested there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will ensure all expenditures are properly approved and will maintain documentation of the approval.

Conclusion – Response acknowledged.

I-H-14 Bank Reconciliation – I noted during my audit that the District does not reconcile all bank statements to the general ledger on a timely basis.

Recommendation – The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

Response – The District will reconcile all funds to ensure accurate reporting of the balance sheets.

Conclusion – Response accepted.

I-I-14 Deposit Process – I noted during my audit, instances of deposit slips lacking sufficient detail. The lack of sufficient detail on the deposit slip provides a risk of loss due to possible theft, improper use or loss, as well as, lack of reporting of the funds.

Recommendation – The District should review and implement procedures to insure that sufficient detail is on the deposit slip. The District should make sure that the appropriate staff is trained on the process.

Response – The District now writes detail on deposit slips.

Conclusion – Response accepted.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-J-14 Timely Deposits – I noted during my audit that deposits were prepared but were not taken to the bank for deposit until several days later.

Recommendation – Better internal control is achieved if deposits are made when receipts are collected. The District should review procedures to ensure that all the deposits are made timely.

Response – We will make every effort to get this done in a more timely manner.

Conclusion – Response accepted.

I-K-14 Negative Lunch Account Balances – It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books.

Recommendation – The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response – The District continues to work on collection procedures. Office staff will be more diligent in distributing applications for the free and/or reduced lunch program. Email, phone calls and letters asking the debtor for resolution will be made in a timelier manner.

Conclusion – Response accepted.

I-L-14 School Nutrition Fund Accounts – I noted that the Enterprise, School Nutrition Fund revenue and expenses classifications as required by the Iowa Department of Education were not accurately recorded in the general ledger. The District records student meal deposits as student lunch revenue and then allocates out the breakfast, adult and ala carte revenues, and the unearned revenue amount at year end. The District records food costs in one account and then allocates them at year end.

Recommendation – The District should record meal deposits in an unearned revenue liability account. On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category to ensure more accurate revenue classifications. The District should record expenses for food in the correct accounts as the purchases are made.

Response – We are implementing changes in procedures for fiscal year 2015 which will correct this problem.

Conclusion – Response accepted.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-M-14 Employees Who Officiate Athletic Events – I noted that the District had employees who officiated athletic events for the school. The District paid the employees with Student Activity Fund accounts payable checks instead of through the regular payroll system where applicable taxes could be applied.

Recommendation – These payments should be paid through payroll in order to be included with their income for quarterly Federal 941 reports and W-2s.

Response – We are no longer using District employees as officials.

Conclusion – Response accepted.

I-N-14 Payroll – Timesheets did not include evidence of supervisory review. Additionally, the hours of one of ten employees tested was not added correctly, which resulted in the employee being underpaid.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll.

Response – We will ensure all time cards are reviewed and approved prior to payroll being done.

Conclusion – Response accepted.

I-O-14 Nutrition Fund Reports – Supporting documentation for all nutrition fund federal reimbursement claims were not available. Monthly claim summary reports showing dollar values and meal counts applied for were not printed at the time of submission. I was not able to print the reports at a later date.

Recommendation – The District should ensure supporting documentation for all federal reimbursement claims is retained.

Response – All future reports will be printed and maintained.

Conclusion – Response acknowledged.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-P-14 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosures is a necessary aspect of internal control over the District’s financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceed the certified budget amount in the instruction, support services, non-instructional programs and other expenditures functions.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-14 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
NE Security Bank	FFA supplies and starter money	\$1,000.00
Employee	Football supplies	200.00
Texas Roadhouse	Class of 2015 supplies	165.00
Visa	Amazon service – Kindle	6.99
Inspired Luncheonette	5 lunches	96.62
Kwik Trip	Charges on statement – no receipt	13.34

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures from the Student Activity Fund. When the District purchases items such as food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases 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. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, I do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2015, the Student Activity Fund will not make any purchases for teacher appreciation supplies or other items that are not appropriate, and will have supporting documentation for all purchases.

Conclusion – Response acknowledged.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II – Other Findings Related to Required Statutory Reporting:

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. However, I noted an instance where an employee was reimbursed in excess of the standard mileage rate.

