

Waverly-Shell Rock 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
Waverly-Shell Rock 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 the Waverly-Shell Rock Community School District, Waverly, 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 the Waverly-Shell Rock 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 41 through 43 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 we 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.

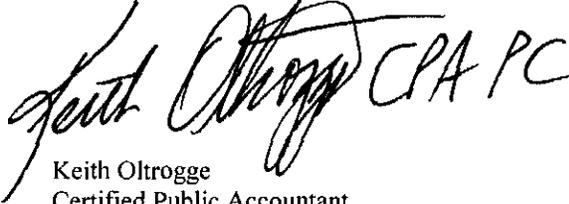
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waverly-Shell Rock 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 two years ended June 30, 2013, and a different accounting firm audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audit of States, Local Government and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly 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 January 26, 2015 on my consideration of the Waverly-Shell Rock 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 the Waverly-Shell Rock Community School District's internal control over financial reporting and compliance.


Keith Oltrogge
Certified Public Accountant

January 26, 2015

Waverly-Shell Rock Community School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Waverly-Shell Rock 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

- The District had General Fund revenues of \$22,800,670 and expenditures of \$22,704,129 during the fiscal year. The District's financial solvency ratio at June 30, 2014 was -11.2%. The financial solvency ratio as of June 30, 2013 was -11.2%.
- The District experienced an increase in certified enrollment. The October 2012 enrollment was 1,968.95 while the October 1, 2013 enrollment was 1,984.27.
- The number of net open-enrolled students increased from 158 in FY2013 to 174 in FY2014.
- The District's alternative high school is continuing to become a regional alternative high school with a growing number of students from other districts enrolling in the program. This is having a positive financial impact on the District.
- The State of Iowa revenue increased a total of \$537,303 during the fiscal year 2014 from state aid payments.

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 Waverly-Shell Rock 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 Waverly-Shell Rock 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 Waverly-Shell Rock 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Waverly-Shell Rock Community School District Annual Financial Report

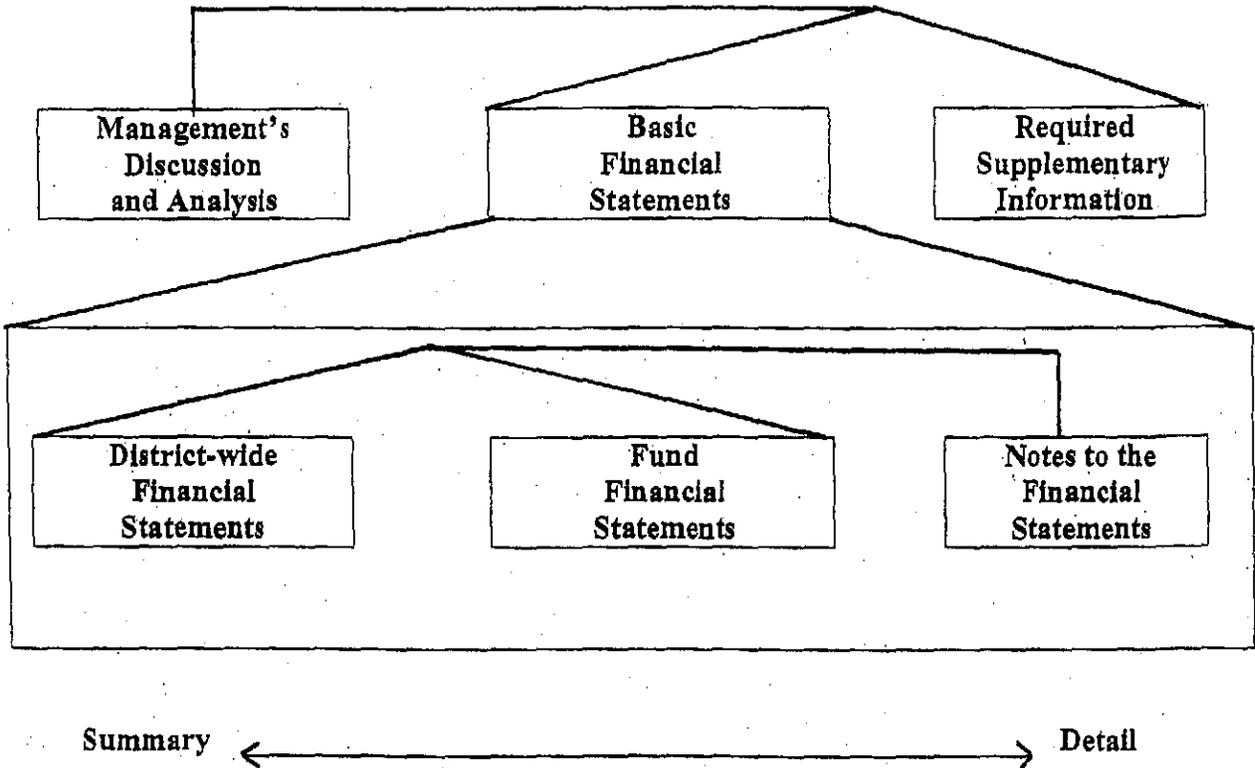


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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 inflow of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service 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 Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

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

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

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

Reconciliations between the government-wide financial statements and the 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
(Expressed in Thousands)**

	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	\$23,681	\$18,649	\$605	\$587	\$24,286	\$19,236	26.3%
Capital assets	44,116	43,142	16	20	44,132	43,162	2.2%
Total assets	\$67,797	\$61,791	\$621	\$607	\$68,418	\$62,398	9.6%
Other liabilities	\$8,781	\$4,783	\$80	\$65	\$8,861	\$4,848	82.8%
Long-term liabilities	17,634	18,790	-	-	17,634	18,790	-6.2%
Total liabilities	\$26,415	\$23,573	\$80	\$65	\$26,495	\$23,638	12.1%
Deferred inflows of resources	\$10,099	\$9,553	\$-	\$-	\$10,099	\$9,553	5.7%
Net position:							
Net investment in capital assets	\$26,826	\$24,627	\$16	\$20	\$26,842	\$24,647	8.9%
Restricted	9,766	7,831	-	-	9,766	7,831	24.7%
Unrestricted	-5,125	-3,703	341	432	-4,784	-3,271	-46.3%
Total net position	\$31,467	\$28,755	\$357	\$452	\$31,824	\$29,207	9.0%

The District’s combined net position increased 9.0%, or approximately \$2,617,000, from 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. The increase is primarily due to increase in restricted funds.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased approximately \$1,935,000, or 24.7% over the prior year due to the issuance of the \$1,200,000 General Obligation Bond.

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 approximately \$1,513,000, or 46.3%. This reduction in unrestricted net position was primarily a result of the District’s decrease in the Debt Service Fund.

Changes in Net Position – 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
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$3,734	\$4,466	\$2,562	\$2,411	\$6,296	\$6,877	-8.5%
Operating grants, contributions and restricted interest	3,313	2,887	416	370	3,729	3,257	14.5%
Capital grants, contributions and restricted interest	797	1,776	-	-	797	1,776	-55.1%
General revenues:							
Property tax	9,564	8,270	-	-	9,564	8,270	15.6%
Income surtax	927	763	-	-	927	763	21.5%
Statewide sales, service and use tax	1,725	1,240	-	-	1,725	1,240	39.1%
Unrestricted state grants	8,627	8,422	-	-	8,627	8,422	2.4%
Unrestricted investment earnings	27	16	1	-	28	16	75.0%
Other	97	124	-	-	97	124	-21.8%
Total revenues	\$28,811	\$27,964	\$2,979	\$2,781	\$31,790	\$30,745	3.4%
Program expenses:							
Governmental activities:							
Instruction	\$18,361	\$18,128	\$1,879	\$1,616	\$20,240	\$19,744	2.5%
Support services	5,926	5,582	-	-	5,926	5,582	6.2%
Non-instructional programs	27	28	1,214	1,141	1,241	1,169	6.2%
Other expenses	1,716	1,417	-	-	1,716	1,417	21.1%
Total expenses	\$26,030	\$25,155	\$3,093	\$2,757	\$29,123	\$27,912	4.3%
Change in net position	\$2,781	\$2,809	-\$114	\$24	\$2,667	\$2,833	-5.9%
Sale of assets	54	9	-	-	54	9	500%
Net change in net position	\$2,835	\$2,818	-\$114	\$24	\$2,721	\$2,842	4.3%
Net position beginning of year	\$28,755	\$25,618	\$452	\$428	\$29,207	\$26,046	12.1%
Prior period adjustment	-123	319	19	-	-104	319	32.6%
Adjusted net position beginning of year	\$28,632	\$25,937	\$471	\$428	\$29,103	\$26,365	10.4%
Net position end of year	\$31,467	\$28,755	\$357	\$452	\$31,824	\$29,207	9.0%

In fiscal year 2014, property tax and unrestricted state grants account for 57.2% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District’s total revenues were approximately \$31.8 million, of which approximately \$28.8 million was for governmental activities and less than \$3.0 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.4% increase in revenues and a 4.3% increase in expenses. Property tax increased approximately \$1,294,000.

Governmental Activities

Revenues for governmental activities were \$28,811,276 and expenses were \$26,030,204 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 and other expenditures, for the year ending June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$18,361	\$18,128	1.3%	\$11,416	\$10,856	5.2%
Support services	5,926	5,582	6.2%	5,825	5,502	5.9%
Non-instructional programs	27	28	-3.6%	27	28	-3.6%
Other expenses	1,716	1,417	21.1%	919	-359	355.9%
Totals	\$26,030	\$25,155	3.5%	\$18,187	\$16,027	13.5%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$3,733,662.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,312,735.
- The net cost of governmental activities was financed with \$9,564,517 in property tax, \$8,626,680 in state foundation aid, and \$27,285 in interest income.

Business Type Activities

Revenues for the District's School Nutrition Fund were \$1,264,511 and expenses were \$1,213,839. The revenues include: charges for services, contributions and federal and state reimbursements.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks, and checks brought in by retiree's that continue to stay on the plan.

Fiduciary Funds

The Trust Funds are funds given and designated by outside groups and people to be given as scholarships. These funds are not to be used to support the operations of the District.

The Agency Funds are funds belonging to parent groups, and school employee groups such as the Athletic Boosters. The school merely holds these funds in a bank account for these groups and writes checks when directed by the group. These funds are not to be used to support the regular operations of the District.

INDIVIDUAL FUND ANALYSIS

The Waverly-Shell Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$4,311,394, which is more than last year's ending adjusted fund balance of \$3,609,866.

Governmental Fund Highlights

- The District has been controlling the decline of the General Fund balance by greatly reducing travel and field trips, and reducing staff slightly where possible.
- The General Fund balance increased from an adjusted balance of -\$1,859,863 to -\$1,759,207, due to an overall decrease in expenditures.
- The Debt Service Fund balance decreased from -\$1,632,807 to -\$2,920,739, due to the lack of a transfer from the Capital Projects Fund for the payment of debt. The District also paid \$525,863 more in general obligation bonds than property taxes collected.
- The Capital Projects Fund balance increased from an adjusted balance of \$6,215,578 to \$7,967,691, due to the lack of a transfer to Debt Service and the general obligation bond proceeds of \$1,200,000

Proprietary Fund Highlights

- School Nutrition Fund net position increased from an adjusted \$73,172 at June 30, 2013 to \$123,844 at June 30, 2014, representing an increase of \$50,672 or 69.3%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Waverly-Shell Rock Community School District amended its budget one time to reflect additional expenditures associated with the building capital project activity and for teacher quality professional development and teacher salary supplement.

