

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Woodward-Granger Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Colleen Scharlau	President	2013
Rebecca Carroll	Vice President	2013
Eric Polich	Board Member	2015
Kelly Squires	Board Member	2015
Mike Musich	Board Member	2015
(After September 2013 Election) (After Boundary Reorganization)		
Rebecca Carroll	President	2017
Kelly Squires	Vice President	2015
Jennifer Benbow	Board Member	2015
Dan Jamison	Board Member	2017
Eric Polich	Board Member	2015
School Officials		
Brad Anderson	Superintendent	2014
Bob Torrence	District Secretary/ Treasurer and Business Manager	2014
Ahlers Law Firm	Attorney	2014

WOODWARD-GRANGER 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
Woodward-Granger 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 Woodward-Granger Community School District, Woodward, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary 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 Woodward-Granger 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 nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly 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 January 19, 2015 on our consideration of Woodward-Granger 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 reports 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 and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,680,461 in fiscal 2013 to \$12,922,437 in fiscal 2014, while General Fund expenditures increased from \$12,334,302 in fiscal 2013 to \$13,493,603 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$2,292,784 in fiscal 2013 to \$1,721,618 in fiscal 2014, a 24.91% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in tuition and state sources revenue in fiscal 2014. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, increased heating and building maintenance costs, as well as additional costs associated with the Woodward Academy.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the nonmajor 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.

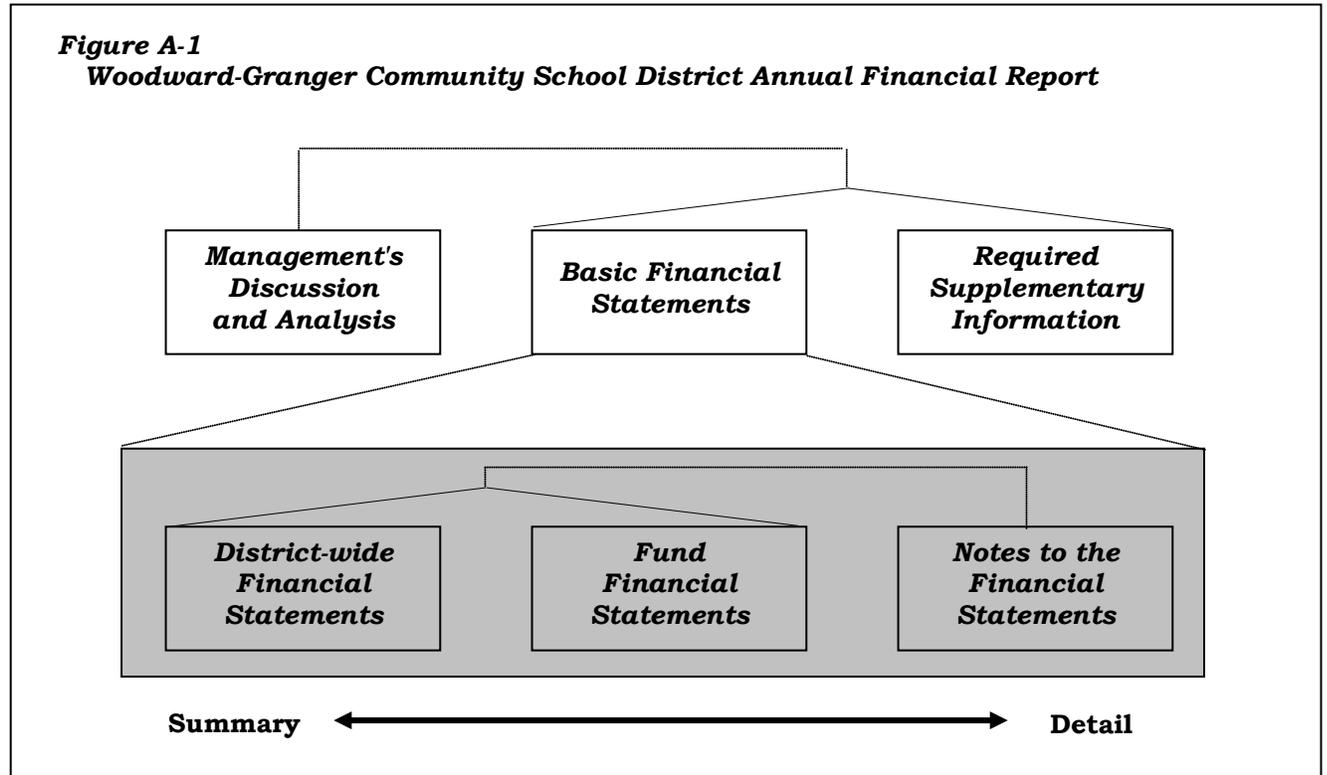


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have 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 is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.
- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	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
Current and other assets	\$ 21,201,890	12,016,285	(113,383)	25,804	21,088,507	12,042,089	75.12%
Capital assets	14,911,292	13,145,956	95,156	110,166	15,006,448	13,256,122	13.20%
Total assets	36,113,182	25,162,241	(18,227)	135,970	36,094,955	25,298,211	42.68%
Long-term obligations	20,826,116	10,756,636	0	0	20,826,116	10,756,636	93.61%
Other liabilities	2,940,425	1,765,555	7,512	166,302	2,947,937	1,931,857	52.60%
Total liabilities	23,766,541	12,522,191	7,512	166,302	23,774,053	12,688,493	87.37%
Deferred inflows of resources	4,528,566	4,455,976	0	0	4,528,566	4,455,976	1.63%
Net position:							
Net investment in							
capital assets	5,673,840	3,405,956	95,156	110,166	5,768,996	3,516,122	64.07%
Restricted	1,693,056	3,511,982	0	0	1,693,056	3,511,982	-51.79%
Unrestricted	451,179	1,266,136	(120,895)	(140,498)	330,284	1,125,638	-70.66%
Total net position	\$ 7,818,075	8,184,074	(25,739)	(30,332)	7,792,336	8,153,742	-4.43%

