

WAYNE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-15
<u>Basic Financial Statements:</u>	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-36
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Schedule of Funding Progress for the Retiree Health Plan		40
<u>Supplementary Information:</u>	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	43
Capital Project Accounts:		
Combining Balance Sheet	3	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	47
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 <u>Government Auditing Standards</u>		48-49
Schedule of Findings		50-54

Wayne Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2013 Election)

Bill Homann	President	2015
Todd Wilson	Vice President	2013
John Allen	Board Member	2015
David Brennecke	Board Member	2013
Diane Kelly	Board Member	2015

(After September 2013 Election)

Bill Homann	President	2015
Diane Kelly	Vice President	2015
John Allen	Board Member	2015
David Brennecke	Board Member	2017
Barry Andrews	Board Member	2017

School Officials

Dave Daughton	Superintendent	2014
Denise Larson	Business Manager/ Board Secretary	2014
Verle Norris	Attorney	2014

Wayne Community School District



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Wayne Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wayne Community School District, Corydon, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 15 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which is not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is present for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2014 on our consideration so Wayne Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Wayne Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

December 23, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,910,637 in fiscal year 2013 to \$5,901,713 in fiscal year 2014, while General Fund expenditures increased from \$5,735,935 in fiscal year 2013 to \$5,981,237 in fiscal year 2014. The District's General Fund balance decreased from \$2,994,978 at the end of fiscal year 2013 to \$2,915,454 at the end of fiscal year 2014.
- The fiscal year 2013 General Fund revenue decrease was attributable to a decrease in property tax revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees.
- The District's solvency ratio decreased slightly from 46.21% at the end of fiscal year 2013 to 44.72% at the end of fiscal year 2014.

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 Wayne 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 Wayne 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 Wayne Community School District acts solely as an agent or custodian for the benefit of those outside of the School 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 nonmajor 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
Wayne Community School District Annual Financial Report

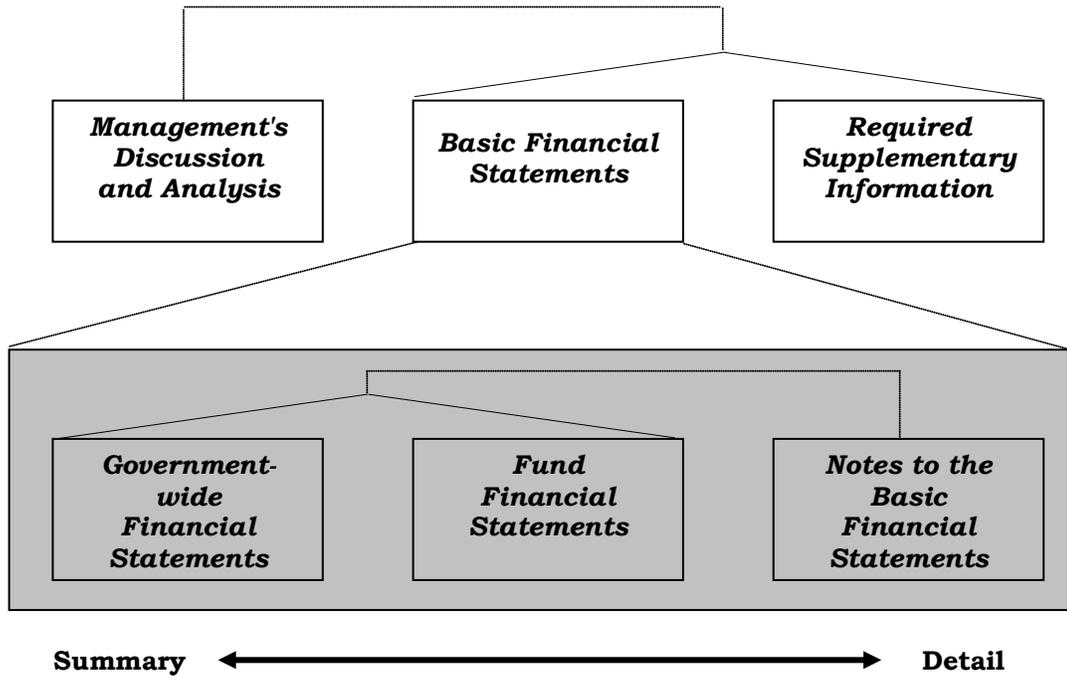


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows
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
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with 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 position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for the proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 10,349,241	8,451,904	122,193	116,707	10,471,434	8,568,611	22.21%
Capital assets	4,554,824	2,778,634	62,049	48,183	4,616,873	2,826,817	63.32%
Total assets	14,904,065	11,230,538	184,242	164,890	15,088,307	11,395,428	32.41%
Long-term liabilities	1,289,242	829,405	4,657	3,717	1,293,899	833,122	-55.31%
Other liabilities	3,620,106	717,636	18,102	12,936	3,638,208	730,572	397.99%
Total liabilities	4,909,348	1,547,041	22,759	16,653	4,932,107	1,563,694	215.41%
Deferred inflows of resources	2,261,320	2,743,681	-	-	2,261,320	2,743,681	-17.58%
Net position:							
Invested in capital assets, net of related debt	1,124,824	2,198,634	62,049	48,183	1,186,873	2,246,817	-47.18%
Restricted	4,090,569	2,091,684	-	-	4,090,569	2,091,684	95.56%
Unrestricted	2,518,004	2,649,498	99,434	100,054	2,617,438	2,749,552	-4.80%
Total net position	\$ 7,733,397	6,939,816	161,483	148,237	7,894,880	7,088,053	11.38%

The District's total net position increased 11.38%, or approximately \$806,827, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt.

Restricted net position represents resources subject to external restrictions, constitutional provisions of enabling legislation on how they can be used. The District's restricted net position increased approximately \$1,998,885, or 95.56%, over the prior year. The increase was primarily a result of an increase in the fund balances of the Capital Projects Fund from issuing revenue bonds during fiscal year 2014.