The District's total revenues were \$2,306,141 less than total budgeted revenues, a variance of 7.1%. Local sources decreased which caused the total amount received to be less 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 other expenditures functional area 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 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	\$15,995,031	\$16,248,128	\$253,097
Preschool Foundation Aid	231,039	220,356	-10,683
Instructional Support Fund	860,851	906,404	45,553
Other Miscellaneous Income	4,775,219	3,816,572	-958,647
Previous Year Unspent Budget Authority	3,916,550	3,248,109	-668,441
Maximum Budget Authority	<u>\$25,778,690</u>	<u>\$24,439,569</u>	<u>-\$1,339,121</u>
Total Expenditures	<u>\$22,530,581</u>	<u>\$22,827,235</u>	<u>\$296,654</u>
End Fiscal Year Unspent Budget Authority	<u>\$3,248,109</u>	<u>\$1,612,334</u>	<u>-\$1,635,775</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$44.1 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net increase of 2.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation/amortization expense for the year was \$1,202,685.

The original cost of the District's capital assets was approximately \$56.4 million. Governmental funds account for approximately \$56.3 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation/Amortization
(expressed in thousands)

	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	\$678	\$678	\$-	\$-	\$678	\$678	-
Construction in progress	2,103	179	-	-	2,103	179	1,074.9%
Buildings	39,564	40,511	-	-	39,564	40,511	-2.3%
Improvements other than buildings	719	806	-	-	719	806	-10.8%
Furniture and equipment	1,052	968	16	20	1,068	988	8.1%
Totals	<u>\$44,116</u>	<u>\$43,142</u>	<u>\$16</u>	<u>\$20</u>	<u>\$44,132</u>	<u>\$43,162</u>	<u>2.2%</u>

Long-Term Debt

At June 30, 2014, the District had \$17,290,000 in total long-term debt outstanding. This represents a decrease of approximately 6.6% 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% 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 \$52.6 million.

Figure A-7
Outstanding Long-term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30, 2014	2013	June 30, 2013-2014
General obligation bonds	\$14,510	\$15,130	-4.1%
Revenue bonds	2,780	3,385	-17.9%
Totals	<u>\$17,290</u>	<u>\$18,515</u>	<u>-6.6%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- FEMA and Iowa Homeland Security provided the school significant financial help to build the high school safe room.
- The District levied \$144,191 allowable growth for dropout prevention.
- The District's employee group health insurance did not increase. This was welcome news to the employees and the Board.
- State Foundation Aid dollars to the District increased \$537,303 from FY2013 to FY2014. Property tax dollars for the General Fund increased \$824,796 from FY2013 to FY2014.
- The District began receiving payments in December 2005 for Instructional Support Income Surtax.
- The Greenview Alternative High School in Waverly is becoming a regional alternative high school. Many students come from a variety of neighboring school districts to Greenview. The tuition in, for these students, has been a real positive for the Waverly-Shell Rock Community School District.
- The District's unspent budget authority balance decreased 50% from June 30, 2013.

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 accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Stufflebeam, School Business Manager, Waverly-Shell Rock Community School District, 1415 4th Ave, SW, Waverly IA 50677.

Basic Financial Statements

Waverly-Shell Rock Community School District

Statement of Net Position

June 30, 2014

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 10,771,092	\$ 501,639	\$ 11,272,731
Receivables:			
Property tax:			
Delinquent	39,613	-	39,613
Succeeding year	10,099,526	-	10,099,526
Income surtax	725,599	-	725,599
Accounts	670,593	42,861	713,454
Due from other governments	1,374,339	33,765	1,408,104
Inventories	-	26,896	26,896
Capital assets, net of accumulated depreciation	44,116,638	15,931	44,132,569
Total Assets	\$ 67,797,400	\$ 621,092	\$ 68,418,492
Liabilities			
Bank overdrafts	\$ 5,186,421	\$ -	\$ 5,186,421
Accounts payable	1,414,384	-	1,414,384
Salaries and benefits payable	2,123,683	56,702	2,180,385
Accrued interest payable	52,025	-	52,025
Advances from grantors	4,084	-	4,084
Unearned revenue	-	23,080	23,080
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,080,000	-	1,080,000
Revenue bonds	400,000	-	400,000
Early retirement	3,289	-	3,289
Portion due after one year:			
General obligation bonds	13,430,000	-	13,430,000
Revenue bonds	2,380,000	-	2,380,000
Net OPEB liability	340,739	-	340,739
Total Liabilities	\$ 26,414,625	\$ 79,782	\$ 26,494,407
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 10,099,526	\$ -	\$ 10,099,526
Net Position			
Net investment in capital assets	\$ 26,826,638	\$ 15,931	\$ 26,842,569
Restricted for:			
Categorical funding	778,240	-	778,240
Debt service sinking	792,120	-	792,120
Management levy purposes	498,546	-	498,546
Student activities	521,814	-	521,814
Physical plant and equipment	2,012,818	-	2,012,818
Capital projects	5,162,753	-	5,162,753
Unrestricted	-5,125,351	341,050	-4,784,301
Total Net Position	\$ 31,467,578	\$ 356,981	\$ 31,824,559

See notes to financial statements.

Waverly-Shell Rock 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
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 10,522,391	\$ 1,075,753	\$ 2,718,495	\$ -
Special instruction	5,139,679	1,517,489	497,335	-
Other instruction	2,698,487	1,084,089	51,450	-
	<u>\$ 18,360,557</u>	<u>\$ 3,677,331</u>	<u>\$ 3,267,280</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 479,093	\$ -	\$ 12,727	\$ -
Instructional staff services	972,410	-	-	-
Administration services	1,780,701	-	-	-
Operation and maintenance of plant services	1,768,341	7,233	-	-
Transportation services	925,832	49,098	32,728	-
	<u>\$ 5,926,377</u>	<u>\$ 56,331</u>	<u>\$ 45,455</u>	<u>\$ -</u>
Non-instructional programs	\$ 26,884	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 207,553	\$ -	\$ -	\$ 797,134
Long-term debt interest	685,984	-	-	-
AEA flow-through	822,849	-	-	-
	<u>\$ 1,716,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 797,134</u>
Total Governmental Activities	<u>\$ 26,030,204</u>	<u>\$ 3,733,662</u>	<u>\$ 3,312,735</u>	<u>\$ 797,134</u>
Business Type Activities:				
Instruction:				
Benefits	\$ 1,878,769	\$ 1,712,916	\$ -	\$ -
Non-Instructional Programs:				
Food service operations	1,213,839	848,920	415,591	-
Total business type activities	<u>\$ 3,092,608</u>	<u>\$ 2,561,836</u>	<u>\$ 415,591</u>	<u>\$ -</u>
Total	<u>\$ 29,122,812</u>	<u>\$ 6,295,498</u>	<u>\$ 3,728,326</u>	<u>\$ 797,134</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -6,728,143	\$ -	\$ -6,728,143
-3,124,855	-	-3,124,855
-1,562,948	-	-1,562,948
<u>\$ -11,415,946</u>	<u>\$ -</u>	<u>\$ -11,415,946</u>
\$ -466,366	\$ -	\$ -466,366
-972,410	-	-972,410
-1,780,701	-	-1,780,701
-1,761,108	-	-1,761,108
-844,006	-	-844,006
<u>\$ -5,824,591</u>	<u>\$ -</u>	<u>\$ -5,824,591</u>
<u>\$ -26,884</u>	<u>\$ -</u>	<u>\$ -26,884</u>
\$ 589,581	\$ -	\$ 589,581
-685,984	-	-685,984
-822,849	-	-822,849
<u>\$ -919,252</u>	<u>\$ -</u>	<u>\$ -919,252</u>
<u>\$ -18,186,673</u>	<u>\$ -</u>	<u>\$ -18,186,673</u>
\$ -	\$ -165,853	\$ -165,853
-	50,672	50,672
<u>\$ -</u>	<u>\$ -115,181</u>	<u>\$ -115,181</u>
<u>\$ -18,186,673</u>	<u>\$ -115,181</u>	<u>\$ -18,301,854</u>

Waverly-Shell Rock Community School District

Statement of Activities

Year Ended June 30, 2014

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

General Revenues:

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

Total General Revenues

Change in net position before other financing sources

Other financing sources:
 Sale of assets

Net change in net position

Net position beginning of year
Prior period adjustment

Adjusted net position beginning of year

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 7,540,888	\$ -	\$ 7,540,888
1,803,233	-	1,803,233
220,396	-	220,396
927,276	-	927,276
1,725,190	-	1,725,190
8,626,680	-	8,626,680
27,285	1,475	28,760
96,797	-	96,797
<u>\$ 20,967,745</u>	<u>\$ 1,475</u>	<u>\$ 20,969,220</u>
\$ 2,781,072	\$ -113,706	\$ 2,667,366
54,115	-	54,115
<u>\$ 2,835,187</u>	<u>\$ -113,706</u>	<u>\$ 2,721,481</u>
\$ 28,755,497	\$ 451,626	\$ 29,207,123
-123,106	19,061	-104,045
<u>\$ 28,632,391</u>	<u>\$ 470,687</u>	<u>\$ 29,103,078</u>
<u>\$ 31,467,578</u>	<u>\$ 356,981</u>	<u>\$ 31,824,559</u>

Waverly-Shell Rock Community School District

Balance Sheet
Governmental Funds

June 30, 2014

Assets	General	Debt Service	Capital Projects	Non-major Funds	Total
Cash and Pooled Investments	\$ 3,395,938	\$ -	\$ 6,487,062	\$ 888,092	\$ 10,771,092
Receivables:					
Property Tax:					
Delinquent	30,525	7,085	866	1,137	39,613
Succeeding year	7,981,458	1,577,733	228,333	312,002	10,099,526
Accounts	660,577	-	-	10,016	670,593
Income surtax	725,599	-	-	-	725,599
Due from other funds	76,000	2,258,597	1,081,461	137,104	3,553,162
Due from other governments	406,103	-	968,236	-	1,374,339
Total Assets	\$ 13,276,200	\$ 3,843,415	\$ 8,765,958	\$ 1,348,351	\$ 27,233,924
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Bank overdrafts	\$ -	\$ 5,186,421	\$ -	\$ -	\$ 5,186,421
Accounts payable	868,763	-	543,934	1,687	1,414,384
Salaries and benefits payable	2,114,911	-	-	8,772	2,123,683
Due to other funds	3,340,592	-	26,000	2,241	3,368,833
Advances from grantors	4,084	-	-	-	4,084
Total Liabilities	\$ 6,328,350	\$ 5,186,421	\$ 569,934	\$ 12,700	\$ 12,097,405
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 7,981,458	\$ 1,577,733	\$ 228,333	\$ 312,002	\$ 10,099,526
Other	725,599	-	-	-	725,599
Total deferred inflows of resources	\$ 8,707,057	\$ 1,577,733	\$ 228,333	\$ 312,002	\$ 10,825,125
Fund Balances:					
Restricted for:					
Categorical funding	\$ 778,240	\$ -	\$ -	\$ -	\$ 778,240
Debt service-sinking	-	-	792,120	-	792,120
Management levy purposes	-	-	-	501,835	501,835
Student activities	-	-	-	521,814	521,814
School infrastructure	-	-	5,162,753	-	5,162,753
Physical plant and equipment	-	-	2,012,818	-	2,012,818
Unassigned	-2,537,447	-2,920,739	-	-	-5,458,186
Total Fund Balances	\$ -1,759,207	\$ -2,920,739	\$ 7,967,691	\$ 1,023,649	\$ 4,311,394
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,276,200	\$ 3,843,415	\$ 8,765,958	\$ 1,348,351	\$ 27,233,924

See notes to financial statements.