The District’s combined net position decreased by 4.43%, or \$361,406, over the prior year. The largest portion of the District’s net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position decreased \$1,818,926, or 51.79% over the prior year. The decrease was primarily a result of the decrease in the fund balance of the Debt Service Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$795,354, or 70.66%. This decrease in unrestricted net position was a result of the decreased health of the General Fund.

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

Figure A-4
Changes in Net Position

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 4,254,136	4,144,146	227,361	206,736	4,481,497	4,350,882	3.00%
Operating grants and contributions and restricted interest	1,357,823	1,105,792	139,201	127,962	1,497,024	1,233,754	21.34%
Capital grants and contributions and restricted interest	20,000	33,617	0	0	20,000	33,617	-40.51%
General revenues:							
Property tax	4,456,661	4,301,947	0	0	4,456,661	4,301,947	3.60%
Income surtax	413,943	412,026	0	0	413,943	412,026	0.47%
Statewide sales, services and use tax	703,790	575,332	0	0	703,790	575,332	22.33%
Unrestricted state grants	4,093,832	4,189,265	0	0	4,093,832	4,189,265	-2.28%
Nonspecific program federal grants	5,288	5,570	0	0	5,288	5,570	-5.06%
Other	200,667	81,491	0	1	200,667	81,492	146.24%
Total revenues	15,506,140	14,849,186	366,562	334,699	15,872,702	15,183,885	4.54%
Program expenses:							
Governmental activities:							
Instruction	10,478,322	9,617,311	0	0	10,478,322	9,617,311	8.95%
Support services	4,102,058	3,376,570	1,974	3,450	4,104,032	3,380,020	21.42%
Non-instructional programs	0	0	359,995	350,948	359,995	350,948	2.58%
Other expenses	1,291,759	1,011,494	0	0	1,291,759	1,011,494	27.71%
Total expenses	15,872,139	14,005,375	361,969	354,398	16,234,108	14,359,773	13.05%
Change in net position	(365,999)	843,811	4,593	(19,699)	(361,406)	824,112	-143.85%
Net position beginning of year	8,184,074	7,340,263	(30,332)	(10,633)	8,153,742	7,329,630	11.24%
Net position end of year	\$ 7,818,075	8,184,074	(25,739)	(30,332)	7,792,336	8,153,742	-4.43%

In fiscal 2014, property tax and unrestricted state grants account for 55.14% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100.00% of the revenue from business type activities.

The District's total revenues were approximately \$15.9 million of which \$15.5 million was for governmental activities and \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.54% in revenues and a 13.05% increase in expenses. The increase in expenses was related to the increase in support service costs during the year.

Governmental Activities

Revenues for governmental activities were \$15,506,140 and expenses were \$15,872,139.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 10,478,322	9,617,311	8.95%	5,206,149	4,714,163	10.44%
Support services	4,102,058	3,376,570	21.49%	4,076,211	3,315,330	22.95%
Other expenses	1,291,759	1,011,494	27.71%	957,820	692,327	38.35%
Totals	\$ 15,872,139	14,005,375	13.33%	10,240,180	8,721,820	17.41%

- The cost financed by users of the District's programs was \$4,254,136.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,357,823.
- The net cost of governmental activities was financed with \$4,456,661 in property tax, \$413,943 in income surtax, \$703,790 in statewide sales, services and use tax, \$4,093,832 in unrestricted state grants, \$5,288 in nonspecific program federal grants, \$17,061 in interest income, \$183,606 in other general revenue and \$20,000 in capital grants, contributions and restricted interest.

Business-Type Activities

Revenues of the District's business type activities were \$366,562 and expenses were \$361,969. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$13,440,997, compared to last year's ending fund balances of \$5,460,845. The primary reason for the increase in combined fund balances in fiscal 2014 is due to the increase in the Capital Projects fund balance due to bond issuances during the year.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in tuition and state grants resulted in an increase in revenues. The increase in revenues was offset by the District's increase in General Fund expenditures, resulting in a fund balance decrease from \$2,292,784, to \$1,721,618.
- The Capital Projects Fund balance increased from \$974,603 to \$11,352,931. The increase was the result of bond issuances for construction projects during the year.

-
- The Debt Service Fund balance decreased from \$1,882,192 to \$36,881. The decrease was the result payment on the District's long term indebtedness.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit of \$30,332 at June 30, 2013 to a deficit \$25,739 at June 30, 2014, representing an increase of 15.14%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$30,544 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

Over the course of the year, Woodward-Granger Community School District amended its annual budget one time to reflect additional expenditures in all functional areas.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$15.01 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$506,931.