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 \$132,114, or 4.80%. This decrease in unrestricted net position was primarily a result of the decrease in the General Fund balance.

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

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues and transfers:							
Revenues:							
Program revenues:							
Charges for services	\$ 486,461	517,130	150,075	165,022	636,536	682,152	-6.69%
Operating grants, contributions and restricted interest	595,912	598,012	199,963	208,093	795,875	806,105	-1.27%
Capital grants, contributions and restricted interest	1,559	3,592	-	-	1,559	3,592	-56.60%
General revenues:							
Property tax	2,735,093	2,645,407	-	-	2,735,093	2,645,407	3.39%
Income surtax	250,127	196,931	-	-	250,127	196,931	27.01%
Statewide sales, services and use tax	490,165	467,033	-	-	490,165	467,033	4.95%
Unrestricted state grants	2,921,235	2,782,614	-	-	2,921,235	2,782,614	4.98%
Unrestricted investment earnings	98,938	70,975	1,453	1,321	100,391	72,296	38.86%
Other	32,457	70,872	4,737	550	37,194	71,422	-47.92%
Total revenues and transfers	<u>7,611,947</u>	<u>7,352,566</u>	<u>356,228</u>	<u>374,986</u>	<u>7,968,175</u>	<u>7,727,552</u>	<u>3.11%</u>
Program expenses:							
Governmental activities:							
Instructional	4,453,623	4,397,964	-	-	4,453,623	4,397,964	1.27%
Support services	1,807,364	1,769,658	1,205	7,330	1,808,569	1,776,988	1.78%
Non-instructional programs	-	-	341,777	331,904	341,777	331,904	2.97%
Other expenses	557,379	495,553	-	-	557,379	495,553	12.48%
Total expenses	<u>6,818,366</u>	<u>6,663,175</u>	<u>342,982</u>	<u>339,234</u>	<u>7,161,348</u>	<u>7,002,409</u>	<u>2.27%</u>
Change in net position before special item	793,581	689,391	13,246	35,752	806,827	725,143	11.26%
Special item:							
Loss on sale of capital assets	-	(805,250)	-	-	-	(805,250)	-100.00%
Beginning net position	<u>6,939,816</u>	<u>7,055,675</u>	<u>148,237</u>	<u>112,485</u>	<u>7,088,053</u>	<u>7,168,160</u>	<u>-1.12%</u>
Ending net position	<u>\$ 7,733,397</u>	<u>6,939,816</u>	<u>161,483</u>	<u>148,237</u>	<u>7,894,880</u>	<u>7,088,053</u>	<u>11.38%</u>

In fiscal 2014, property tax, statewide sales, services and use tax, income surtax, and unrestricted state grants accounted for 84.03% of the revenue from governmental activities while charges for service and operating grants, contributions, and unrestricted interest accounted for 98.26% of the revenue from business type activities.

The District's total revenues were approximately \$7.97 million, of which approximately \$7.61 million was for governmental activities and approximately 0.36 million was for business type activities.

Governmental Activities

Revenues for governmental activities were \$7,611,947 and expenses were \$6,818,366 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenditures for the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,453,623	4,397,964	1.27%	3,602,516	3,516,394	2.45%
Support services	1,807,364	1,769,658	2.13%	1,804,357	1,697,773	6.28%
Other expenditures	557,379	495,553	12.48%	327,561	300,486	9.01%
Totals	\$ 6,818,366	6,663,175	2.33%	5,734,434	5,514,653	3.99%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$486,461.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$597,471.
- The net cost of governmental activities was financed with \$2,735,093 in property tax, \$490,165 in statewide sales, services and uses tax, \$250,127 in income surtax, \$2,921,235 in unrestricted state grants, \$98,938 in interest income and \$32,457 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$356,228 and expenses were \$342,982. The District's business type activities include the School Nutrition Fund and FFA Student Farm. Revenues of these activities were comprised of charges for service, contributed capital, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,662,758, well above last year's ending fund balances of \$4,817,765. The increase is primarily due to the increase in the fund balances of the General Fund, Capital Projects Fund and Debt Service Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$2,994,978 on June 30, 2013 to \$2,915,454 on June 30, 2014. The fluctuation in the District's General Fund financial position is the product of many factors. Decreases in local tax and federal grant revenue led to a decrease in revenues. The decrease in revenues coupled with an increase in expenditures required the District to use carryover fund balance to meet its financial obligations during the year.

- The Capital Projects Fund balance increased due to the sale of \$2,900,000 of revenue bonds during fiscal year 2014. The Capital Projects Fund balance at June 30, 2013 was \$1,062,740 to \$2,394,081 at June 30, 2014.

Proprietary Fund Highlights

The District's Nutrition Fund net position increased from \$141,244 at June 30, 2013 to \$154,889 at June 30, 2014, representing an increase of 9.66%. The FFA Farm Fund net position decreased from a balance of \$6,993 at June 30, 2013 to \$6,594 at June 30, 2014, representing an decrease of 5.71%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$2,702,150 less than total budgeted revenues, a variance of approximately 25.38%. The most significant variance resulted from the District receiving less in intermediate sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$4,616,873, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$324,906.

The original cost of the District's capital assets was \$11,945,583. Governmental funds account for \$11,702,366 with the remainder of \$243,217 in the Proprietary, School Nutrition Fund.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 264,710	264,710	-	-	264,710	264,710	0.00%
Construction in progress	1,958,711	-	-	-	1,958,711	-	100.00%
Buildings	1,993,732	2,200,786	-	-	1,993,732	2,200,786	-10.39%
Land improvements	51,108	43,299	-	-	51,108	43,299	15.28%
Machinery and equipment	286,563	269,839	62,049	48,183	348,612	318,022	8.77%
Total	\$ 4,554,824	2,778,634	62,049	48,183	4,616,873	2,826,817	63.32%

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013, compared to \$1,958,711 reported at June 30, 2014. This increase is attributed to the District beginning construction on athletic facility upgrades during fiscal 2014.