Waverly-Shell Rock 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)	\$	4,311,394
 <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.		44,116,638
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		725,599
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		-52,025
Long-term liabilities, including bonds and notes payable, compensated absences payable, and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>-17,634,028</u>
Net position of governmental activities (page 14)	\$	<u>31,467,578</u>

Waverly-Shell Rock Community School District

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

Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Non-Major Funds	Total
Revenues:					
Local Sources:					
Local tax	\$ 8,175,807	\$ 1,803,233	\$ 1,945,586	\$ 270,346	\$ 12,194,972
Tuition	2,593,242	-	-	-	2,593,242
Other	93,297	-	64,768	1,106,437	1,264,502
Intermediate sources	-	-	-	-	-
State sources	11,367,755	846	137,361	142	11,506,104
Federal sources	570,569	-	659,876	-	1,230,445
Total Revenues	\$ 22,800,670	\$ 1,804,079	\$ 2,807,591	\$ 1,376,925	\$ 28,789,265
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 9,423,684	\$ -	\$ -	\$ 8,799	\$ 9,432,483
Special instruction	5,139,679	-	-	-	5,139,679
Other instruction	1,756,449	-	-	992,905	2,749,354
	\$ 16,319,812	\$ -	\$ -	\$ 1,001,704	\$ 17,321,516
Support Services:					
Student services	\$ 477,278	\$ -	\$ -	\$ -	\$ 477,278
Instructional staff services	1,018,138	-	-	-	1,018,138
Administration services	1,638,657	-	-	140,594	1,779,251
Operation and maintenance of plant services	1,624,750	-	44,601	80,199	1,749,550
Transportation services	802,645	-	129,063	17,737	949,445
	\$ 5,561,468	\$ -	\$ 173,664	\$ 238,530	\$ 5,973,662
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 2,131,814	\$ -	\$ 2,131,814
Long-Term Debt:					
Principal	-	2,425,000	-	-	2,425,000
Interest and fiscal charges	-	667,011	-	-	667,011
AEA flow-through	822,849	-	-	-	822,849
	\$ 822,849	\$ 3,092,011	\$ 2,131,814	\$ -	\$ 6,046,674
Total Expenditures	\$ 22,704,129	\$ 3,092,011	\$ 2,305,478	\$ 1,240,234	\$ 29,341,852
Excess (deficiency) of revenues over (under) expenditures	\$ 96,541	\$ -1,287,932	\$ 502,113	\$ 136,691	\$ -552,587

Waverly-Shell Rock Community School District

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

Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Non-Major Funds	Total
Other Financing Sources (Uses):					
Sale of assets	\$ 4,115	\$ -	\$ 50,000	\$ -	\$ 54,115
General obligation bonds issued	-	-	1,200,000	-	1,200,000
	\$ 4,115	\$ -	\$ 1,250,000	\$ -	\$ 1,254,115
Net change in fund balances	\$ 100,656	\$ -1,287,932	\$ 1,752,113	\$ 136,691	\$ 701,528
Fund balances beginning of year	\$ -1,736,757	\$ -1,632,807	\$ 6,215,578	\$ 886,958	\$ 3,732,972
Prior period adjustment	-123,106	-	-	-	-123,106
Adjusted fund balances beginning of year	\$ -1,859,863	\$ -1,632,807	\$ 6,215,578	\$ 886,958	\$ 3,609,866
Fund Balances End of Year	\$ -1,759,207	\$ -2,920,739	\$ 7,967,691	\$ 1,023,649	\$ 4,311,394

See notes to financial statements.

Waverly-Shell Rock 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 20) **\$ 701,528**

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/amortization expense in the Statement of Activities. Capital outlay expenditures were more than depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 2,177,274	
Depreciation expense	<u>-1,202,685</u>	974,589

Income surtax revenue not received until several months after the year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		22,011
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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 exceeded issuances, as follows:

Issued	\$ -1,200,000	
Repaid	<u>2,425,000</u>	1,225,000

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		-18,973
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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	\$ 8,772	
Other postemployment benefits	<u>-77,740</u>	-68,968

Change in Net Position of Governmental Activities (page 16)		<u>\$ 2,835,187</u>
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Waverly-Shell Rock Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	Internal Service	School Nutrition
Assets		
Current Assets:		
Cash and cash equivalents	\$ 369,706	\$ 131,933
Accounts receivable	-	42,861
Due from other governments	-	33,765
Due from other funds	-	28,240
Inventories	-	26,896
Total Current Assets	<u>\$ 369,706</u>	<u>\$ 263,695</u>
Non-Current Assets		
Capital assets, net of accumulated depreciation	\$ -	\$ 15,931
Total Non-Current Assets	<u>\$ -</u>	<u>\$ 15,931</u>
Total Assets	<u>\$ 369,706</u>	<u>\$ 279,626</u>
Liabilities		
Current Liabilities:		
Salaries and benefits payable	\$ -	\$ 56,702
Due to other funds	136,569	76,000
Unearned revenue	-	23,080
Total Current Liabilities	<u>\$ 136,569</u>	<u>\$ 155,782</u>
Total Liabilities	<u>\$ 136,569</u>	<u>\$ 155,782</u>
Net Position		
Net investment in capital assets	\$ -	\$ 15,931
Unrestricted	233,137	107,913
Total Net Position	<u>\$ 233,137</u>	<u>\$ 123,844</u>

Waverly-Shell Rock Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Year Ended June 30, 2014

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 848,920
Non-instructional programs:	
Food service operations:	
Salaries	\$ 533,485
Benefits	108,480
Purchased services	8,047
Supplies	559,571
Depreciation	3,754
Other	502
Total operating expenses	\$ 1,213,839
Operating loss	\$ -364,919
Non-operating revenues:	
State sources	\$ 8,057
Federal sources	407,534
Total non-operating revenues	\$ 415,591
Increase in net position	\$ 50,672
Net position beginning of year	\$ 54,111
Prior period adjustment	19,061
Adjusted net position, beginning of year	\$ 73,172
Net Position End of Year	\$ 123,844

See notes to financial statements.

Waverly-Shell Rock Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2014

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 823,650
Cash paid to employees for services	-581,041
Cash paid to suppliers for goods or services	-519,029
Net cash used by operating activities	<u>\$ -276,420</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 8,056
Federal grants received	265,030
Net cash provided by non-capital financing activities	<u>\$ 273,086</u>
Cash flows from capital and related financing activities:	
Interfund loans	\$ -40,000
Upward adjustment	19,061
Net cash used by capital and related financing activities	<u>\$ -20,939</u>
Net decrease in cash and cash equivalents	\$ -24,273
Cash and cash equivalents beginning of year	<u>156,206</u>
Cash and Cash Equivalents End of Year	<u>\$ 131,933</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -364,919
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	108,739
Depreciation	3,754
(Increase) in inventories	-10,487
(Increase) in accounts receivable	-28,190
(Decrease) in accounts payable	-44,709
Increase in salaries and benefits payable	56,471
Increase in unearned revenue	2,921
Net Cash Used by Operating Activities	<u>\$ -276,420</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$108,739 of federal commodities.

Waverly-Shell Rock Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2014

	<u>Internal Service</u>
Operating revenues:	
Local sources:	
Other revenue	\$ 1,712,916
Operating expenses:	
Instruction:	
Benefits	\$ 1,878,769
Operating income	\$ -165,853
Non-operating revenues:	
Interest income	\$ 1,475
Change in net position	\$ -164,378
Net position beginning of year	\$ 397,515
Net Position End of Year	<u>\$ 233,137</u>

Waverly-Shell Rock Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2014

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from collections	\$ 1,712,916
Cash payments for employee benefits	-1,878,969
Net cash used by operating activities	<u>\$ -166,053</u>
Cash flows from investing activities:	
Interest on investments	\$ 1,475
Interfund loan	136,569
Net cash provided by investing activities	<u>\$ 138,044</u>
Net decrease in cash and cash equivalents	\$ -28,009
Cash and cash equivalents beginning of year	<u>397,715</u>
Cash and Cash Equivalents End of Year	<u>\$ 369,706</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ -165,853
Adjustments to reconcile operating income to net cash used by operating activities:	
(Decrease) in accounts payable	-200
Net cash used by operating activities	<u>\$ -166,053</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:	
Current Assets:	
Cash	<u>\$ 369,706</u>

Waverly-Shell Rock Community School District

Statement of Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 85,605	\$ 103,845
Accounts receivable	-	424
Total assets	\$ 85,605	\$ 104,269
Liabilities		
Accounts payable	\$ -	\$ 104,269
Net position		
Reserved for scholarships/other	\$ 85,605	\$ -

Waverly-Shell Rock Community School District

Statement of Changes in Fiduciary Net Position
Fiduciary Fund

Year Ended June 30, 2014

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 65,224
Interest income	3,466
Total additions	<u>\$ 68,690</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded/other	<u>\$ 92,464</u>
Change in net position	\$ -23,774
Net position beginning of year	<u>109,379</u>
Net Position End of Year	<u>\$ 85,605</u>

Waverly-Shell Rock Community School District

Notes to the Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Waverly, and Shell Rock, Iowa and the predominately agricultural territory in Black Hawk, Bremer and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Waverly-Shell Rock 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. Waverly-Shell Rock 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 Bremer 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation 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 that does not meet the definition of the two 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 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The 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's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Services Fund is used to account for the District's medical insurance plan.

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurements of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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 Funds are 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, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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 were paid 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 inflow 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 revenues in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund 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 the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

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

The District had no investments at June 30, 2014.

(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	Enterprise – School Nutrition	\$ 76,000
Enterprise – School Nutrition	Capital Projects – Statewide Sales, Services and Use Tax	26,000
Capital Projects – Statewide Sales, Services and Use Tax	General Fund	779,672
Capital Projects – Physical Plant and Equipment Levy	General Fund	301,789
Debt Service	General Fund	2,258,597
Special Revenue – Student Activity	Internal Service Fund	136,569
Special Revenue – Student Activity	General Fund	535
Enterprise – School Nutrition	Special Revenue – Student Activity	2,241
Total		<u>\$ 3,581,403</u>

The Enterprise – School Nutrition Fund owes the General Fund for loan advances made during the last couple of years.

The Capital Projects – Statewide Sales, Services and Use Tax Fund owes the Enterprise – School Nutrition Fund for loan advances made during prior years.

The General Fund owes the Capital Projects – Statewide Sales, Services and Use Tax Fund for loan advances made during the current year and prior years

The General Fund owes the Capital Projects – Physical Plant and Equipment Levy for property taxes deposited into the General Fund, but not transferred to the Physical Plant and Equipment Levy account.

The General Fund owes the Debt Service Fund for property taxes deposited into the General Fund but not transferred to the Debt Service account.

The General Fund owes the Student Activity for general fund expenditures paid by the wrong fund.

The Internal Service Fund owes the Student Activity for loan advances.

The Special Revenue – Student Activity owes the Enterprise – School Nutrition for lunch sales deposited into the wrong fund.

(4) Inter-fund Transfers

No transfers were made for the year ended June 30, 2014.