The original cost of the District's capital assets was \$20.23 million. Governmental funds account for \$19.96 million with the remainder of \$0.27 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,108,146 at June 30, 2014, compared to \$0 reported at June 30, 2013. This increase resulted from the construction for a new elementary school building.

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	\$ 264,204	264,204	0	0	264,204	264,204	0.00%
Construction in progress	2,108,146	0	0	0	2,108,146	0	100.00%
Buildings	12,177,473	12,493,677	0	0	12,177,473	12,493,677	-2.53%
Machinery and equipment	361,469	388,075	95,156	110,166	456,625	498,241	-8.35%
Total	\$ 14,911,292	13,145,956	95,156	110,166	15,006,448	13,256,122	13.20%

Long-Term Debt

At June 30, 2014, the District had \$20,826,116 in general obligation and other long-term debt outstanding. This represents an increase of 93.61% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$11,855,000 at June 30, 2014.

The District had total outstanding Revenue Bonds payable of \$6,775,000 at June 30, 2014.

The District had total outstanding capital loan notes payable of \$840,000 at June 30, 2014.

The District had total outstanding computer lease payable of \$380,745 at June 30, 2014.

The District had total outstanding Termination Benefits payable from the Special Revenue - Management Fund of \$69,102 at June 30, 2014.

The District had total outstanding Compensated Absences payable from the General Fund of \$21,314 at June 30, 2014.

The District had total outstanding Net OPEB liability payable from the General Fund of \$884,955 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2014	2013	2013-14
General Obligation Bonds	\$ 11,855,000	8,710,000	36.11%
Revenue Bonds	6,775,000	0	100.00%
Capital Loan Note	840,000	1,030,000	-18.45%
Computer Lease	380,745	188,519	101.97%
Termination Benefits	69,102	69,000	0.15%
Compensated Absences	21,314	20,319	4.90%
Net OPEB Liability	884,955	738,798	19.78%
Totals	\$ 20,826,116	10,756,636	93.61%

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 Supplemental State aid over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued support for education at the state level will affect future projections. The District has been forced to shift funding to property taxes.
- Due to increasing enrollment, the District is currently undergoing construction to accommodate additional students. This will also require the hiring of additional staff for the new buildings resulting in increased spending for the District.

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 Bob Torrence, District Secretary/Treasurer, Woodward-Granger Community School District, 306 West 3rd Street, Woodward, Iowa, 50276.

BASIC FINANCIAL STATEMENTS

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 14,224,211	5,623	14,229,834
Receivables:			
Property tax:			
Delinquent	27,449	0	27,449
Succeeding year	4,528,566	0	4,528,566
Income surtax	344,686	0	344,686
Accounts	7,987	15,843	23,830
Due from other funds	142,440	(142,440)	0
Due from other governments	1,926,551	603	1,927,154
Inventories	0	6,988	6,988
Capital assets, net of accumulated depreciation	14,911,292	95,156	15,006,448
Total Assets	36,113,182	(18,227)	36,094,955
Liabilities			
Accounts payable	1,789,376	1,691	1,791,067
Salaries and benefits payable	1,076,073	0	1,076,073
Advances from student fees	22,192	0	22,192
Accrued interest payable	52,784	0	52,784
Unearned revenue	0	5,821	5,821
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	545,000	0	545,000
Revenue bonds payable	200,000	0	200,000
Capital loan notes payable	200,000	0	200,000
Computer lease payable	105,295	0	105,295
Termination benefits payable	47,234	0	47,234
Compensated absences	21,314	0	21,314
Portion due after one year:			
General obligation bonds payable	11,310,000	0	11,310,000
Revenue bonds payable	6,575,000	0	6,575,000
Capital loan notes payable	640,000	0	640,000
Computer lease payable	275,450	0	275,450
Termination benefits payable	21,868	0	21,868
Net OPEB liability	884,955	0	884,955
Total Liabilities	23,766,541	7,512	23,774,053
Deferred Inflows of Resources			
Succeeding year property tax	4,528,566	0	4,528,566
Net Position			
Net investment in capital assets	5,673,840	95,156	5,768,996
Restricted for:			
Categorical funding	309,008	0	309,008
School infrastructure	794,252	0	794,252
Physical plant and equipment	326,131	0	326,131
Management levy purposes	203,963	0	203,963
Student activities	59,702	0	59,702
Unrestricted	451,179	(120,895)	330,284
Total Net Position	\$ 7,818,075	(25,739)	7,792,336