Long-Term Debt

At June 30, 2014, the District had \$3,624,763 in total long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

- The District had outstanding general obligation bonds payable of \$530,000 at June 30, 2014 payable from the Debt Service Fund.
- The District had outstanding revenue bonds payable of \$2,900,000 at June 30, 2014 payable from the Capital Projects: Statewide Sales Services and Use Tax Fund.
- The District had compensated absences payable of \$20,356 at June 30, 2014 payable from the General Fund.
- The District had net OPEB liability payable of \$174,407 at June 30, 2014; \$169,750 is attributable to governmental activities while \$4,657 is attributable to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 530,000	580,000	-	-	530,000	580,000	-9.43%
Revenue bonds	2,900,000	-	-	-	2,900,000	-	100.00%
Compensated absences	20,356	19,383	-	-	20,356	19,383	4.78%
Termination benefits	-	94,513	-	-	-	94,513	-100.00%
Net OPEB liability	169,750	135,509	4,657	3,717	174,407	139,226	20.17%
Total	\$ 3,620,106	829,405	4,657	3,717	3,624,763	833,122	335.08%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Larson, District Secretary/Treasurer and Business Manager, Wayne Community School District, 102 N Dekalb Street, Corydon, Iowa, 50060.

WAYNE COMMUNITY SCHOOL DISTRICT



BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 7,497,466	113,361	7,610,827
Receivables:			
Property tax:			
Delinquent	57,715	-	57,715
Succeeding year	2,261,320	-	2,261,320
Income surtax	196,952	-	196,952
Accounts	2,922	4,591	7,513
Due from other governments	332,866	-	332,866
Inventories	-	4,241	4,241
Capital assets, net of accumulated depreciation	4,554,824	62,049	4,616,873
Total assets	14,904,065	184,242	15,088,307
Liabilities			
Accounts payable	598,175	12,216	610,391
Salaries and benefits payable	630,036	2,140	632,176
Interest payable	61,031	-	61,031
Unearned revenue	-	3,746	3,746
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	50,000	-	50,000
Compensated absences	20,356	-	20,356
Portion due after one year:			
General obligation bonds	480,000	-	480,000
Revenue bonds	2,900,000		2,900,000
Net OPEB liability	169,750	4,657	174,407
Total liabilities	4,909,348	22,759	4,932,107
Deferred Inflows of Resources			
Unavailable property tax revenue	2,261,320	-	2,261,320
Net Position			
Net investment in capital assets	1,124,824	62,049	1,186,873
Restricted for:			
Categorical funding	391,166	-	391,166
Management levy purposes	645,342	-	645,342
Student activities	123,540	-	123,540
Debt service	536,440	-	536,440
School infrastructure	2,379,244	-	2,379,244
Physical plant and equipment	14,837	-	14,837
Unrestricted	2,518,004	99,434	2,617,438
Total net position	\$ 7,733,397	161,483	7,894,880

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,553,352	251,350	65,799	-	(2,236,203)	-	(2,236,203)
Special	808,153	17,962	55,279	-	(734,912)	-	(734,912)
Other	1,092,118	215,701	245,016	-	(631,401)	-	(631,401)
	<u>4,453,623</u>	<u>485,013</u>	<u>366,094</u>	<u>-</u>	<u>(3,602,516)</u>	<u>-</u>	<u>(3,602,516)</u>
Support services:							
Student	58,989	-	-	-	(58,989)	-	(58,989)
Instructional staff	132,898	-	-	-	(132,898)	-	(132,898)
Administration	602,402	-	-	-	(602,402)	-	(602,402)
Operation and maintenance of plant	669,730	-	-	1,559	(668,171)	-	(668,171)
Transportation	343,345	1,448	-	-	(341,897)	-	(341,897)
	<u>1,807,364</u>	<u>1,448</u>	<u>-</u>	<u>1,559</u>	<u>(1,804,357)</u>	<u>-</u>	<u>(1,804,357)</u>
Long-term debt interest	86,342	-	-	-	(86,342)	-	(86,342)
Other expenses:							
AEA flowthrough	229,818	-	229,818	-	-	-	-
Depreciation(unallocated)*	241,219	-	-	-	(241,219)	-	(241,219)
	<u>471,037</u>	<u>-</u>	<u>229,818</u>	<u>-</u>	<u>(241,219)</u>	<u>-</u>	<u>(241,219)</u>
Total governmental activities	<u>6,818,366</u>	<u>486,461</u>	<u>595,912</u>	<u>1,559</u>	<u>(5,734,434)</u>	<u>-</u>	<u>(5,734,434)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	1,205	-	-	-	-	(1,205)	(1,205)
	<u>1,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,205)</u>	<u>(1,205)</u>
Non-instructional programs:							
Food service operations	326,025	134,722	199,963	-	-	8,660	8,660
Student Farm activities	15,752	15,353	-	-	-	(399)	(399)
	<u>341,777</u>	<u>150,075</u>	<u>199,963</u>	<u>-</u>	<u>-</u>	<u>8,261</u>	<u>8,261</u>
Total business type activities	<u>342,982</u>	<u>150,075</u>	<u>199,963</u>	<u>-</u>	<u>-</u>	<u>7,056</u>	<u>7,056</u>
Total	<u>\$ 7,161,348</u>	<u>636,536</u>	<u>795,875</u>	<u>1,559</u>	<u>(5,734,434)</u>	<u>7,056</u>	<u>(5,727,378)</u>
General Revenues:							
Local tax levied for:							
General purposes				\$ 2,233,421	-		2,233,421
Debt service				440,067	-		440,067
Capital outlay				61,605	-		61,605
Income surtax				250,127	-		250,127
Statewide sales, services and use tax				490,165	-		490,165
Unrestricted state grants				2,921,235	-		2,921,235
Unrestricted investment earnings				98,938	1,453		100,391
Other				32,457	4,737		37,194
Total general revenues				<u>6,528,015</u>	<u>6,190</u>		<u>6,534,205</u>
Change in net position				793,581	13,246		806,827
Net position beginning of year				6,939,816	148,237		7,088,053
Net position end of year				<u>\$ 7,733,397</u>	<u>161,483</u>		<u>7,894,880</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 3,522,032	2,638,326	1,337,108	7,497,466
Receivables:				
Property tax:				
Delinquent	37,768	1,300	18,647	57,715
Succeeding year	1,999,755	61,867	199,698	2,261,320
Income surtax	196,952	-	-	196,952
Accounts	2,922	-	-	2,922
Due from other governments	107,358	225,508	-	332,866
Total assets	\$ 5,866,787	2,927,001	1,555,453	10,349,241
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 124,590	471,053	2,532	598,175
Salaries and benefits payable	630,036	-	-	630,036
Total liabilities	754,626	471,053	2,532	1,228,211
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding years property taxes	1,999,755	61,867	199,698	2,261,320
Income surtax	196,952	-	-	196,952
Total deferred inflows of resources	2,196,707	61,867	199,698	2,458,272
Fund balances:				
Restricted for:				
Categorical funding	391,166	-	-	391,166
Management levy purposes	-	-	645,342	645,342
Student activities	-	-	123,540	123,540
Debt service	-	-	597,471	597,471
School infrastructure	-	2,379,244	-	2,379,244
Physical plant and equipment	-	14,837	-	14,837
Unassigned	2,524,288	-	(13,130)	2,511,158
Total fund balances	2,915,454	2,394,081	1,353,223	6,662,758
Total liabilities, deferred inflows of resources and fund balances	\$ 5,866,787	2,927,001	1,555,453	10,349,241