(5) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Re- classified	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 678,470	\$ -	\$ -	\$ -	\$ 678,470
Construction in progress	179,042	1,924,261	-	-	2,103,303
Total capital assets not being depreciated	\$ 857,512	\$ 1,924,261	\$ -	\$ -	\$ 2,781,773
Capital assets being depreciated:					
Buildings	\$ 47,933,567	\$ -	\$ -	\$ -7,210	\$ 47,926,357
Improvements other than buildings	2,024,196	-	-	-60,034	1,964,162
Furniture and equipment	3,336,293	253,013	-	67,244	3,656,550
Total capital assets being depreciated	\$ 53,294,056	\$ 253,013	\$ -	\$ -	\$ 53,547,069
Less accumulated depreciation for:					
Buildings	\$ 7,423,057	\$ 939,184	\$ -	\$ -270	\$ 8,361,971
Improvements other than buildings	1,218,597	66,792	-	-39,803	1,245,586
Furniture and equipment	2,367,865	196,709	-	40,073	2,604,647
Total accumulated depreciation	\$ 11,009,519	\$ 1,202,685	\$ -	\$ -	\$ 12,212,204
Total capital assets being depreciated, net	\$ 42,284,537	\$ -949,672	\$ -	\$ -	\$ 41,334,865
Governmental Activities Capital Assets, Net	\$ 43,142,049	\$ 974,589	\$ -	\$ -	\$ 44,116,638

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 45,045	\$ -	\$ -	\$ 45,045
Less accumulated depreciation	25,360	3,754	-	29,114
Business Type Activities Capital Assets, Net	\$ 19,685	\$ -3,754	\$ -	\$ 15,931

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 1,026,918
Other	17,138

Support services:

Instructional support	1,094
Administration	1,073
Operation and maintenance of plant	22,937
Transportation	106,422
Non instructional	27,103

Total Depreciation Expense – Governmental Activities \$ 1,202,685

Business Type Activities:

Food service operations	<u>\$ 3,754</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	\$ 15,130,000	\$ 1,200,000	\$ 1,820,000	\$ 14,510,000	\$ 1,080,000
Revenue bonds	3,385,000	-	605,000	2,780,000	400,000
Early retirement	12,061	-	8,772	3,289	3,289
Net OPEB liability	262,999	77,740	-	340,739	-
Total	\$ 18,790,060	\$ 1,277,740	\$ 2,433,772	\$ 17,634,028	\$ 1,483,289

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees had to be at least age fifty-five. Employees completed an application, which was subject to approval by the Board of Education. Early retirement incentives are a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2014 totaled \$8,772.

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of February 1, 2010			
	Interest Rate	Principal	Interest	Total
2015	3.00%	\$ 680,000	\$ 485,069	\$ 1,165,069
2016	3.00%	700,000	464,668	1,164,668
2017	3.25%	725,000	443,669	1,168,669
2018	3.50%	745,000	420,106	1,165,106
2019	3.50%	775,000	394,031	1,169,031
2020-2021	3.50%	1,635,000	705,813	2,340,813
2022-2026	3.50-3.875%	4,705,000	1,222,181	5,927,181
2027-2029	4.00-4.125%	3,345,000	275,969	3,620,969
		<u>\$ 13,310,000</u>	<u>\$ 4,411,506</u>	<u>\$ 17,721,506</u>

Year Ending June 30,	Bond Issue of March 6, 2014			
	Interest Rate	Principal	Interest	Total
2015	0.60%	\$ 400,000	\$ 11,867	\$ 411,867
2016	0.80%	400,000	7,200	407,200
2017	1.00%	400,000	4,000	404,000
		<u>\$ 1,200,000</u>	<u>\$ 23,067</u>	<u>\$ 1,223,067</u>

For the current year \$2,329,942 principal and interest was paid on the bonds.

Revenue Bonds Payable

Details of the District's June 30, 2014 revenue bonds are as follows:

Year Ending June 30,	Bond Issue of September 1, 2007			
	Interest Rate	Principal	Interest	Total
2015	4.50%	\$ 400,000	\$ 125,100	\$ 525,100
2016	4.50%	390,000	107,100	497,100
2017	4.50%	370,000	89,550	459,550
2018	4.50%	360,000	72,900	432,900
2019	4.50%	340,000	56,700	396,700
2020	4.50%	320,000	41,400	361,400
2012	4.50%	310,000	27,000	337,000
2022	4.50%	290,000	13,050	303,050
		<u>\$ 2,780,000</u>	<u>\$ 532,800</u>	<u>\$ 3,312,800</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in September 2007. 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 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,312,800. For the current year, \$751,464 principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,725,190.

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

- a) \$678,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account. That account currently has a balance of \$792,120.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District is in compliance with all of these items.

(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 payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,233,041, \$1,121,491 and \$870,687, 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 employees, retirees and their spouses. There are 212 active, 53 waived coverage, one died, and 21 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 Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding 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 District's net OPEB obligations:

Annual required contribution	\$	104,610
Interest on net OPEB obligation		6,575
Adjustment to annual required contribution		-21,217
Annual OPEB cost	\$	89,968
Contributions made		-12,228
Increase in net OPEB obligation	\$	77,740
Net OPEB obligation beginning of year		262,999
Net OPEB obligation end of year	\$	340,739

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 \$1,196,086 to the medical plan. Plan members eligible for benefits contributed \$383,074, or 24.3% 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 June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$65,671	0.0%	\$65,671
2010	\$70,634	72.8%	\$85,133
2011	\$78,100	0.0%	\$163,233
2012	\$94,574	25.8%	\$192,450
2013	\$89,022	17.7%	\$262,999
2014	\$89,968	11.0%	\$340,739

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 \$383,199, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$383,199. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,721,000 and the ratio of the UAAL to covered payroll was 3.6%. As of June 30, 2014, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$482.37 per month for retirees less than age 65 and \$368.06 per month for retirees who have attained age 65. 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.

(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 \$822,849 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) Categorical Funding

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

Program	Amount
Dropout Prevention	\$ 138,809
4 Year Old Preschool	126,777
Teacher Mentoring	494
Teacher Salary Supplement	41,690
Core Curriculum	164,058
Professional Development	252,569
Gifted and Talented	13,947
Early Literacy	28,098
Teacher Leadership Grants	11,798
Total	<u>\$ 778,240</u>

(12) Subsequent Events

The District has evaluated subsequent events through January 26, 2015 which is the date that the financial statement were available to be issued.

(13) Related Party Activity

The District had transactions totaling \$3,376 with District officials or employees.

(14) Financial Condition

The General Fund had a deficit balance of \$1,759,207 at June 30, 2014. The Activity Fund had one student activity account with a deficit balance at June 30, 2014. The Debt Service Fund had a deficit balance of \$2,920,739 at June 30, 2014.

(15) **Prior Period Adjustments**

Prior period adjustments are as follows:

Funds	Amount
General Fund	\$ -123,106
Enterprise – School Nutrition	19,061
Total	<u>\$ -104,045</u>

(16) **Construction Commitments**

The District entered into a contract totaling \$2,324,517 for the construction of the High School Safe Room. As of June 30, 2014 costs of \$1,983,124 have been incurred against the contract. The balance of \$341,393 remaining at June 30, 2014 will be paid as work on the project progresses.

The District entered into a contract totaling \$126,060 for the Southeast Elementary Roof project. As of June 30, 2014 costs of \$120,179 have been incurred. The balance of \$5,881 was paid on completion of the project.

The District has committed future funds for the following projects:

Water Hookup	\$ 7,375
Irrigate Football Field	35,760
Technology	401,000
Furniture for High School	64,354
Total	<u>\$ 508,489</u>

(17) **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 disclosure 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

Waverly-Shell Rock Community School District

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

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 16,052,716	\$ 848,920
Intermediate sources	-	-
State sources	11,506,104	8,057
Federal sources	1,230,445	407,534
Total Receipts	<u>\$ 28,789,265</u>	<u>\$ 1,264,511</u>
Disbursements:		
Instruction	\$ 17,321,516	\$ -
Support services	5,973,662	-
Non-instructional programs	-	1,213,839
Other expenditures	6,046,674	-
Total Disbursements	<u>\$ 29,341,852</u>	<u>\$ 1,213,839</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ -552,587	\$ 50,672
Other financing sources (uses), net	<u>1,254,115</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses)	<u>\$ 701,528</u>	<u>\$ 50,672</u>
Balances beginning of year	\$ 3,732,972	\$ 54,111
Prior period adjustment	<u>-123,106</u>	<u>19,061</u>
Adjusted balances beginning of year	<u>\$ 3,609,866</u>	<u>\$ 73,172</u>
Balances End of Year	<u>\$ 4,311,394</u>	<u>\$ 123,844</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	16,901,636	\$ 19,828,886	\$ 19,828,886	\$ -2,927,250
	-	-	-	-
	11,514,161	11,350,031	11,350,031	164,130
	1,637,979	1,181,000	1,181,000	456,979
\$	30,053,776	\$ 32,359,917	\$ 32,359,917	\$ -2,306,141
\$	17,321,516	\$ 17,839,200	\$ 20,005,980	\$ 2,684,464
	5,973,662	6,222,210	6,222,210	248,548
	1,213,839	2,180,000	2,180,000	966,161
	6,046,674	4,980,345	5,630,345	-416,329
\$	30,555,691	\$ 31,221,755	\$ 34,038,535	\$ 3,482,844
\$	-501,915	\$ 1,138,162	\$ -1,678,618	\$ 1,176,703
	1,254,115	-	-	1,254,115
\$	752,200	\$ 1,138,162	\$ -1,678,618	\$ 2,430,818
\$	3,787,083	\$ 90,000	\$ 90,000	\$ 3,697,083
	-104,045	-	-	-104,045
\$	3,683,038	\$ 90,000	\$ 90,000	\$ 3,593,038
\$	4,435,238	\$ 1,228,162	\$ -1,588,618	\$ 6,023,856

Waverly-Shell Rock 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, the District adopted one budget amendment, increasing budgeted expenditures by \$2,816,780.

During the year ended June 30, 2014, expenditures in the other expenditures function exceeded the amount budgeted.

Waverly-Shell Rock Community School District

**Schedule of Funding Progress for the
Retiree Health Plan**

Required Supplementary Information

June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$546	\$546	0.0%	\$10,095	5.4%
2010	July 1, 2008	-	\$541	\$541	0.0%	\$11,120	4.9%
2011	July 1, 2008	-	\$541	\$541	0.0%	\$10,380	5.2%
2012	July 1, 2011	-	\$439	\$439	0.0%	\$8,567	5.2%
2013	July 1, 2011	-	\$416	\$416	0.0%	\$10,452	3.9%
2014	July 1, 2011	-	\$383	\$383	0.0%	\$10,721	3.6%

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

Supplementary Information

Waverly-Shell Rock Community School District

**Combining Balance Sheet
Non-Major Governmental Funds**

June 30, 2014

	<u>Special Revenue</u>		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 509,426	\$ 378,666	\$ 888,092
Receivables:			
Property Tax:			
Delinquent	1,137	-	1,137
Succeeding year	312,002	-	312,002
Accounts	44	9,972	10,016
Due from other funds	-	137,104	137,104
Total assets	\$ 822,609	\$ 525,742	\$ 1,348,351
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable	\$ -	\$ 1,687	\$ 1,687
Salaries and benefits payable	8,772	-	8,772
Due to other funds	-	2,241	2,241
Total Liabilities	\$ 8,772	\$ 3,928	\$ 12,700
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ 312,002	\$ -	\$ 312,002
Total deferred inflows of resources	\$ 312,002	\$ -	\$ 312,002
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 501,835	\$ -	\$ 501,835
Student activities	-	521,814	521,814
Total fund balances	\$ 501,835	\$ 521,814	\$ 1,023,649
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 822,609	\$ 525,742	\$ 1,348,351

Waverly-Shell Rock Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds**

Year Ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 270,346	\$ -	\$ 270,346
Other	12,376	1,094,061	1,106,437
State sources	142	-	142
Total Revenues	<u>\$ 282,864</u>	<u>\$ 1,094,061</u>	<u>\$ 1,376,925</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ 8,799	\$ -	\$ 8,799
Other	-	992,905	992,905
Support Services:			
Administration	140,594	-	140,594
Operation and maintenance of plant	80,199	-	80,199
Transportation	17,737	-	17,737
Total Expenditures	<u>\$ 247,329</u>	<u>\$ 992,905</u>	<u>\$ 1,240,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 35,535</u>	<u>\$ 101,156</u>	<u>\$ 136,691</u>
Fund balances beginning of year	<u>\$ 466,300</u>	<u>\$ 420,658</u>	<u>\$ 866,958</u>
Fund Balances End of Year	<u>\$ 501,835</u>	<u>\$ 421,814</u>	<u>\$ 1,023,649</u>