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,812,427	751,639	165,860	0	(3,894,928)	0	(3,894,928)
Special	4,340,379	3,206,233	132,782	0	(1,001,364)	0	(1,001,364)
Other	1,325,516	296,264	719,395	0	(309,857)	0	(309,857)
	<u>10,478,322</u>	<u>4,254,136</u>	<u>1,018,037</u>	<u>0</u>	<u>(5,206,149)</u>	<u>0</u>	<u>(5,206,149)</u>
Support services:							
Student	367,695	0	0	0	(367,695)	0	(367,695)
Instructional staff	330,322	0	0	0	(330,322)	0	(330,322)
Administration	1,790,149	0	5,847	0	(1,784,302)	0	(1,784,302)
Operation and maintenance of plant	1,142,236	0	0	20,000	(1,122,236)	0	(1,122,236)
Transportation services	471,656	0	0	0	(471,656)	0	(471,656)
	<u>4,102,058</u>	<u>0</u>	<u>5,847</u>	<u>20,000</u>	<u>(4,076,211)</u>	<u>0</u>	<u>(4,076,211)</u>
Other expenses:							
Long-term debt interest	633,811	0	0	0	(633,811)	0	(633,811)
AEA flowthrough	333,939	0	333,939	0	0	0	0
Depreciation(unallocated)*	324,009	0	0	0	(324,009)	0	(324,009)
	<u>1,291,759</u>	<u>0</u>	<u>333,939</u>	<u>0</u>	<u>(957,820)</u>	<u>0</u>	<u>(957,820)</u>
Total governmental activities	15,872,139	4,254,136	1,357,823	20,000	(10,240,180)	0	(10,240,180)
Business Type activities:							
Support services:							
Administration	1,974	0	0	0	0	(1,974)	(1,974)
Non-instructional programs:							
Nutrition services	359,995	227,361	139,201	0	0	6,567	6,567
Total business type activities	<u>361,969</u>	<u>227,361</u>	<u>139,201</u>	<u>0</u>	<u>0</u>	<u>4,593</u>	<u>4,593</u>
Total	<u>\$ 16,234,108</u>	<u>4,481,497</u>	<u>1,497,024</u>	<u>20,000</u>	<u>(10,240,180)</u>	<u>4,593</u>	<u>(10,235,587)</u>
General Revenues:							
Property tax for:							
General purposes				\$ 3,303,651	0		3,303,651
Capital outlay				391,351	0		391,351
Debt service				761,659	0		761,659
Income surtax				413,943	0		413,943
Statewide sales, services and use tax				703,790	0		703,790
Unrestricted state grants				4,093,832	0		4,093,832
Nonspecific program federal grants				5,288	0		5,288
Unrestricted investment earnings				17,061	0		17,061
Other				183,606	0		183,606
Total general revenues				<u>9,874,181</u>	<u>0</u>		<u>9,874,181</u>
Changes in net position				(365,999)	4,593		(361,406)
Net position beginning of year				8,184,074	(30,332)		8,153,742
Net position end of year				<u>\$ 7,818,075</u>	<u>(25,739)</u>		<u>7,792,336</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 1,697,078	12,067,377	146,278	313,478	14,224,211
Receivables:					
Property tax:					
Delinquent	18,547	2,411	4,693	1,798	27,449
Succeeding year	2,892,294	398,688	937,584	300,000	4,528,566
Income surtax	344,686	0	0	0	344,686
Accounts	7,626	0	0	361	7,987
Due from other funds	142,440	0	0	0	142,440
Due from other governments	1,757,302	151,203	0	18,046	1,926,551
TOTAL ASSETS	\$ 6,859,973	12,619,679	1,088,555	633,683	21,201,890
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 803,110	868,060	114,090	4,116	1,789,376
Salaries and benefits payable	1,076,073	0	0	0	1,076,073
Advances from student fees	22,192	0	0	0	22,192
Total liabilities	1,901,375	868,060	114,090	4,116	2,887,641
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,892,294	398,688	937,584	300,000	4,528,566
Income surtax	344,686	0	0	0	344,686
Total deferred inflows of resources	3,236,980	398,688	937,584	300,000	4,873,252
Fund balances:					
Restricted for:					
Categorical funding	309,008	0	0	0	309,008
School infrastructure	0	11,026,800	0	0	11,026,800
Physical plant and equipment	0	326,131	0	0	326,131
Management levy purposes	0	0	0	273,065	273,065
Student activities	0	0	0	59,702	59,702
Debt service	0	0	36,881	0	36,881
Unassigned	1,412,610	0	0	0	1,412,610
Student activities	0	0	0	(3,200)	(3,200)
Total fund balances	1,721,618	11,352,931	36,881	329,567	13,440,997
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,958,598	12,619,679	1,088,555	633,683	21,201,890

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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)	\$	13,440,997
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		14,911,292
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		344,686
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as liability in the governmental funds.		(52,784)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, net OPEB liability, capital loan notes payable, computer lease payable, termination benefits payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds		(20,826,116)
Net position of governmental activities(page 18)	\$	7,818,075