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	6,662,758
 <i>Amounts reported for governmental activities in theStatement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		4,554,824
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		196,952
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(61,031)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,620,106)</u>
Net position of governmental activities(page 18)	\$	<u><u>7,733,397</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,017,998	61,605	883,674	2,963,277
Tuition	253,070	-	-	253,070
Other	93,350	40,368	240,304	374,022
State sources	3,250,835	490,165	-	3,741,000
Federal sources	258,635	-	-	258,635
Total revenues	<u>5,873,888</u>	<u>592,138</u>	<u>1,123,978</u>	<u>7,590,004</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,553,654	-	61,291	2,614,945
Special	807,931	-	-	807,931
Other	847,528	-	246,934	1,094,462
	<u>4,209,113</u>	<u>-</u>	<u>308,225</u>	<u>4,517,338</u>
Support services:				
Student	58,379	-	-	58,379
Instructional staff	130,962	-	-	130,962
Administration	561,084	39,400	20,406	620,890
Operation and maintenance of plant	512,038	6,571	110,910	629,519
Transportation	279,843	79,036	13,763	372,642
	<u>1,542,306</u>	<u>125,007</u>	<u>145,079</u>	<u>1,812,392</u>
Capital outlay	-	2,035,790	-	2,035,790
Long-term debt:				
Principal	-	-	50,000	50,000
Interest and fiscal charges	-	-	27,498	27,498
	<u>-</u>	<u>-</u>	<u>77,498</u>	<u>77,498</u>
Other Expenditures:				
AEA flowthrough	229,818	-	-	229,818
	<u>229,818</u>	<u>2,035,790</u>	<u>77,498</u>	<u>2,343,106</u>
Total expenditures	<u>5,981,237</u>	<u>2,160,797</u>	<u>530,802</u>	<u>8,672,836</u>
Excess(deficiency) of revenues over(under) expenditures	(107,349)	(1,568,659)	593,176	(1,082,832)
Other financing sources:				
Sale of equipment	27,825	-	-	27,825
Revenue bonds issued	-	2,900,000	-	2,900,000
Total other financing sources	<u>27,825</u>	<u>2,900,000</u>	<u>-</u>	<u>2,927,825</u>
Change in fund balances	(79,524)	1,331,341	593,176	1,844,993
Fund balances beginning of year	<u>2,994,978</u>	<u>1,062,740</u>	<u>760,047</u>	<u>4,817,765</u>
Fund balances end of year	<u>\$ 2,915,454</u>	<u>2,394,081</u>	<u>1,353,223</u>	<u>6,662,758</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ 1,844,993

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

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

Capital outlays	\$ 2,093,030	
Depreciation expense	<u>(316,840)</u>	1,776,190

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments as follows:

Issued	(2,900,000)	
Repaid	<u>50,000</u>	(2,850,000)

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

(58,844)

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

21,943

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

Termination benefits	94,513	
Other postemployment benefits	(34,241)	
Compensated absences	<u>(973)</u>	<u>59,299</u>

Change in net position of governmental activities(page 19) \$ 793,581

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

	Enterprise Funds		
	School Nutrition	FFA Student Farm	Total
Assets			
Cash and pooled investments	\$ 103,152	10,209	113,361
Accounts receivable	4,591	-	4,591
Inventories	4,241	-	4,241
Capital assets, net of accumulated depreciation	62,049	-	62,049
Total assets	174,033	10,209	184,242
Liabilities			
Accounts payable	8,601	3,615	12,216
Salaries and benefits payable	2,140	-	2,140
Unearned revenue	3,746	-	3,746
Net OPEB liability	4,657	-	4,657
Total liabilities	19,144	3,615	22,759
Net Position			
Invested in capital assets	62,049	-	62,049
Unrestricted	92,840	6,594	99,434
Total net position	\$ 154,889	6,594	161,483