Waverly-Shell Rock 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	Intra- Fund Transfers	Balance End of Year
Vocal Music	\$ 12,644	\$ 7,331	\$ 10,203	\$ -	\$ 9,772
JH Variety Vocal	14,473	10,139	10,930	-	13,682
Instrumental Music	1,756	14,386	15,187	-	955
Elementary Band	7,585	3,719	2,826	-	8,478
Miscellaneous Sports	-64	26,585	26,457	-	64
JH Track	-	373	373	-	-
Cross Country	81	5,098	5,085	-	94
Boys Basketball	49	22,340	22,278	-	111
JH Boys Basketball	490	479	969	-	-
Football	52	34,104	32,030	-	2,126
JH Football	-	3,500	2,418	-	1,082
Boys Soccer	-	19,508	17,914	-	1,594
Baseball	2,006	21,530	22,989	-	547
Boys Track	175	7,896	8,016	-	55
Boys Tennis	25	1,030	965	-	90
Boys Golf	-	2,835	2,690	-	145
Wrestling	79	29,383	29,462	-	-
Weightlifting	29	3,296	2,608	-	717
JH Wrestling	-	600	236	-	364
Girls Basketball	-	15,323	15,043	-	280
JH Girls Basketball	599	400	975	-	24
Girls Volleyball	96	10,655	10,474	-	277
JH Girls Volleyball	254	2,232	1,142	-	1,344
Girls Soccer	40	20,422	19,502	-	960
Girls Softball	789	16,889	17,678	-	-
Girls Track	21	4,294	4,205	-	110
Girls Tennis	18	3,107	3,123	-	2
Girls Golf	-	1,676	1,548	-	128
Dance Team	1,778	13,386	13,200	-	1,964
Masquers	6,076	3,362	6,550	-	2,888
Art Club	8,096	1,291	-	-	9,387
Boys W Club	699	-	-	-	699
Science Club	9,884	945	4,609	-	6,220
Energy Team	273	-	-	-	273
National Honor Society	999	889	923	-	965
Publications	1,724	-	-	-	1,724
Student Senate	4,058	3,700	5,189	-	2,569
Student Lounge	10	35	-	-	45
SADD	72	300	200	-	172
Class of 2011	-	4,019	4,019	-	-
Class of 2014	732	-	732	-	-
Class of 2012	1,474	-	1,310	-	164
Varsity Club	88	1,646	1,350	-	384

See accompanying independent auditor's report.

Waverly-Shell Rock 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	Intra- Fund Transfers	Balance End of Year
Annual	\$ 13,784	\$ 29,469	\$ 21,100	\$ -	\$ 22,153
Guidance Transcripts	4,519	120	-	-	4,639
French Club	130	-	130	-	-
Spanish Club Student Accounts	6,162	11,187	11,951	-	5,398
Spanish Club Operating Accounts	7,187	3,065	1,390	-	8,862
FFA	3,651	55,896	48,748	-	10,799
German Club	587	498	21	-	1,064
DECA	5,119	6,356	6,898	-	4,577
String Music	6,082	43,835	44,707	-	5,210
HS Football Cheerleaders	412	7,945	4,527	-	3,830
Band Uniform Cleaning	1,358	4,424	5,762	-	20
HS Basketball Cheerleaders	223	1,340	1,016	-	547
HS Wrestling Cheerleaders	104	3,191	3,288	-	7
JH Cheerleaders	404	349	160	-	593
JH Student Council	1,388	1,347	1,000	-	1,735
JH Activity	34,959	75,354	80,382	-	29,931
JH Annual	1,300	490	-	-	1,790
Trapshooting	12,156	19,853	27,147	-	4,862
Junior High Band Rental & Repair	4,276	3,512	4,379	-	3,409
Irving Account	1,637	220	1,857	-	-
Buxton Tag	830	-	27	-	803
Shell Rock Activity Fund	1,394	4,260	5,654	-	-
Carey Account	356	3,737	1,356	-	2,737
Carey Second Grade – Mrs Howell	50	-	-	-	50
West Cedar Account	415	658	571	-	502
West Cedar Student Account	-	8,431	6,272	-	2,159
MOC	128	-	-	-	128
Elementary Chorus – Hansen	722	400	400	-	722
Athletic Director	82	8,171	7,014	-	1,239
Wizard of Oz	3,426	1,697	1,758	-	3,365
Middle School Popcorn	14	180	174	-	20
I-Pad Repair	9,537	40,130	40,186	-	9,481
German Club Obligation	3,520	2,488	1,996	-	4,012
Miscellaneous	918	14,970	7,140	-	8,748
Pictures	76,396	1,574	6,950	-	71,020
Christmas Card	5,692	2,787	2,401	-	6,078
Change Fund	-	10,469	9,915	-	554
Books	2,147	80,099	785	-	81,461
Activity Tickets	1,636	22,500	20,060	-	4,076
School Lunch	4,569	58,369	62,938	-	-
Transportation Pop	623	504	993	-	134
W-SR Wilderness	1,211	-	-	-	1,211
Instrumental Repair	-80	7,024	6,853	-	91
HS Strings Fundraising	859	-	-	-	859

See accompanying independent auditor's report.

Waverly-Shell Rock 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	Intra- Fund Transfers	Balance End of Year
PE Stores	\$ 2,514	\$ 166	\$ 333	\$ -	\$ 2,347
String Music Stores	-	335	335	-	-
Band Stores – High School	-18	2,200	2,129	-	53
Calculators – HS Math Dept	273	2,305	1,530	-	1,048
HS Band Fundraiser	273	33,326	33,457	-	142
Home Ec Stores	1,018	3,764	2,056	-	2,726
Ind Tech Stores – HS	6,049	6,716	7,097	-	5,668
HS Pop	176	11,753	7,915	-	4,014
High School Library	1,121	1,341	1,771	-	691
JH Courtesy	209	771	499	-	481
JH Band Stores	85	1,109	852	-	342
JH Tech Stores	320	466	163	-	623
JH Library	1,149	4,230	4,850	-	529
Shop Group Shell Rock	10,155	7,441	4,992	-	12,604
JH Industrial Technology	1,008	-	675	-	333
MS Concessions	4,981	9,068	6,698	-	7,351
Shell Rock Pop	838	337	401	-	774
Entrepreneurship Class	632	14,976	15,608	-	-
HS Engineering Club	3,172	89	521	-	2,740
JH Home Economics	14,142	7,206	3,249	-	18,099
Southeast Library	103	225	71	-	257
Carey Library	845	1,044	1,583	-	306
Shell Rock Library	31	153	62	-	122
JH Art	875	848	567	-	1,156
West Cedar Library	32	1,052	913	-	171
Southeast School	9,296	7,831	6,523	-	10,604
Middle School Reading	285	-	-	-	285
Business Office – Miscellaneous	1,987	5,699	5,472	-	2,214
TAG Award	1,811	938	862	-	1,887
JH Plus Program	561	1,200	1,005	-	756
B & K Homeroom	286	-	-	-	286
HS Technology Grants	3,386	18,806	18,300	-	3,892
Irving Transportation Donation	621	-	499	-	122
Mr Fox's Account	14	2,166	2,180	-	-
HS Character Counts	330	-	-	-	330
HS Vocal Music Fund Raising	-	12	-	-	12
Human Rights Group	1,120	-	-	-	1,120
HS Vocal Music Cheese and Sausage	919	5,920	4,097	-	2,742

See accompanying independent auditor's report.

Waverly-Shell Rock 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	Intra- Fund Transfers	Balance End of Year
HS Vocal Music Account	\$ 6,626	\$ 95	\$ 2,730	\$ -	\$ 3,991
HS Vocal Trips	2,643	27,383	28,700	-	1,326
HS Musical	7,751	8,319	7,563	-	8,507
HS Vocal Music Uniform Account	1,334	2,063	2,603	-	794
High School Jazz	1,730	1,650	3,289	-	91
Transportation – West Cedar	6,714	1,319	3,008	-	5,025
Elem Art Contest	944	-	-	-	944
Elem Art	115	-	11	-	104
Chemistry Stores	793	890	1,683	-	-
Biology Stores	677	1,339	2,016	-	-
Science Stores	1,217	10,525	2,355	-	9,387
5 th Grade	271	222	-	-	493
6 th Grade	580	-	170	-	410
HS Physics	-	1,512	1,512	-	-
HS Anatomy	148	285	433	-	-
5 th Grade Math and Science	809	518	459	-	868
Mrs Ribich Class Project	39	-	-	-	39
Library Fundraiser	-	40	-	-	40
Elem and JH String Rentals	4,332	576	174	-	4,734
Elem and JH Strings Stores	294	643	703	-	234
JH Math	145	-	-	-	145
8 th Grade History Project	37	-	-	-	37
PLUS Program Math Competition	361	881	1,037	-	205
HS Transportation Monies	129	-	-	-	129
Whisper Cafe	-	654	120	-	534
HS Front Door Donations	500	-	-	-	500
Prairie Project	5,878	-	-	-	5,878
Team Sigma	1,221	2,982	1,554	-	2,649
Team GR8	1,447	1,969	421	-	2,995
Flight	826	982	1,311	-	497
Team Axis	730	-	-	-	730
JH SLI	200	68	45	-	223
HS Advance Placement	2,183	4,933	4,967	-	2,149
JH Juice	2,332	5,803	6,091	-	2,044
Bowling Account	10	3,125	3,081	-	54
Marine Science Trip	-	6,190	6,190	-	-
Class of 2015	-	-	100	-	-100
Total	\$ 420,658	\$ 1,094,061	\$ 992,905	\$ -	\$ 521,814

See accompanying independent auditor's report.

Waverly-Shell Rock Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 4,664,090	\$ 1,822,972	\$ 6,487,062
Receivables:			
Property Tax:			
Delinquent	-	866	866
Succeeding year	-	228,333	228,333
Due from other governments	968,236	-	968,236
Due from other funds	779,672	301,789	1,081,461
Total assets	\$ 6,411,998	\$ 2,353,960	\$ 8,765,958
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Due to other funds	\$ 26,000	\$ -	\$ 26,000
Accounts payable	431,125	112,809	543,934
Total Liabilities	\$ 457,125	\$ 112,809	\$ 569,934
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 228,333	\$ 228,333
Total deferred inflows of resources	\$ -	\$ 228,333	\$ 228,333
Fund Balances:			
Restricted for:			
Debt service – Sinking	\$ 792,120	\$ -	\$ 792,120
School infrastructure	5,162,753	-	5,162,753
Physical plant and equipment	-	2,012,818	2,012,818
Total fund balances	\$ 5,954,873	\$ 2,012,818	\$ 7,967,691
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,411,998	\$ 2,353,960	\$ 8,765,958

Waverly-Shell Rock Community School District

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

Year Ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 1,725,190	\$ 220,396	\$ 1,945,586
Other	14,185	50,583	64,768
State sources	137,258	103	137,361
Federal sources	659,876	-	659,876
Total Revenues	<u>\$ 2,536,509</u>	<u>\$ 271,082</u>	<u>\$ 2,807,591</u>
Expenditures:			
Support services:			
Operation and maintenance of plant	\$ -	\$ 44,601	\$ 44,601
Transportation	-	129,063	129,063
Other Expenditures:			
Facilities acquisition	1,899,291	232,523	2,131,814
Total Expenditures	<u>\$ 1,899,291</u>	<u>\$ 406,187</u>	<u>\$ 2,305,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 637,218</u>	<u>\$ -135,105</u>	<u>\$ 502,113</u>
Other Financing Sources (Uses):			
Sale of assets	\$ -	\$ 50,000	\$ 50,000
General obligation bond issued	-	1,200,000	1,200,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>
Change in fund balance ^S	\$ 637,218	\$ 1,114,895	\$ 1,752,113
Fund balances, beginning of year	<u>5,317,655</u>	<u>897,923</u>	<u>6,215,578</u>
Fund Balances End of Year	<u>\$ 5,954,873</u>	<u>\$ 2,012,818</u>	<u>\$ 7,967,691</u>