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 3,445,342	391,351	761,659	293,134	4,891,486
Tuition	3,934,773	0	0	0	3,934,773
Other	115,709	155,819	29,951	270,374	571,853
State sources	4,876,189	703,963	292	129	5,580,573
Federal sources	548,337	0	0	0	548,337
Total revenues	<u>12,920,350</u>	<u>1,251,133</u>	<u>791,902</u>	<u>563,637</u>	<u>15,527,022</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,687,563	0	0	0	4,687,563
Special	4,296,764	0	0	0	4,296,764
Other	1,074,320	0	0	244,326	1,318,646
	<u>10,058,647</u>	<u>0</u>	<u>0</u>	<u>244,326</u>	<u>10,302,973</u>
Support services:					
Student	364,649	0	0	0	364,649
Instructional staff	317,136	0	0	0	317,136
Administration	1,176,667	573,977	0	39,535	1,790,179
Operation and maintenance of plant	855,321	48,390	0	259,935	1,163,646
Transportation	387,244	137,944	0	0	525,188
	<u>3,101,017</u>	<u>760,311</u>	<u>0</u>	<u>299,470</u>	<u>4,160,798</u>
Capital outlay	0	2,083,315	0	0	2,083,315
Long-term debt:					
Principal	0	0	2,801,574	0	2,801,574
Interest and fiscal charges	0	0	612,686	0	612,686
	<u>0</u>	<u>0</u>	<u>3,414,260</u>	<u>0</u>	<u>3,414,260</u>
Other expenditures:					
AEA flowthrough	333,939	0	0	0	333,939
Total expenditures	<u>13,493,603</u>	<u>2,843,626</u>	<u>3,414,260</u>	<u>543,796</u>	<u>20,295,285</u>
Excess(deficiency) of revenues over(under) expenditures	(573,253)	(1,592,493)	(2,622,358)	19,841	(4,768,263)
Other financing sources(uses):					
Proceeds from capital lease	0	433,800	0	0	433,800
General obligation bond issuance	0	5,500,000	0	0	5,500,000
Revenue bonds issuance	0	6,790,000	0	0	6,790,000
Premium on bond issue	0	90,852	0	0	90,852
Discount on bond issue	0	(66,784)	0	0	(66,784)
Transfers in	1,540	0	777,047	0	778,587
Transfers out	0	(777,047)	0	(1,540)	(778,587)
Insurance proceeds	547	0	0	0	547
Total other financing sources(uses)	<u>2,087</u>	<u>11,970,821</u>	<u>777,047</u>	<u>(1,540)</u>	<u>12,748,415</u>
Change in fund balances	(571,166)	10,378,328	(1,845,311)	18,301	7,980,152
Fund balance beginning of year	<u>2,292,784</u>	<u>974,603</u>	<u>1,882,192</u>	<u>311,266</u>	<u>5,460,845</u>
Fund balance end of year	<u>\$ 1,721,618</u>	<u>11,352,931</u>	<u>36,881</u>	<u>329,567</u>	<u>13,440,997</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER 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) \$ 7,980,152

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 Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,253,567	
Depreciation expense	<u>(488,231)</u>	1,765,336

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (20,882)

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 and repayments are as follows:

Issued	(12,723,800)	
Repaid	<u>2,801,574</u>	(9,922,226)

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. (21,125)

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	(102)	
Compensated Absences	(995)	
Net OPEB liability	<u>(146,157)</u>	<u>(147,254)</u>

Changes in net position of governmental activities(page 19) \$ (365,999)

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

		School Nutrition
Assets		
Current assets:		
Cash and pooled investments	\$	5,623
Accounts receivable		15,843
Due from other governments		603
Inventories		6,988
Total current assets		29,057
Noncurrent assets:		
Capital assets, net of accumulated depreciation		95,156
Total Assets		124,213
Liabilities		
Due to other funds		142,440
Accounts payable		1,691
Unearned revenue		5,821
Total Liabilities		149,952
Net Position		
Invested in capital assets		95,156
Unrestricted		(120,895)
Total Net Position	\$	(25,739)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 227,361
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	1,974
Non-instructional programs:	
Food service operations:	
Services	171,845
Supplies	169,450
Depreciation	18,700
	359,995
TOTAL OPERATING EXPENSES	361,969
OPERATING LOSS	(134,608)
NON-OPERATING REVENUES:	
State sources	2,889
Federal sources	136,312
TOTAL NON-OPERATING REVENUES	139,201
Increase in net position	4,593
Net position beginning of year	(30,332)
Net position end of year	\$ (25,739)

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 211,674
Cash payments to suppliers for goods or services	(339,550)
Net cash used in operating activities	(127,876)
Cash flows from non-capital financing activities:	
State grants received	2,889
Federal grants received	118,937
Net cash provided by non-capital financing activities	121,826
Cash flows from capital financing activities:	
Acquisition of capital assets	(3,690)
Net decrease in cash and cash equivalents	(9,740)
Cash and cash equivalents at beginning of year	15,363
Cash and cash equivalents at end of year	\$ 5,623
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (134,608)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,772
Depreciation	18,700
Decrease in inventories	818
Increase in accounts receivable	(13,208)
Decrease in accounts payable	(13,871)
Decrease in unearned revenue	(2,479)
Net cash used in operating activities	\$ (127,876)

Non-cash investing, capital and financing activities:
During the year ended June 30, 2014, the District received \$16,772 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 47,454	5,014
Total Assets	47,454	5,014
Liabilities		
Due to other groups	0	5,014
Total Liabilities	0	5,014
Net Position		
Unrestricted	47,454	0
Total Net Position	\$ 47,454	0

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 164
Contributions	750
Total additions	<u>914</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>500</u>
Change in net position	414
Net position beginning of year	<u>47,040</u>
Net position end of year	<u><u>\$ 47,454</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The Woodward-Granger 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 Cities of Woodward and Granger, Iowa, and the predominate agricultural territory in Dallas, Polk, and Boone 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, Woodward-Granger 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 Woodward-Granger Community School District has no component unit 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 Dallas, Polk, and Boone 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 plus unspent bond proceeds 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 that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the accumulation of resources for, and the payment of long-term debt principal and interest.