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds		
	School Nutrition	FFA Student Farm	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 134,722	-	134,722
Student farm revenue	-	15,353	15,353
Miscellaneous	4,737	-	4,737
Total operating revenues	<u>139,459</u>	<u>15,353</u>	<u>154,812</u>
Operating expenses:			
Support services:			
Operation and maintenance of plant	1,205	-	1,205
Non-instructional programs:			
Food service operations:			
Salaries	89,686	-	89,686
Benefits	25,177	-	25,177
Services	15,213	-	15,213
Supplies	186,917	-	186,917
Depreciation	8,066	-	8,066
Other	966	-	966
	<u>326,025</u>	<u>-</u>	<u>326,025</u>
Student farm operations:			
Services	-	9,824	9,824
Supplies	-	5,354	5,354
Other	-	574	574
	<u>-</u>	<u>15,752</u>	<u>15,752</u>
Total non-instructional programs	<u>326,025</u>	<u>15,752</u>	<u>341,777</u>
Total operating expenses	<u>327,230</u>	<u>15,752</u>	<u>342,982</u>
Operating loss	<u>(187,771)</u>	<u>(399)</u>	<u>(188,170)</u>
Non-operating revenues:			
State sources	2,621	-	2,621
Federal sources	197,342	-	197,342
Interest income	1,453	-	1,453
Total non-operating revenues	<u>201,416</u>	<u>-</u>	<u>201,416</u>
Change in net position	13,645	(399)	13,246
Net position beginning of year	<u>141,244</u>	<u>6,993</u>	<u>148,237</u>
Net position end of year	<u>\$ 154,889</u>	<u>6,594</u>	<u>161,483</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds		
	School Nutrition	FFA Student Farm	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 135,553	-	135,553
Cash received from student farm activities	-	15,353	15,353
Cash received from miscellaneous	4,737	-	4,737
Cash payments to employees for services	(111,783)	-	(111,783)
Cash payments to suppliers for goods or services	(188,891)	(12,137)	(201,028)
Net cash provided by(used in) operating activities	(160,384)	3,216	(157,168)
Cash flows from non-capital financing activities:			
State grants received	2,621	-	2,621
Federal grants received	179,869	-	179,869
Net cash provided by non-capital financing activities	182,490	-	182,490
Cash flows from capital and related financing activities:			
Purchase of capital assets	(21,932)	-	(21,932)
Cash flows from investing activities:			
Interest on investments	1,453	-	1,453
Net increase in cash and cash equivalents	1,627	3,216	4,843
Cash and cash equivalents at beginning of year	101,525	6,993	108,518
Cash and cash equivalents at end of year	\$ 103,152	10,209	113,361
Reconciliation of operating loss to net cash provide by(used in) operating activities:			
Operating loss	\$ (187,771)	(399)	(188,170)
Adjustments to reconcile operating loss to net cash provided by(used) in operating activities:			
Commodities consumed	17,473	-	17,473
Depreciation	8,066	-	8,066
Decrease in inventories	20	-	20
Increase in accounts receivable	(663)	-	(663)
Increase(decrease) in accounts payable	(2,083)	3,615	1,532
Increase in salaries and benefits payable	2,140	-	2,140
Increase in other postemployment benefits	940	-	940
Increase in unearned revenue	1,494	-	1,494
Net cash provided by(used in) operating activities	\$ (160,384)	3,216	(157,168)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$17,473 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note. 1. Summary of Significant Accounting Policies

The Wayne Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Corydon, Iowa, and the predominate agricultural territory in Wayne, Lucas and Decatur 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, Wayne Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Wayne Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne, Decatur and Lucas Counties Assessors' Conference Board.

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three 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 that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the FFA Student Farm. The Enterprise Nutrition fund is used to account for the food service operations of the District. The FFA Student Farm is used to account for the District's student farming activities.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 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, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	5-10 years
Machinery and equipment	3-15 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

Note 2. Cash and Pooled Investments

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$32,870 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 230,030	21,932	8,745	243,217
Less accumulated depreciation	181,847	8,066	8,745	181,168
Business type activities capital assets, net	<u>\$ 48,183</u>	<u>13,866</u>	<u>-</u>	<u>62,049</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 264,710	-	-	264,710
Construction in progress	-	1,958,711	-	1,958,711
Total capital assets not being depreciated	264,710	1,958,711	-	2,223,421
Capital assets being depreciated:				
Buildings	7,746,126	27,142	-	7,773,268
Land improvements	298,615	14,832	-	313,447
Machinery and equipment	1,299,885	92,345	-	1,392,230
Total capital assets being depreciated	9,344,626	134,319	-	9,478,945
Less accumulated depreciation for:				
Buildings	5,545,340	234,196	-	5,779,536
Land improvements	255,316	7,023	-	262,339
Machinery and equipment	1,030,046	75,621	-	1,105,667
Total accumulated depreciation	6,830,702	316,840	-	7,147,542
Total capital assets being depreciated, net	2,513,924	(182,521)	-	2,331,403
Governmental activities capital assets, net	\$ 2,778,634	1,776,190	-	4,554,824

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 6,806
Other		10,402
Support services:		
Instructional staff		2,017
Administration		226
Operation and maintenance of plant		6,182
Transportation		49,988
		75,621
Unallocated depreciation		241,219
Total governmental activities depreciation expense		\$ 316,840
Business type activities:		
Food services		\$ 8,066

Note 4. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 3,717	940	-	4,657	-

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 580,000	-	50,000	530,000	50,000
Revenue bonds	-	2,900,000	-	2,900,000	-
Compensated absences	19,383	20,356	19,383	20,356	20,356
Termination benefits *	94,513	-	94,513	-	-
Net OPEB liability	135,509	34,241	-	169,750	-
Total	\$ 829,405	2,954,597	163,896	3,620,106	70,356

* Termination benefits are now accounted for as an explicit benefit in the Net OPEB liability in accordance with GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

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 June 1, 2003			
	Interest Rates	Principal	Interest	Total
2015	4.20	% \$ 50,000	24,198	74,198
2016	4.30	50,000	22,097	72,097
2017	4.40	55,000	19,948	74,948
2018	4.50	55,000	17,527	72,527
2019	4.60	60,000	15,053	75,053
2020	4.65	60,000	12,292	72,292
2021	4.70	65,000	9,503	74,503
2022	4.75	65,000	6,447	71,447
2023	4.80	70,000	3,360	73,360
Total		\$ 530,000	130,425	660,425