Waverly-Shell Rock Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 90,672	\$ 436,588	\$ 423,415	\$ 103,845
Accounts receivable	4,574	424	4,574	424
Total Assets	\$ 95,246	\$ 437,012	\$ 427,989	\$ 104,269
Liabilities				
Accounts payable	\$ 84,107	\$ 417,245	\$ 401,651	\$ 99,701
Other accounts payable	11,139	4,568	11,139	4,568
Total Liabilities	\$ 95,246	\$ 421,813	\$ 412,790	\$ 104,269

Waverly-Shell Rock Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Funds – Detail

June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Transfers	Balance End of Year
Catch the Spirit Foundation	\$ -5	\$ 5	\$ -	\$ -	\$ -
HS Benevolent	185	60	139	-	106
Irving Social Fund	100	-	100	-	-
HS Food Drive	350	-	-	-	350
Maintenance Courtesy	50	-	37	-	13
Transportation Courtesy	139	-32	30	-	77
Irving Parent Account	12,053	886	12,810	-	129
Junior High Athletics	3,317	126	1,238	-	2,205
Secretary Courtesy	87	45	90	-	42
Concessions – Athletic Booster	13,742	109,767	119,569	-	3,940
Membership – Athletic Booster	4,973	49,781	54,272	-	482
Athletic Booster – Facility/Equip	26,073	-	-	-	26,073
Athletic Booster – Additional Events	4,745	21,307	17,559	-	8,493
Athletic Booster – Resale	4,344	11,265	15,609	-	-
Athletic Booster – Budgeted	255	-	-	-	255
Athletic Booster – Wish List	113	633	746	-	-
Athletic Booster – Operational	52	-	-	-	52
Employee Wellness	2,680	1,800	1,423	-	3,057
CPR/AED Fund	12	-	-	-	12
HS Choir Boosters	1,259	2,594	1,799	-	2,054
Coins for Cancer	2,594	426	2,212	-	808
Head Girls Basketball	4,102	45,119	45,553	-	3,668
Head Girls Soccer	528	8,070	5,809	-	2,789
Head Varsity Football	50	27,053	17,773	-	9,330
Head Varsity Softball	944	3,996	2,766	-	2,174
Head Wrestling	282	19,486	18,269	-	1,499
Head Volleyball/Girls Golf	1,083	28,653	21,966	-	7,770
HS Strength and Conditioning	-	7,996	-	-	7,996
Football Operation	-	15,460	9,497	-	5,963
Co-Head Boys Track	-	595	506	-	89
Head Boys Track	-	1,679	1,679	-	-
Head Girls Track	-	333	333	-	-
Head Baseball	-	13,172	13,172	-	-
Head Boys and Girls Cross Country	-	412	412	-	-
High School Athletic Director	-	143	143	-	-
Head Boys Soccer	-	3,516	2,608	-	908
Head Girls Bowling	-	164	164	-	-
Head Boys Bowling	-	1,451	1,270	-	181
Head Boys Golf	-	213	213	-	-
Head Boys Basketball	-	60,112	50,926	-	9,186
Head Basketball Cheerleaders	-	1,120	1,120	-	-
	<u>\$ 84,107</u>	<u>\$ 437,406</u>	<u>\$ 421,812</u>	<u>\$ -</u>	<u>\$ 99,701</u>

See accompanying independent auditor's report.

Waverly-Shell Rock Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2014

	Diercks Scholarship	HS Math Science	Elem PE Jana B	DECA Student Account
Assets				
Cash	\$ 1,181	\$ 371	\$ 130	\$ 265
Investment	50,000	-	-	-
Total Assets	<u>\$ 51,181</u>	<u>\$ 371</u>	<u>\$ 130</u>	<u>\$ 265</u>
Liabilities and Fund Balances				
Liabilities:				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Unreserved, undesignated	\$ 51,181	\$ 371	\$ 130	\$ 265
Total Liabilities and Fund Balances	<u>\$ 51,181</u>	<u>\$ 371</u>	<u>\$ 130</u>	<u>\$ 265</u>

See accompanying independent auditor's report.

Carey Parents	Southeast Parents	West Cedar Parents
\$ 4,064	\$ 12,920	\$ 6,928
-	-	-
\$ 4,064	\$ 12,920	\$ 6,928
\$ -	\$ -	\$ -
\$ 4,064	\$ 12,920	\$ 6,928
\$ 4,064	\$ 12,920	\$ 6,928

Waverly-Shell Rock Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2014

	HS Special Education Maria Peth	Hirst T Knights of Columbus	JH Kevin Rhone	Kline K Knights of Columbus
Assets				
Cash	\$ 36	\$ 87	\$ 3,416	\$ 458
Investment	-	-	-	-
Total Assets	\$ 36	\$ 87	\$ 3,416	\$ 458
Liabilities and Fund Balances				
Liabilities				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Unreserved, undesignated	\$ 36	\$ 87	\$ 3,416	\$ 458
Total Liabilities and Fund Balances	\$ 36	\$ 87	\$ 3,416	\$ 458

See accompanying independent auditor's report.

Carey J Clausing	Shell Rock G Huberg	Johnston N Knights of Columbus	Obemeier H Knights of Columbus	Junior High J Boerigter
\$ 260	\$ 487	\$ 656	\$ 419	\$ 603
-	-	-	-	-
\$ 260	\$ 487	\$ 656	\$ 419	\$ 603
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 260	\$ 487	\$ 656	\$ 419	\$ 603
\$ 260	\$ 487	\$ 656	\$ 419	\$ 603

Waverly-Shell Rock Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2014

	Junior High L Jamison	Junior High Patty Harrell	C Harper Knights of Columbus	Buskohl L Knights of Columbus
Assets				
Cash	\$ 325	\$ 644	\$ 270	\$ 143
Investment	-	-	-	-
Total Assets	\$ 325	\$ 644	\$ 270	\$ 143
Liabilities and Fund Balances				
Liabilities				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Unreserved, undesignated	\$ 325	\$ 644	\$ 270	\$ 143
Total Liabilities and Fund Balances	\$ 325	\$ 644	\$ 270	\$ 143

See accompanying independent auditor's report.

High School Knights of Columbus	HS Inclusion Marie Peth	Becca Elsamiller Knights of Columbus	Bethany Rewerts Knights of Columbus
\$ 561	\$ 748	\$ 71	\$ 143
-	-	-	-
\$ 561	\$ 748	\$ 71	\$ 143
\$ -	\$ -	\$ -	\$ -
\$ 561	\$ 748	\$ 71	\$ 143
\$ 561	\$ 748	\$ 71	\$ 143

Waverly-Shell Rock Community School District

Combining Balance Sheet
Private Purpose Trusts
Scholarships

June 30, 2014

	Pierce Knight of Columbus	S Corsbie Knights of Columbus	Pepsi Donation for Athletics	Globe Project Scott Severson
Assets				
Cash	\$ 143	\$ 58	\$ 40	\$ 39
Investment	-	-	-	-
Total Assets	\$ 143	\$ 58	\$ 40	\$ 39
Liabilities and Fund Balances				
Liabilities:				
Total liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Unreserved, undesignated	\$ 143	\$ 58	\$ 40	\$ 39
Total Liabilities and Fund Balances	\$ 143	\$ 58	\$ 40	\$ 39

See accompanying independent auditor's report.

Shell Rock Jessia Johnson	Sand D Knights of Columbus	Total
\$ 75	\$ 64	\$ 35,605
-	-	50,000
\$ 75	\$ 64	\$ 85,605
\$ -	\$ -	\$ -
\$ 75	\$ 64	\$ 85,605
\$ 75	\$ 64	\$ 85,605

Waverly-Shell Rock Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2014

	Diercks Scholarship	Wm Wood Scholarship	Kenneth Stumme Scholarship	HS Math Science
Revenues:				
Local Sources:				
Interest on investment	\$ 850	\$ 101	\$ 2,515	\$ -
Contributions/Other	-	-	-	-
Total Revenues	<u>\$ 850</u>	<u>\$ 101</u>	<u>\$ 2,515</u>	<u>\$ -</u>
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ 600	\$ 1,686	\$ 25,910	\$ -
Total Expenditures	<u>\$ 600</u>	<u>\$ 1,686</u>	<u>\$ 25,910</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 250	\$ -1,585	\$ -23,395	\$ -
Fund balances beginning of year	<u>50,931</u>	<u>1,585</u>	<u>23,395</u>	<u>371</u>
Fund Balances End of Year	<u>\$ 51,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371</u>

See accompanying independent auditor's report.

Elem PE Jana B	DECA Student Account	Carey Parents	Southeast Parents	West Cedar Parents
\$ -	\$ -	\$ -	\$ -	\$ -
-	5,385	15,714	13,423	19,994
\$ -	\$ 5,385	\$ 15,714	\$ 13,423	\$ 19,994
\$ -	\$ 6,121	\$ 20,766	\$ 6,186	\$ 19,725
\$ -	\$ 6,121	\$ 20,766	\$ 6,186	\$ 19,725
\$ -	\$ -736	\$ -5,052	\$ 7,237	\$ 269
130	1,001	9,116	5,683	6,659
\$ 130	\$ 265	\$ 4,064	\$ 12,920	\$ 6,928

Waverly-Shell Rock Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2014

	HS Spec Ed Maria Peth	Hirst T Knights of Columbus	JH Kevin Rohne	Kline K Knights of Columbus
Revenues:				
Local Sources:				
Interest on investment	\$ -	\$ -	\$ -	\$ -
Contributions/Other	-	-	585	-
Total Revenues	\$ -	\$ -	\$ 585	\$ -
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ -	\$ 107	\$ 825	\$ -
Total Expenditures	\$ -	\$ 107	\$ 825	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -107	\$ -240	\$ -
Fund balances beginning of year	36	194	3,656	458
Fund Balances End of Year	\$ 36	\$ 87	\$ 3,416	\$ 458

See accompanying independent auditor's report.

	Carey J Clausing	Shell Rock G Huberg	Johnston N Knights of Columbus	Obemeier H Knights of Columbus	Junior High J Boerigter
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	748
\$	-	\$ -	\$ -	\$ -	\$ 748
<hr/>					
\$	-	\$ -	\$ -	\$ -	\$ 579
\$	-	\$ -	\$ -	\$ -	\$ 579
<hr/>					
\$	-	\$ -	\$ -	\$ -	\$ 169
	260	487	656	419	434
\$	260	\$ 487	\$ 656	\$ 419	\$ 603

Waverly-Shell Rock Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2014

	Junior High L Jamison	Junior High Patty Harrell	C Harper Knights of Columbus	Buskohl L Knights of Columbus
Revenues:				
Local Sources:				
Interest on investment	\$ -	\$ -	\$ -	\$ -
Contributions/Other	200	200	-	-
Total Revenues	\$ 200	\$ 200	\$ -	\$ -
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ 257	\$ -	\$ 16	\$ -
Total Expenditures	\$ 257	\$ -	\$ 16	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -57	\$ 200	\$ -16	\$ -
Fund balances beginning of year	382	444	286	143
Fund Balances End of Year	\$ 325	\$ 644	\$ 270	\$ 143

See accompanying independent auditor's report.