The District's nonmajor proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as

they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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 - restricted and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 nonoperating revenues and expenses.

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

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

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

Cash, Pooled Investments and Cash Equivalents – The cash 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, 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	\$ 2,500
Buildings	2,500
Intangibles	75,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Intangibles	2 or more years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for contracts corresponding to the current school year, which is 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 represent the amount of assets that have been recognized, but the

related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue – Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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. 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 when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits 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 and the Treasurer of the State of Iowa; 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 \$11,110,525 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 226,430
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	550,617
General	Student Activity	<u>1,540</u>
Total		<u>\$ 778,587</u>

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

The Capital Projects: Statewide Sales, Services and Use Tax Fund transfer to Debt Service was needed for principal and interest payments on District's computer lease, General Obligation bond debt relief and to transfer the revenue bond sinking account to the Debt Service Fund.

The Student Activity Fund transfer to the General Fund was to reclassify an account to a more appropriate fund.

(4) Due from and Due to Other Funds

At June 30, 2014 the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, School Nutrition	<u>\$ 142,440</u>

The Enterprise, School Nutrition Fund is repaying the General Fund for money borrowed for cash flow purposes.

(5) 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 264,204	0	0	264,204
Construction in progress	0	2,108,146	0	2,108,146
Total capital assets not being depreciated	264,204	2,108,146	0	2,372,350
Capital assets being depreciated:				
Buildings	16,341,267	7,805	0	16,349,072
Machinery and equipment	1,105,674	137,616	0	1,243,290
Total capital assets being depreciated	17,446,941	145,421	0	17,592,362
Less accumulated depreciation for:				
Buildings	3,847,590	324,009	0	4,171,599
Machinery and equipment	717,599	164,222	0	881,821
Total accumulated depreciation	4,565,189	488,231	0	5,053,420
Total capital assets being depreciated, net	12,881,752	(342,810)	0	12,538,942
Governmental activities capital assets, net	\$ 13,145,956	1,765,336	0	14,911,292
Business type activities:				
Machinery and equipment	\$ 268,913	3,690	0	272,603
Less accumulated depreciation	158,747	18,700	0	177,447
Business type activities capital assets, net	\$ 110,166	(15,010)	0	95,156

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$	58,839
Special		665
Support services:		
Instructional staff		11,072
Administration		6,127
Operation and maintenance of plant		2,394
Transportation		85,125
		164,222
Unallocated depreciation		324,009
Total governmental activities depreciation expense	\$	488,231
Business type activities:		
Food services	\$	18,700

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 8,710,000	5,500,000	2,355,000	11,855,000	545,000
Revenue Bonds	0	6,790,000	15,000	6,775,000	200,000
Capital Loan Notes	1,030,000	0	190,000	840,000	200,000
Computer Lease	188,519	433,800	241,574	380,745	105,295
Termination Benefits	69,000	37,769	37,667	69,102	47,234
Compensated Absences	20,319	21,314	20,319	21,314	21,314
Net OPEB Liability	738,798	146,157	0	884,955	0
Total	\$ 10,756,636	12,929,040	2,859,560	20,826,116	1,118,843

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of June 3, 2008			Bond Issue of June 3, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	4.10	% \$ 190,000	185,210	0.50	185,000	24,985
2016	4.10	200,000	177,420	0.65	185,000	24,060
2017	4.10	205,000	169,220	0.85	190,000	22,858
2018	4.10	215,000	160,815	1.05	190,000	21,242
2019	4.00	225,000	152,000	1.20	190,000	19,247
2020-2024	4.00	1,300,000	615,800	1.35-2.05	985,000	54,615
2025-2028	4.00	2,275,000	232,200			
Total		\$ 4,610,000	1,692,665		\$ 1,925,000	167,007

Year Ending June 30,	Bond Issue of October 1, 2012			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	2.00	170,000	190,888	\$ 545,000	401,083	946,083
2016	2.00	100,000	187,487	485,000	388,967	873,967
2107	2.00	100,000	185,488	495,000	377,566	872,566
2018	2.00	105,000	183,487	510,000	365,544	875,544
2019	2.00	105,000	181,388	520,000	352,635	872,635
2020-2024	3.00-3.25	525,000	865,387	2,810,000	1,535,802	4,345,802
2025-2029	3.25-3.75	1,060,000	787,500	3,335,000	1,019,700	4,354,700
2030-2033	3.75-4.00	3,155,000	319,738	3,155,000	319,738	3,474,738
Total		\$ 5,320,000	2,901,363	\$ 11,855,000	4,761,035	16,616,035

Revenue Bonds Payable

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 September 30, 2013			Bond Issue of May 8, 2014			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	3.25 % \$	15,000	130,812	3.10 % \$	185,000	97,801	\$ 200,000	228,613	428,613
2016	3.25	15,000	130,325	3.10	235,000	79,515	250,000	209,840	459,840
2017	3.25	15,000	129,837	3.10	220,000	72,230	235,000	202,067	437,067
2018	3.25	20,000	129,350	3.10	195,000	65,410	215,000	194,760	409,760
2019	3.25	280,000	128,700	3.10	140,000	59,365	420,000	188,065	608,065
2020-2024	3.25	1,770,000	493,351	3.10	555,000	235,445	2,325,000	728,796	3,053,796
2025-2029	3.25	1,910,000	157,625	3.10	860,000	171,585	2,770,000	329,210	3,099,210
2030				3.10	360,000	5,580	360,000	5,580	365,580
Total		\$ 4,025,000	1,300,000		\$ 2,750,000	786,931	\$ 6,775,000	2,086,931	8,861,931