Recommendation – The District should review its procedures in place to ensure that all employees receive the board stated rate.

Response – All future claims for reimbursement will be reviewed in the future for accuracy. An adjustment was done to correct the over payment.

Conclusion – Response accepted.

II-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mark Owens – Employee	Services	\$670
Ellen Doese – Employee	Photography	550

In accordance with an Attorney General’s opinion date November 9, 1976, the above transactions do not appear to represent conflicts 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 the coverage is adequate for current operations.

II-F-14 Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure minutes are published as required.

Conclusion – Response accepted.

Board Approval – I noted 6 of 31 general fund and 3 of 5 physical plant and equipment levy fund transactions requiring Board approval which were not approved by the Board. Two credit card payments were made on line without Board approval.

Recommendation – The District should ensure the Board approves all disbursements before they are made.

Response – The District will increase monitoring of disbursements and approval by the Board.

Conclusion – Response accepted.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting (continued):

II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

II-I-14 Deposits and Investments – 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 certified timely to the Iowa Department of Education.

II-K-14 Student Activity Fund – The Student Activity Fund includes an account which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. This account is identified as “Music Trust”. This should have been closed or reclassified prior to the fiscal 1997 GAAP conversion and should be corrected by the District. According to the Department of Education, the District should be accounting for this in the General Fund or should assign the proceeds to a specific activity.

Recommendation – The District should make a corrective transfer to account for this in the General Fund or another activity.

Response – We will review this account and reallocate where necessary to other proper activities.

Conclusion – Response accepted.

II-L-14 Deficit Balances – The Student Activity Fund had two deficit accounts at June 30, 2014. The Nutrition Fund had a deficit fund balance of \$99,091.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate these deficits in order to return these funds to sound financial conditions.

Response – We are working on this.

Conclusion – Response accepted.

II-M-14 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The District will obtain and retain images of both the front and back of cancelled checks as required. The District can go online at any time and see/print the back side of any check.

Conclusion – Response accepted.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting (continued):

II-N-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, “Categorical funding shall not be comingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting.” I noted that during the year some categorical funding expenditures were comingled with other General Fund expenditures, then were classified as categorical spending at the end of the year.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure account as the expenditures are incurred.

Response – We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion – Response accepted.

II-O-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 District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	841,485
Revenues/transfers in:			
Sales tax revenues	\$	443,769	
Other local revenues		9,020	
School infrastructure supplemental amount		181,249	634,038
			<u>\$ 1,475,523</u>
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund			<u>463,409</u>
Ending balance		\$	<u>1,012,114</u>

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting (continued):

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.8956	\$ 625,018
Physical plant and equipment levy	1.0349	186,370
Public educational and recreational levy	-	-

II-P-14 Enterprise Fund, School Nutrition -- I noted in my testing of revenues for the Enterprise Fund, School Nutrition that the District records all meal sales and related revenues into one general ledger account for sale of student lunches. The matching expenses were also just recorded in one food purchase account.

Recommendation -- The Iowa Department of Education requires any school district operating as a school authority to utilize the uniform chart of accounts in Iowa to record and track meal revenues and expenses. The District should record all meal account deposits to an unearned revenue account, then periodically allocate the earned portion of meal deposits to the proper accounts, including student lunches, student breakfasts, ala carte and adult lunches and breakfasts. Matching expenses also need to be recorded. This would allow the District to better track meal revenues and expenses and protect the underlying assets. It would also bring the District into compliance with Iowa Department of Education guidelines.

Response -- We will properly adjust our revenue and expense recognition and coding in the School Nutrition Fund to comply with the Iowa Department of Education requirements.

Conclusion -- Response accepted.

II-O-14 Sales Tax -- Sales tax was paid by the District on one disbursement tested.

Recommendation -- Supporting documentation should be reviewed carefully before disbursements are made.

Response -- We will review all invoices for sales tax before payments are made.

Conclusion -- Response acknowledged.

II-R-14 Form 1099 -- No 1099 forms were prepared by the District.

Recommendation -- The District should review the calendar year vendor history report for possible 1099s for independent contractor payments over \$600 to comply with federal regulations.

Response -- We will review the vendor history list at year end and prepare 1099s as required.

Conclusion -- Response accepted.