Revenue Bonds

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

Year Ending June 30,	Bond Issue of November 19, 2013			
	Interest Rates	Principal	Interest	Total
2015	3.30	% \$ -	106,865	106,865
2016	3.30	145,000	93,307	238,307
2017	3.30	150,000	88,440	238,440
2018	3.30	155,000	83,408	238,408
2019	3.30	165,000	78,127	243,127
2020-24	3.30	900,000	304,425	1,204,425
2025-29	3.30	1,055,000	143,963	1,198,963
2030	3.30	330,000	7,095	337,095
Total		\$ 2,900,000	905,630	3,805,630

Termination Benefits

The District offers a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The District will pay the retiree an incentive based upon the retiree's current salary and years of service to the District. The early retirement incentive will be paid in four semi-annual installments toward a tax deferred compensation plan. The District's termination benefit liability was reduced to zero due to the liability being included into the Net OPEB liability in accordance with GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

Note 5. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$321,170, \$311,992, and \$287,396, respectively, equal to the required contributions for each year.

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 58 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The District also offers early retirement benefits in the form of a 403b contribution resulting in an explicit rate subsidy to the OPEB liability.

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

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

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

Annual required contribution	\$	52,248
Interest on net OPEB obligation		3,481
Adjustment to annual required contribution		(11,357)
Annual OPEB cost		<u>44,372</u>
Contributions made		(9,191)
Increase in net OPEB obligation		<u>35,181</u>
Net OPEB obligation beginning of year		139,226
Net OPEB obligation end of year	\$	<u><u>174,407</u></u>

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

For the year ended June 30, 2014, the District contributed \$9,191 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	41,678	15.5	107,005
2013	41,876	23.1	139,226
2014	44,372	20.7	174,407

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$790,691, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$790,691. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,727,172, and the ratio of the UAAL to covered payroll was 29.0%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The health cost trend rate is 6% a year.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male).

Projected claim costs of the medical plan are \$458.68 for single and \$1,185.85 for family under Plan Co pay 750, \$430.20 for single and \$1,112.22 for family under Plan Co pay 1250, \$412.67 for single and \$1,066.90 for family under Plan Co pay 1500 and \$407.37 for single and \$1,053.19 for family under Plan Co pay HDHP. Upon retirement, the retired participant is assumed to pay 100% of the required premium. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

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

Note 8. 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 \$229,818 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2014 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Home School Assistance Program	\$ 151,410
Returning Dropouts and Dropout Prevention Programs	38,992
Four-year-old Preschool State Aid	66,666
Teacher Salary Supplement	8,045
Beginning Administrator Mentoring and Induction Program	1,866
Professional Development for Model Core Curriculum	29,204
Professional Development	81,769
Successful Programs for Early Readers	10,484
Teacher Leadership Grants	2,730
	<hr/>
Total	<u>\$ 391,166</u>

Note 10. Deficit Fund Balance

The Student Activity Fund had 8 negative accounts resulting in a deficit unassigned fund balance of \$13,130.

Note 11. Construction Commitments

The District has entered into various contracts for the construction of athletic facility upgrades within the District. As of June 30, 2014, costs of \$1,958,711 have been incurred against the contracts. The remaining balance at June 30, 2014 will be paid as work on the projects progress.

Note 12. Prospective Accounting Change

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

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,590,369	156,265	3,746,634	3,969,313	3,969,313	(222,679)
Intermediate sources	-	-	-	3,002,800	3,002,800	(3,002,800)
State sources	3,741,000	2,621	3,743,621	3,201,269	3,201,269	542,352
Federal sources	258,635	197,342	455,977	475,000	475,000	(19,023)
Total revenues	7,590,004	356,228	7,946,232	10,648,382	10,648,382	(2,702,150)
Expenditures/Expenses:						
Instruction	4,517,338	-	4,517,338	5,657,000	5,657,000	1,139,662
Support services	1,812,392	1,205	1,813,597	2,714,000	2,714,000	900,403
Non-instructional programs	-	341,777	341,777	367,000	367,000	25,223
Other expenditures	2,343,106	-	2,343,106	3,824,975	3,824,975	1,481,869
Total expenditures/expenses	8,672,836	342,982	9,015,818	12,562,975	12,562,975	3,547,157
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,082,832)	13,246	(1,069,586)	(1,914,593)	(1,914,593)	845,007
Other financing sources, net	2,927,825	-	2,927,825	-	-	2,927,825
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,844,993	13,246	1,858,239	(1,914,593)	(1,914,593)	3,772,832
Balances beginning of year	4,817,765	148,237	4,966,002	3,754,913	3,754,913	1,211,089
Balances end of year	\$ 6,662,758	161,483	6,824,241	1,840,320	1,840,320	4,983,921

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE 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 the GAAP basis.

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2009	-	\$ 358,292	358,292	0.0%	\$ 2,838,374	12.6%
2013	July 1, 2012	-	356,123	356,123	0.0	3,662,277	9.7%
2014	July 1, 2012	-	790,691	790,691	0.0	2,727,172	29.0%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

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

	Special Revenue			Debt Service	Total Nonmajor
	Management Levy	Student Activity	Total		
Assets					
Cash and pooled investments	\$ 636,079	112,844	748,923	588,185	1,337,108
Receivables:					
Property tax:					
Delinquent	9,361	-	9,361	9,286	18,647
Succeeding year	175,000	-	175,000	24,698	199,698
Total assets	\$ 820,440	112,844	933,284	622,169	1,555,453
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 98	2,434	2,532	-	2,532
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding years property taxes	175,000	-	175,000	24,698	199,698
Fund Balances:					
Restricted for:					
Management levy purposes	645,342	-	645,342	-	645,342
Student activities	-	123,540	123,540	-	123,540
Debt service	-	-	-	597,471	597,471
Unrestricted	-	(13,130)	(13,130)	-	(13,130)
Total fund balances	645,342	110,410	755,752	597,471	1,353,223
Total liabilities, deferred inflows of resources and fund balances	\$ 820,440	112,844	933,284	622,169	1,555,453