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,790,000 of bonds issued in fiscal 2014. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60.9% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$8,861,931. For the current year, \$113,840 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$703,790.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes Payable

During the year ended June 30, 2008 the District issued \$1,900,000 in capital loan notes which are payable from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2014 capital loan notes indebtedness are as follows:

Year Ending June 30,	Note Issue of June 3, 2008			
	Interest Rates	Principal	Interest	Total
2015	3.35 % \$	200,000	29,755	229,755
2016	3.50	205,000	23,055	228,055
2017	3.60	215,000	15,880	230,880
2018	3.70	220,000	8,140	228,140
Total		\$ 840,000	76,830	916,830

Computer Lease

Details of the District's June 30, 2014 computer lease indebtedness that will be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund:

Year Ending June 30,	Computer lease of July 15, 2011			
	Interest Rates	Principal	Interest	Total
2015	1.70	% \$ 105,295	9,219	114,514
2016	1.70	108,050	6,464	114,514
2017	1.70	110,878	3,636	114,514
2018	1.70	56,522	735	57,257
Total		\$ 380,745	20,054	400,799

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 100% of a single plan health insurance coverage with the district's maximum expenditure not to exceed \$4,000. The coverage terminates upon the employee reaching age 65 or upon the death of the employee, whichever is first. Early retirement benefits paid during the year ended June 30, 2014, totaled \$37,667. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current early retirement.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 123 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug dental benefit as active employees, which results in an implicit 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 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	\$ 247,274
Interest on net OPEB obligation	18,470
Adjustment to annual required contribution	(86,607)
Annual OPEB cost	<u>179,137</u>
Contributions made	<u>(32,980)</u>
Increase in net OPEB obligation	146,157
Net OPEB obligation beginning of year	<u>738,798</u>
Net OPEB obligation end of year	<u>\$ 884,955</u>

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

For the year ended June 30, 2014, the District contributed \$32,980 to the medical and dental 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	\$ 234,631	13.81	% \$ 500,784
2013	298,807	20.35	738,798
2014	179,137	18.41	884,955

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1.004 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.004 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.81 million and the ratio of the UAAL to covered payroll was 17.29%. 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 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 the 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 types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$551,263, \$484,049 and \$430,685, respectively, equal to the required contributions for each year.

(9) Risk Management

Woodward-Granger 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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$333,939 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance/Net Position

The Enterprise, School Nutrition Fund had deficit unrestricted net position of \$120,895 and total net position deficit of \$25,739 at June 30, 2014. In addition the HS Baseball had a deficit balance of \$3,200.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the budgeted amount.

(13) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 7,390
Dropout and dropout prevention	104,865
Statewide voluntary preschool	64,193
Educator quality, salary improvement program	39,501
Educator quality, professional development	15,465
Educator quality, model core curriculum	5,565
Textbook aid for nonpublic students	137
Successful progression for early readers	18,701
Teacher leadership grants	8,154
Iowa early intervention block grant	45,037
Total restricted for categorical funding	<u>\$ 309,008</u>

(14) 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.

(15) Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	<u>Invested in</u>	<u>Management</u>	<u>School</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>Capital Assets</u>	<u>Levy</u>	<u>Infrastructure</u>	<u>Service</u>	<u>Unrestricted</u>
					<u>Balances</u>
Fund balance (Exhibit C)	\$ -	273,065	11,026,800	36,881	1,412,610
Capital assets, net of accumulated depreciation	14,911,292	-	-	-	-
Capital loan note capitalized indebtedness	(840,000)	-	-	-	-
Revenue bond capitalized indebtedness	(6,775,000)	-	-	-	-
General obligation bond capitalized indebtedness	(11,855,000)	-	-	-	-
Unexpended bond proceeds	10,232,548	-	(10,232,548)	-	-
Termination benefits	-	(69,102)	-	-	-
Accrued interest payable	-	-	-	(36,881)	(15,903)
Accrued compensated absences	-	-	-	-	(21,314)
Income surtax	-	-	-	-	344,686
Net OPEB liability	-	-	-	-	(884,955)
Deficit student activities	-	-	-	-	(3,200)
Computer lease payable	-	-	-	-	(380,745)
Net position (Exhibit A)	<u>\$ 5,673,840</u>	<u>203,963</u>	<u>794,252</u>	<u>-</u>	<u>451,179</u>