High School Knights of Columbus	HS Inclusion Marie Peth	Steinbronn B Knights of Columbus	Becca Elsamiller Knights of Columbus	Bethany Rewerts Knights of Columbus
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	21	-	-
\$ -	\$ -	\$ 21	\$ -	\$ -
\$ 384	\$ -	\$ 249	\$ -	\$ -
\$ 384	\$ -	\$ 249	\$ -	\$ -
\$ -384	\$ -	\$ -228	\$ -	\$ -
945	748	228	71	143
\$ 561	\$ 748	\$ -	\$ 71	\$ 143

Waverly-Shell Rock Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2014

	Pierce Knights of Columbus	S Corsbie Knights of Columbus	Pepsi Donation For Athletics	Global Project Scott Severson
Revenues:				
Local Sources:				
Interest on investment	\$ -	\$ -	\$ -	\$ -
Contributions/Other	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ -	\$ 62	\$ -	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -62	\$ -	\$ -
Fund balances beginning of year	<u>143</u>	<u>120</u>	<u>40</u>	<u>39</u>
Fund Balances End of Year	<u>\$ 143</u>	<u>\$ 58</u>	<u>\$ 40</u>	<u>\$ 39</u>

See accompanying independent auditor's report.

J Hamilton Knights of Columbus	Shell Rock Jessia Johnson	Sand D Knights of Columbus	National DECA Trip	Total
\$ -	\$ -	\$ -	\$ -	3,466
-	-	-	8,954	65,224
\$ -	\$ -	\$ -	8,954	\$ 68,690
\$ 21	\$ -	\$ -	8,970	\$ 92,464
\$ 21	\$ -	\$ -	8,970	\$ 92,464
\$ -21	\$ -	\$ -	-16	\$ -23,774
21	75	64	16	109,379
\$ -	\$ 75	\$ 64	\$ -	\$ 85,605

Waverly-Shell Rock 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	\$ 12,194,972	\$ 10,234,580	\$ 10,014,538	\$ 9,041,122
Tuition	2,593,242	3,163,448	1,416,410	1,049,102
Other	1,264,502	1,442,585	1,779,259	2,714,181
Intermediate sources	-	-	-	-
State sources	11,506,104	11,760,299	10,412,073	9,784,985
Federal sources	1,230,445	1,324,583	947,285	1,078,784
Total	\$ 28,789,265	\$ 27,925,495	\$ 24,569,565	\$ 23,668,174
Expenditures:				
Instruction:				
Regular instruction	\$ 9,432,483	\$ 8,963,113	\$ 9,260,143	\$ 15,122,534
Special instruction	5,139,679	5,373,882	3,661,644	*
Other instruction	2,749,354	2,776,714	2,699,473	*
Support services:				
Student services	477,278	454,820	457,869	387,765
Instructional staff services	1,018,138	976,561	796,332	668,934
Administrative services	1,779,251	1,743,251	1,695,351	1,659,660
Operation and maintenance of plant services	1,749,550	1,638,014	1,584,543	1,660,045
Transportation services	949,445	845,520	751,148	827,750
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	2,131,814	245,442	5,808,087	15,671,194
Long-term debt:				
Principal	2,425,000	3,310,000	1,205,000	975,000
Interest and other charges	667,011	711,358	776,576	950,031
AEA flow-through	822,849	759,250	781,384	850,882
Total	\$ 29,341,852	\$ 27,797,925	\$ 29,477,580	\$ 38,773,795

*Included in regular instruction.

See accompanying independent auditor's report.

Modified Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 7,842,434	\$ 7,670,444	\$ 7,251,512	\$ 7,048,847	\$ 6,376,517	\$ 5,495,828
968,240	807,288	799,477	942,258	909,463	783,604
1,865,455	1,463,780	1,751,178	1,809,680	1,825,532	1,501,415
-	-	-	-	-	-
8,319,827	9,264,724	8,592,584	8,162,461	7,780,538	7,529,667
1,598,254	516,035	393,148	417,334	449,712	328,804
<u>\$ 20,594,210</u>	<u>\$ 19,722,271</u>	<u>\$ 18,787,899</u>	<u>\$ 18,380,580</u>	<u>\$ 17,341,762</u>	<u>\$ 15,639,318</u>
\$ 14,074,567	\$ 13,650,217	\$ 12,106,920	\$ 11,343,858	\$ 11,075,422	\$ 10,234,785
*	*	*	*	*	*
*	*	*	*	*	*
391,926	373,380	348,133	342,361	344,924	334,727
592,436	609,775	597,333	563,623	545,859	562,566
1,834,695	1,535,002	1,459,945	1,374,027	1,323,877	1,397,024
1,622,878	3,519,618	1,674,624	1,361,334	1,451,174	1,170,050
594,974	824,863	702,297	663,258	549,698	519,403
-	-	-	-	-	-
7,871,906	800,562	2,640,810	4,686,356	2,643,509	455,770
525,000	910,000	880,000	855,000	470,000	460,000
261,043	254,238	259,853	179,660	21,697	42,743
834,410	688,570	633,205	596,701	546,568	544,101
<u>\$ 28,603,835</u>	<u>\$ 23,166,225</u>	<u>\$ 21,303,120</u>	<u>\$ 21,966,178</u>	<u>\$ 18,972,728</u>	<u>\$ 15,721,169</u>

Waverly-Shell Rock Community School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY14	\$ 31,700
National School Lunch Program	10.555	FY14	375,446 *
Team Nutrition	10.574	FY14	388
			<u>\$ 407,534</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY14	\$ 153,829
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	FY14	33,459
			<u>\$ 187,288</u>
Career and Technical Education – Basic Grants to States	84.048	FY14	\$ 15,016
Safe and Drug Free	84.186	FY14	\$ 205
Improving Teacher Quality State Grants	84.367	FY14	\$ 45,286
Grants for State Assessments and Related Activities	84.369	FY14	<u>\$ 11,638</u>
Area Education Agency 267:			
Special Education – Grants to States	84.027	FY14	<u>\$ 91,321</u>
U.S. Department of Health and Human Services:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health	93.938	FY14	<u>\$ 1,090</u>
U.S. Department of Homeland Security:			
Iowa Department of Education:			
Hazard Mitigation Grant	97.039	FY14	<u>\$ 659,876</u>
Total			<u>\$ 1,419,254</u>

*- Includes \$108,739 of non-cash awards.

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

**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
Waverly-Shell Rock 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 Waverly-Shell Rock Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 26, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Waverly-Shell Rock 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 my opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Waverly-Shell Rock 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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain 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 II of the accompanying Schedule of Findings as items 2014-001 thru 2014-017 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item 2014-018 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waverly-Shell Rock 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 two instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. I also noted certain immaterial instances of noncompliance or other matters that are described in Part IV 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.

Waverly-Shell Rock Community School District's Responses to Findings

Waverly-Shell Rock Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. Waverly-Shell Rock Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 Waverly-Shell Rock 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

January 26, 2015

**Independent Auditor's Report on Compliance
for Each Federal Major Program and on Internal Control over
Compliance Required by OMB Circular A-133**

Independent Auditor's Report on Compliance
for Each Federal Major Program and on Internal Control over
Compliance Required by OMB Circular A-133

To the Board of Education of
Waverly-Shell Rock Community School District

Report on Compliance for Each Major Federal Program

I have audited Waverly-Shell Rock Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Waverly-Shell Rock Community School District's major federal programs for the year ended June 30, 2014. Waverly-Shell Rock Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each of the major federal programs. However, my audit does not provide a legal determination of Waverly-Shell Rock Community School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Waverly-Shell Rock Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

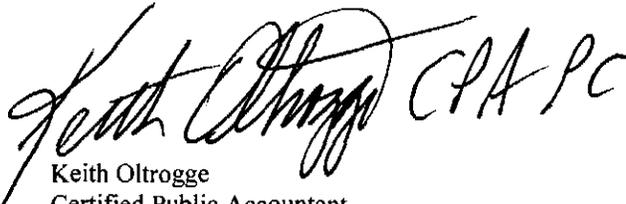
The Management of Waverly-Shell Rock Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Waverly-Shell Rock Community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

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified deficiencies in internal control over compliance I consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2014-021 and 2014-022 to be material weaknesses.

Waverly-Shell Rock Community School District's responses to the internal control over compliance findings identified in my audit are described in the accompanying Schedule of Findings. Waverly-Shell Rock Community School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on them.

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



Keith Oltrogge
Certified Public Accountant

January 26, 2015

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Summary of the Independent Auditor’s Results:

- a) Unqualified opinions were issued on the financial statements.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit disclosed non-compliance which is material to the financial statements.
- d) Material weaknesses in internal control over major programs were disclosed by the audit of the financial statements
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510 (a).
- g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.574 – Team Nutrition
 - CFDA Number 97.039 – Hazard Mitigation Grant
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Waverly-Shell Rock Community School District did not qualify as a low-risk auditee.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2014-001 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 had 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 and Corrective Action Plan – 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 acknowledged.

2014-002 Repeat Audit Comments – The District's financial statement audits repeatedly contained findings regarding internal control and compliance problems. Both the District's management and its Board were aware of the problems. Although management submitted corrective action plans to address the deficiencies, the repeated findings indicate that management failed to take corrective action and the Board did not hold management accountable for these plans.

Recommendation – The Board should implement procedures to follow up on all of the audit comments and the corrective action plans.

Response and Corrective Action Plan – We are working on a plan to ensure corrections and changes in procedures are made.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES:

2014-003 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the District's financial statements. 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 bank receipts issued. An independent person does not review the bank reconciliations. Also, vouchers are processed, disbursements are recorded and check 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 and Corrective Action Plan – We will continue to review our procedures and implement additional control where possible.

Conclusion – Response acknowledged.

2014-004 Reliable Financial Statements – Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payable, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be able to complete. The individuals performing the accounting functions need to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel.

Recommendation – The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments to the financial statements indicates that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response and Corrective Action Plan – The District continues to send data entry staff to year end training to better obtain knowledge of accounting entries.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES:

2014-005 Financial Reporting – During the audit, I identified material amounts of property tax receipts that were recorded in an incorrect fund in the District’s financial statements. I also identified material amounts of revenue and expenses in the student activity fund accounts that were not coded properly. And in the Nutrition Fund I noted the general ledger does not include the reporting of receipts as the funds are received. It has many lump entries that were made at month end in order to attempt to reconcile the bank statements.

Recommendation – The District should review the coding of all bills and receipts to ensure they are properly coded in accordance with The Uniform Financial Accounting for Iowa LEAs and AEAs. The purpose of governmental fund accounting is to facilitate that the District is demonstrating compliance with the use of designated or restricted revenue by segregating the revenue and related expenditures. In addition, timely and complete recording of all bills and receipts is essential for accurate financial statements. The general ledger is supposed to be an accurate history of the District’s financial transactions. The District should contact the county auditor to have the property tax revenue automatically deposited into the bank account that corresponds with the fund the revenue belongs to.

Response and Corrective Action Plan – The District will review the coding of bills and receipts, to ensure they are all properly recorded.

Conclusion – Response acknowledged.

2014-006 Supporting Documentation – I noted several instances of checks being written to a vendor without an invoice or supporting documentation. This was especially common in the student activity fund accounts.

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 and Corrective Action Plan – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response acknowledged.

2014-007 Supporting Documentation for Meal Money – I noted during my audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

Recommendation – The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The students should sign off upon receiving cash for a trip. The District should review the procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response and Corrective Action Plan – The District will document who is receiving cash by having the students sign that they have received the money.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Statutory Reporting:

INSTANCES OF NON-COMPLIANCE:

2014-011 Grant Coding – I noted that numerous adjustments were required at year end to code and clear expenses or reclassify expenditures into various grant accounts. The reclassifying of expenses gives the appearance that the grants are not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

Recommendation – The District should determine who and what costs are appropriate prior to payment and operation of the grant. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent for appropriate items as well as in the correct time period.

Response and Corrective Action Plan – We will devote more time and effort to expending these funds.

Conclusion – Response acknowledged.

2014-012 Timecards – The District requires hourly employees to submit timecards. However, the timecards are not approved by the employee’s supervisor.