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total Nonmajor
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 443,607	-	443,607	440,067	883,674
Other	12,927	223,378	236,305	3,999	240,304
Total revenues	456,534	223,378	679,912	444,066	1,123,978
Expenditures:					
Current:					
Instruction:					
Regular	61,291	-	61,291	-	61,291
Other	-	246,934	246,934	-	246,934
Support services:					
Administration	20,406	-	20,406	-	20,406
Operation and maintenance of plant	110,910	-	110,910	-	110,910
Transportation	13,763	-	13,763	-	13,763
Long-term debt:					
Principal	-	-	-	50,000	50,000
Interest and fiscal charges	-	-	-	27,498	27,498
Total expenditures	206,370	246,934	453,304	77,498	530,802
Change in fund balances	250,164	(23,556)	226,608	366,568	593,176
Fund balances beginning of year	395,178	133,966	529,144	230,903	760,047
Fund balances end of year	\$ 645,342	110,410	755,752	597,471	1,353,223

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE 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	\$ 2,622,593	15,733	2,638,326
Receivables:			
Property tax:			
Delinquent	-	1,300	1,300
Succeeding year	-	61,867	61,867
Due from other governments	225,508	-	225,508
Total assets	\$ 2,848,101	78,900	2,927,001
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable	\$ 468,857	2,196	471,053
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding years property taxes	-	61,867	61,867
Fund balances:			
Restricted for:			
School infrastructure	2,379,244	-	2,379,244
Physical plant and equipment	-	14,837	14,837
Total fund balances	2,379,244	14,837	2,394,081
Total liabilities, deferred inflows of resources and fund balances	\$ 2,848,101	78,900	2,927,001

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE 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	\$ -	61,605	61,605
Other	39,854	514	40,368
State sources	490,165	-	490,165
Total revenues	<u>530,019</u>	<u>62,119</u>	<u>592,138</u>
Expenditures:			
Current:			
Support services:			
Administration	39,400	-	39,400
Operation and maintenance of plant	6,571	-	6,571
Transportation	-	79,036	79,036
Other expenditures:			
Capital outlay	1,973,791	61,999	2,035,790
Total expenditures	<u>2,019,762</u>	<u>141,035</u>	<u>2,160,797</u>
Deficiency of revenues under expenditures	(1,489,743)	(78,916)	(1,568,659)
Other financing sources:			
Revenue bonds issued	2,900,000	-	2,900,000
Change in fund balances	1,410,257	(78,916)	1,331,341
Fund balances beginning of year	968,987	93,753	1,062,740
Fund balances end of year	<u>\$ 2,379,244</u>	<u>14,837</u>	<u>2,394,081</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Secondary students fund	\$ 17,223	13,550	20,555	274	10,492
Activity tickets	-	12,095	-	45	12,140
Publication/plays fund	7,470	597	6,668	-	1,399
HS music fund	2,805	1,998	1,359	-	3,444
JH music fund	-	1,090	1,175	-	(85)
Cross country	-	672	806	-	(134)
Golf	337	2,673	2,659	-	351
Boys basketball	6,790	3,716	3,441	-	7,065
Football	8,391	19,492	25,343	-	2,540
Baseball	-	5,216	9,012	-	(3,796)
Boys track	-	1,500	4,608	-	(3,108)
Wrestling	-	2,724	4,624	-	(1,900)
Girls basketball	8,663	5,943	8,473	-	6,133
Volleyball	1,531	5,396	5,288	-	1,639
Softball	-	9,015	8,967	-	48
Girls track	-	3,773	7,091	-	(3,318)
Class - seniors	585	10	850	-	(255)
Class - juniors	141	4,893	4,697	-	337
Alternative school class	185	-	-	-	185
Yearbook	17,099	9,261	7,362	-	18,998
NHS	434	152	259	-	327
FBLA	680	1,289	1,380	-	589
FFA	-	40,184	39,097	(274)	813
FCCLA	637	470	526	-	581
HS student council	5,153	8,642	12,144	-	1,651
Art club	2,406	347	160	-	2,593
FEA club	911	-	788	-	123
Spanish club	1,923	492	382	-	2,033
HS tech club	536	-	-	-	536
Cheerleaders	1,015	7,003	6,820	5	1,203
HS/JR library club	260	854	794	-	320
History club	2,165	4,973	6,801	-	337
Manufacturing tech	916	-	-	-	916
Physical education	838	-	659	-	179
HS TAG club	9	197	-	-	206
Falcons nest	24	-	-	-	24
Brain bowl	2,177	125	733	-	1,569
Career tech business fund	404	-	-	-	404
Athletic leadership council	5,317	2,263	2,027	-	5,553
JH clubs/organization	4,645	4,432	9,612	-	(535)
JH student council	3,694	3,274	2,094	-	4,874
Elem clubs/organization	14,458	32,249	29,887	-	16,820
Elem library fund	2,672	5,942	5,132	-	3,482
Living classroom	2,245	-	-	-	2,245
Elem afterschool program	3,403	-	-	-	3,403
Elem sports	4,257	6,876	4,601	(50)	6,482
Elem wrestling club	1,567	-	60	-	1,507
Total	\$ 133,966	223,378	246,934	-	110,410