Recommendation – The District should development a policy to require timecards to be approved by the employee’s supervisor prior to submission.

Response and Corrective Action Plan – Timesheets are now being approved by the supervisor.

Conclusion – Response acknowledged.

2014-13 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 and Corrective Action Plan – 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. Phone calls and letters asking the debtor for resolution will be made in a timelier manner.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES:

2014-008 Disbursements – I noted in the Nutrition Fund where a hand-typed replacement check was given to a vendor. The original check was not voided in the accounting system. The replacement check was not recorded in the accounting system. The replacement check cleared the bank and the original check didn't clear the bank. Also, there was no stop payment put on the original check.

Recommendation – All disbursements should be recorded in the accounting system.

Response and Corrective Action Plan – All future disbursements will have proper support and be properly recorded.

Conclusion – Response acknowledged.

2014-009 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, the lack of reporting of funds. I also noted that the District is not making deposits in a timely manner.

Recommendation – The District should review and implement procedures to ensure that sufficient detail is on the deposit slip and that deposits are made in a timely manner. The District should also make sure that the appropriate staff is trained on the process.

Response and Corrective Action Plan – The District now writes detail on deposit slips and deposits are being made in a timely manner.

Conclusion – Response acknowledged.

2014-010 School Nutrition Fund Accounts – I noted 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 the breakfast, adult and ala carte revenues 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 and Corrective Action Plan – We are implementing changes in procedures for fiscal year 2015 which will correct this problem.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Statutory Reporting:

INSTANCES OF NON-COMPLIANCE:

2014-014 Checks Written as Bearer Paper – I noted during my audit that the District is writing checks to “cash” for a variety of things, including start-up money at athletic events, meal money at athletic events, retirement gifts and other items. Checks made out to “cash” are bearer paper and in the event the check would be lost or stolen, anyone could cash the check.

Recommendation – The District should only write checks payable to the custodian/sponsor of the athletic event or directly to vendors for purchases.

Response and Corrective Action Plan – The District has reviewed its procedures and will not issue checks written only to “cash”. Instead, they will write the checks out to the sponsor or vendor.

Conclusion – Response acknowledged.

2014-015 Bank Reconciliation – Monthly bank statements are reconciled to the District’s monthly financial report. However, immaterial variances existed in the governmental funds reconciliations at June 30, 2014 which were not resolved. In addition, a material variance was noted in the nutrition fund reconciliation. This was due to the lack of timely bookkeeping. An addition was made to correct the general ledger prior to filing the CAR. In addition, the monthly bank reconciliations are not reviewed and approved by an independent person.

Recommendation – All bank reconciliation variances should be investigated and resolved timely. The bookkeeping should be done timely. An independent person should review the reconciliations for propriety and document the review by signing or initialing and dating the reconciliations.

Response and Corrective Action Plan – Variances will be investigated and resolved. A Board member will receive monthly bank reconciliations and bank statements to review and will evidence review through initialing and dating the reconciliations.

Conclusion – Response acknowledged.

2014-016 Tuition Billing Reconciliation – I noted during my audit that the District had billed 3 students as both open enrolled students and for special education tuition.

Recommendation – The District needs to reconcile student open enrollments with special education billing to insure that correct amounts are billed and collected in the future.

Response and Corrective Action Plan – We will reconcile student billing before billings are sent in the future.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Statutory Reporting:

INSTANCES OF NON-COMPLIANCE:

2014-17 Disbursement Approval – For 13 of 30 general fund and 49 of 88 student activity 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 and Corrective Action Plan – We will ensure all expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

2014-018 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure 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 and Corrective Action Plan – We will consult with you as needed on financial statement considerations.

Conclusions – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Statutory Reporting:

INSTANCES OF NON-COMPLIANCE:

2014-019 Interfund Loan – The District entered into several interfund receivables and payables between the General Fund, School Nutrition Fund and the Capital Projects Fund, which appears to be an interfund loan/borrowing that may not be in compliance with a revised Declaratory Order issued by the Iowa Department of Education dated October 22, 2011.

The Declaratory Order requires interfund loans be repaid by October 1st of the fiscal year following the loan origination date, interest to be charged to the borrowing fund based on rates pursuant to Iowa Code section 74A.6, and a resolution approved by the Board of Education stating from which fund and to which fund the transfer will be made. It appears that the District did not comply with these requirements.

Recommendation – We recommend that the District proceed under the provisions of Iowa Code Chapter 74 to issue anticipatory warrants or seek approval of the voters pursuant to Iowa Codes Section 278.1(5).

Response and Corrective Action Plan – The District is working on repaying the loans and will proceed with measures to become compliant.

Conclusion – Response acknowledged.

2014-020 Agency Funds – I noted during my audit that the District utilizes Agency Funds. According to Chapter 9 of the LEA Administrative Manual, “Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the district serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or parent-teacher organization which has its own Federal Identification Number. The Districts acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District place certain assets into custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund.”

The District appears to be improperly accounting for agency accounts. I noted many athletic fees and expenses are reported in the Agency Funds. These fees and expenses would appear to be District revenues and expenses and should be recorded in the Student Activity Fund. Agency funds are to account for non-district revenue and expenses.

Recommendation – The District should review Chapter 9 of the LEA Administrative Manual which identifies funds and allowable revenues and expenses. The District should review each agency account for proprietary and make the necessary transfers to the proper fund where monies can be appropriately receipted and expensed. The athletic fees, should run through the Student Activities Fund.

Response and Corrective Action Plan – We will review Chapter 9 of the LEA Administrative Manual. Athletic fees and expenses will be run through the Student Activity Fund.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part III – Findings and Questioned Costs for Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.574: Team Nutrition
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 97.039: Hazard Mitigation Grant
Federal Award Year: 2014
U.S. Department of Homeland Security
Passed through the Iowa Department of Education

2014-021 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the District's financial statements. 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 bank receipts issued. An independent person does not review the bank reconciliations. Also, vouchers are processed, disbursements are recorded and check prepared by the same person.

Recommendation – The District should review its procedures to obtain the maximum internal control possible utilizing currently available staff.

Response and Corrective Action Plan – We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion – Response acknowledged.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part III – Findings and Questioned Costs for Federal Awards (continued):

INTERNAL CONTROL DEFICIENCIES:

2014-022 Grants – I noted during my audit, that when expenditures for specific projects were posted; it appeared that the expenditures were not always properly posted to those projects. Also see comment 2014-011 Grant Coding.

Recommendation – The District should review the coding of bills, to ensure that all bills paid for a specific grant or project, are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The purpose of governmental fund accounting is to facilitate the District's demonstrating compliance with the use of designated or restricted revenues by segregating the revenue and related expenditures.

Response and Corrective Action Plan – The District will review the coding bills, to ensure that bills paid for a specific grant or project are properly coded.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE

None noted.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

Part IV - Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceed the amended certified budget amounts in the other expenditures function.

Recommendation – Although the District amended the budget during the year the amount of the amendment was not enough to prevent the District from overspending in the other expenditures functional area. The District should have 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.

IV-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.

Clothing allowance – All nutrition fund employees are provided an annual clothing allowance. Receipts for these purchases not required. These benefit payments were not processed through payroll and accordingly, the proper tax withholdings were not applied.

Other questionable disbursements –

Vendor	Description	Amount
Cash	Retirement	\$50.00
Cash	Lunch account refund and homecoming decorations	184.75
Cash	Nurse expenses	500.00
Cash	Nurse’s fund cash	500.00
Ecker’s Greenhouse	Plants/flowers	152.00
Cash	Donation	200.00
Cash	Cash for gratuity and family donation	300.00
Ecker’s Greenhouse	Gift certificate	50.00
Wal-Mart	I-tunes gift cards	175.00
-An Employee-	I-tunes gift cards	75.00
Duo’s Coffee & Ice Cream	Gift cards – teacher appreciation	375.00

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 as retirement gifts and 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.

The District should ensure clothing allowances are properly processed through payroll.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

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, we 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 retirement gifts, teacher appreciation supplies or other items that are not appropriate.

Conclusion – Response acknowledged.

IV-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however, I noted that there were instances of reimbursements made to employees which lacked a detailed receipts.

There were also credit card statement charges and direct hotel vendor’s charges that were paid without receipts.

Recommendation – The District should review procedures in place to ensure the proper detailed documentation will be available with all payments for travel.

Response – The District will monitor reimbursements, and make payments to make sure detailed receipts are submitted.

Conclusion – Response accepted.

IV-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>
Cyndi Ecker-Campbell – Board Member Owner of Ecker Flowers & Gifts	Supplies	\$396
Judy Strotman – Employee Spouse to Owner Strotman Building Center	Repairs & supplies	\$2,980
Rebecca Elsamiller – Employee Spouse to Part Owner Elsamiller Electric	Repairs	\$1,263

In accordance with an Attorney General’s opinion date November 9, 1976, the above transactions do not appear to represent a conflict of interest.

IV-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.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

IV-F-14 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

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

Response – All minutes will be published as required.

Conclusion – Response accepted.

Closed Sessions – I noted that in one of the Board minutes that there was no vote taken to go into or come out of closed session.

Recommendation – The vote of each Board member on the question of holding the closed session and the reason for holding a closed session must be referenced by the specific exemption under Chapter 21.5(1) and announced publicly at the open session as well as entered into the minutes. A governmental body shall not discuss any business during the closed session which does not directly relate to the specific reason given as justification for the closed session.

Response – The minutes will document the proper Iowa Code Section and votes for closed sessions in the future.

Conclusion – Response accepted.

IV-G-14 Certified Enrollment – Variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Recommendation – A letter must be sent to the Department of Management to report this discrepancy.

Response – This has been done.

Conclusion – Response accepted.

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

IV-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.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

IV-J-14 Certified Annual Report – The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2014.

Prior to filing, the District required significant assistance with preparing the general ledger for upload to the Iowa Department of Education website, which including proposing many adjustments.

Recommendation -- In the future, the District should ensure the Certified Annual Report is certified timely to the Iowa Department of Education.

Response – We will complete future CAR on a timely manner.

Conclusion – Response accepted.

IV-K-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 commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting.” We noted that during the year some categorical funding expenditures were commingled 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.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

IV-L-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		\$	5,317,655
Revenues/transfers in:			
Sales tax revenues	\$	1,201,434	
Other local revenues		14,185	
School infrastructure supplemental amount		523,756	
Other state revenues		137,258	
Federal revenues		659,876	2,536,509
			<u>\$ 7,854,164</u>
Expenditures/transfers out:			
School infrastructure			<u>1,899,291</u>
Ending balance		\$	<u>5,954,873</u>

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	\$ 1.31669	\$ 1,725,190
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2014

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

IV-M-14 Deficit Balance – One student activity account had a deficit balance at June 30, 2014. The General Fund had a deficit balance of \$1,759,207 at June 30, 2014. The Debt Service Fund had a deficit balance of \$2,920,739 at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition. Capital Projects – Statewide Sales, Services and Use Tax should transfer principal, interest and fees to the Debt Service Fund which will help reduce the deficit balance in the Debt Service Fund.

Response – The deficit balance in the Student Activity Fund account was due to accounts payable not taken into consideration at year end. We are working on the General Fund and Debt Service Fund deficit balances.

Conclusion – Response accepted.

IV-N-14 Enterprise Fund, School Nutrition – We noted in our 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 the 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 monthly 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.

Waverly-Shell Rock Community School District
Summary Schedule of Prior Federal Audit Findings
Year Ended June 30, 2014

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
2013-008	Segregation of Duties	Not corrected	Plans to review and implement new procedures when possible
2013-009	Grants	Not corrected	Plans to review the coding of bills to ensure proper coding
2013-010	Data Collection Form	Corrective action taken	