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST THREE YEARS

	Modified Accrual Basis		
	2014	2013	2012
Revenues:			
Local sources:			
Local tax	\$ 2,963,277	3,302,481	3,539,827
Tuition	253,070	267,842	211,339
Other	374,022	410,125	426,687
State sources	3,741,000	3,094,434	3,466,804
Federal sources	258,635	270,794	396,268
Total	<u>\$ 7,590,004</u>	<u>7,345,676</u>	<u>8,040,925</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ 2,614,945	2,610,217	2,532,587
Special	807,931	737,896	813,032
Other	1,094,462	1,006,562	950,699
Support services:			
Student	58,379	60,263	67,089
Instructional staff	130,962	126,822	112,481
Administration	620,890	580,597	535,662
Operation and maintenance of plant	629,519	516,330	515,442
Transportation	372,642	300,129	326,842
Capital outlay	2,035,790	339,159	330,151
Long-term debt:			
Principal	50,000	275,000	270,000
Interest	27,498	36,672	47,572
Other expenditures:			
AEA flowthrough	229,818	220,691	224,237
Total	<u>\$ 8,672,836</u>	<u>6,810,338</u>	<u>6,725,794</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Wayne Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wayne Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

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

Compliance and Other Matters

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

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wayne Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wayne Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

December 23, 2014
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handles petty cash, replenishes and reconciles is also the custodian,
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 5) Payroll - approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) Journal entries - writing, approving and posting.

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

Response - We will continue to review our practices and are having others in the office and Board members review the journal entries and bank reconciliations to increase internal controls as much as possible with a limited staff.

Conclusion - Response accepted.

I-B-14 Grant Coding - We noted the District had several grants that did not have expenses coded to these grants at June 30, 2014. The District then made subsequent journal entries to reclassify expenses to these grants. The reclassifying of expenses gives the appearance that these grants may not be monitored throughout the year .

Recommendation - The District should determine 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 - Some grants are coded with all expenses that relate to the grant which then cause the expenses to exceed the awarded amount, then journal entries are required to move the excess expenses to the non-grant expenses. Due to the limited staff it is likely that journal entries will be required one way or the other. We will continue to review the process and will work to code the expenses through the system when possible.

Conclusion - Response noted.

I-C-14 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all event admissions. Currently, the District's practice is to use pre-numbered tickets for indoor events only.

Recommendation - The District should use pre-numbered tickets for all events that an admission fee is charged.

Response - With the completion of the new sports complex we will use pre-numbered tickets for all events.

Conclusion - Response accepted.

I-D-14 Credit Cards - We noted during our audit that a detailed receipt was not provided for a purchase of student council supplies. Board policy 401.10 states that "employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indication the date, purpose and nature of the expense for each claim item. Failure to provide a proper receipt will make the employee responsible for expenses incurred."

Recommendation - The District should review procedures in place when employees use the District's credit card for expenses. Detailed receipts should be turned into the District central office for processing and if a detailed receipt is not turned into the central office the employee should bear the cost of the purchase per Board policy 401.10.

Response - We will review the policy with all employees who use District credit cards.

Conclusion - Response accepted.

Other Matters:

I-E-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student 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 before writing the balances off of the books. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The district instituted a policy after the 2012 - 2013 audit that only allows a family to accrue a negative \$50 balance before an alternative meal is served to elementary children, and secondary students must pay cash until the balance is cleared. After a \$10 negative balance is reached all ala cart items must be paid for in cash. The negative balances that remain have been sent to collections several times. Every family

is given the opportunity to apply for free/reduced lunches at registration and/or any time during the year. We send out free/reduced applications to all accounts that fall to the negative \$50 category and encourage families to apply. We were not questioned about our policy or process during the audit.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, did not exceed the budgeted amounts in any of the functional areas.
- II-B-14 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Board Minutes:
Closed Sessions - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted the minutes did not document the code section for a closed session as required by Iowa Code.

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 pertain to the exemption given under Chapter 21.5 of the Iowa Code.

Response - We will make sure to include code section for all closed sessions.

Conclusion - Response accepted.

Official Depositories - We also noted that the District did not name all depositories and the maximum amount that may be kept on deposit in each depository in the Board minutes per section 12C.2 of the Code of Iowa.

Recommendation - The District should name all depositories and the maximum amounts to be held for each depository in the Board Minutes to comply with Iowa Code section 12C.2.

Response - We will name all depositories and limits at the organizational meeting in September.

Conclusion - Response accepted.

Signing of Board Minutes - We also noted that the Board President does not sign the official board minutes. Board Policy 215.1E1 states “All minutes should be signed by the proper officers of the Board.”

Recommendation - The Board President and the Board Secretary should review and sign all official minutes of the District.

Response - We will make sure that the Board President reviews and signs all board minutes in the future.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-14 Supplementary Weighting - We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. The supplementary weighting certified to the state was overstated by 0.028.

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

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

Conclusion - Response accepted.

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

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

II-L-14 Financial Condition - The District had eight negative student account balances within the Student Activity Fund, totaling \$13,130.

Recommendation - The District should review their procedures with regards to account balances in the Student Activity Fund. The District may want to require additional administrative approval of purchase orders for the accounts that are negative. The District should also distribute a detailed monthly financial report to the sponsor responsible for each club/organization. The sponsor should have a budget for the club/organization and should be accountable for the balance.

Response - The district works to clear accounts with negative balances prior to year end. The only accounts with inventory such as the music fund should have negative balances at year end. The other negative balances are for sports that have limited or no revenue and should have been cleared with the activity tickets fund. We will review the accounts in May to clear negative balances prior to year end.

Conclusion - Response accepted.

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

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

Beginning Balance		\$	968,987
Revenues:			
Sales tax revenues	\$	490,165	
Other local revenues		39,854	
Sale of revenue bonds		2,900,000	
			<u>3,430,019</u>
			4,399,006
Expenditures:			
School infrastructure construction	\$	1,940,524	
Equipment		27,142	
Other		52,096	
			<u>2,019,762</u>
Ending balance		\$	<u><u>2,379,244</u></u>

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

II-N-14 Payroll Tax Reporting - We noted during our audit that that the District did not file their 2014, 1st and 2nd quarter payroll reports to the IRS in a timely manner.

Recommendation - The District should review procedures in place to ensure that quarterly payroll reports are filed timely.

Response - We will review the procedures for filing the quarterly reports to ensure that filings are made in a timely fashion.

Conclusion - Response accepted.