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER 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	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 9,398,112	227,361	9,625,473	10,262,271	10,262,271	(636,798)
State sources	5,580,573	2,889	5,583,462	4,974,882	4,974,882	608,580
Federal sources	548,337	136,312	684,649	686,975	686,975	(2,326)
Total revenues	15,527,022	366,562	15,893,584	15,924,128	15,924,128	(30,544)
Expenditures/expenses:						
Instruction	10,302,973	0	10,302,973	10,499,021	11,144,201	841,228
Support services	4,160,798	1,974	4,162,772	4,524,980	5,380,000	1,217,228
Non-instructional programs	0	359,995	359,995	351,821	597,400	237,405
Other expenditures	5,831,514	0	5,831,514	1,491,377	4,000,000	(1,831,514)
Total expenditures/expenses	20,295,285	361,969	20,657,254	16,867,199	21,121,601	464,347
Excess(Deficiency) of revenues over(under) expenditures/expenses	(4,768,263)	4,593	(4,763,670)	(943,071)	(5,197,473)	433,803
Other financing sources(uses), net	12,748,415	0	12,748,415	9,056	9,056	12,739,359
Excess(deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	7,980,152	4,593	7,984,745	(934,015)	(5,188,417)	13,173,162
Balance beginning of year	5,460,845	(30,332)	5,430,513	2,680,394	2,680,394	2,750,119
Balance end of year	\$ 13,440,997	(25,739)	13,415,258	1,746,379	(2,508,023)	15,923,281

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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 Standard 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures by \$4,254,402.

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

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 1,244,652	\$ 1,244,652	0.00%	\$ 4,367,794	28.50%
2011	July 1, 2009	0	1,244,652	1,244,652	0.00%	4,377,964	28.43%
2012	July 1, 2011	0	1,295,536	1,295,536	0.00%	5,317,637	24.36%
2013	July 1, 2011	0	1,172,246	1,172,246	0.00%	4,960,293	23.63%
2014	July 1, 2011	0	1,004,468	1,004,468	0.00%	5,810,692	17.29%

See Note 7 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	253,494	59,984	313,478
Receivables:			
Property tax:			
Delinquent	1,798	0	1,798
Succeeding year	300,000	0	300,000
Accounts	0	361	361
Due from other governments	18,046	0	18,046
TOTAL ASSETS	\$ 573,338	60,345	633,683
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 273	3,843	4,116
Total liabilities	273	3,843	4,116
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	300,000	0	300,000
Total deferred inflows of resources	300,000	0	300,000
Fund balances:			
Restricted for:			
Management levy purposes	273,065	0	273,065
Student activities	0	59,702	59,702
Unassigned	0	(3,200)	(3,200)
Total fund balances	273,065	56,502	329,567
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 573,338	56,502	633,683

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 293,134	0	293,134
Other	24,758	245,616	270,374
State sources	129	0	129
Total revenues	318,021	245,616	563,637
Expenditures:			
Current:			
Instruction:			
Other	0	244,326	244,326
Support services:			
Administration	39,535	0	39,535
Operation and maintenance of plant	259,935	0	259,935
Total expenditures	299,470	244,326	543,796
Excess of revenues over expenditures	18,551	1,290	19,841
Other financing uses:			
Transfer out	0	(1,540)	(1,540)
Change in fund balances	18,551	(250)	18,301
Fund balances beginning of year	254,514	56,752	311,266
Fund balances end of year	\$ 273,065	56,502	329,567

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Project Funds			
	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	Total Capital Projects
ASSETS				
Cash and pooled investments	\$ 7,377,423	4,363,338	326,616	12,067,377
Receivables:				
Property tax				
Delinquent	0	0	2,411	2,411
Succeeding year	0	0	398,688	398,688
Due from other governments	151,203	0	0	151,203
TOTAL ASSETS	<u>\$ 7,528,626</u>	<u>4,363,338</u>	<u>727,715</u>	<u>12,619,679</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 815	864,349	2,896	868,060
Total liabilities	<u>815</u>	<u>864,349</u>	<u>2,896</u>	<u>868,060</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	0	0	398,688	398,688
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>398,688</u>	<u>398,688</u>
Fund balances:				
Restricted for:				
School infrastructure	7,527,811	3,498,989	0	11,026,800
Physical plant and equipment	0	0	326,131	326,131
Total fund balances	<u>7,527,811</u>	<u>3,498,989</u>	<u>326,131</u>	<u>11,352,931</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,528,626</u>	<u>4,363,338</u>	<u>727,715</u>	<u>12,619,679</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Project Fund			
	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources				
Local tax	\$ 0	0	391,351	391,351
Other	144,855	7,597	3,367	155,819
State sources	703,790	0	173	703,963
Total revenues	<u>848,645</u>	<u>7,597</u>	<u>394,891</u>	<u>1,251,133</u>
Expenditures:				
Current:				
Support services:				
Administration	506,904	63,337	3,736	573,977
Operation and maintenance of plant	22,349	0	26,041	48,390
Transportation	85,434	0	52,510	137,944
Capital outlay	85,392	1,969,339	28,584	2,083,315
Total expenditures	<u>700,079</u>	<u>2,032,676</u>	<u>110,871</u>	<u>2,843,626</u>
Excess(Deficiency) of revenues over(under) expenditures	148,566	(2,025,079)	284,020	(1,592,493)
Other financing sources(uses):				
Proceeds from capital lease	433,800	0	0	433,800
General obligation bond issuance	0	5,500,000	0	5,500,000
Revenue bonds issuance	6,790,000	0	0	6,790,000
Premium on bond issue	0	90,852	0	90,852
Discount on bond issue	0	(66,784)	0	(66,784)
Transfer out	(550,617)	0	(226,430)	(777,047)
Total other financing sources(uses)	<u>6,673,183</u>	<u>5,524,068</u>	<u>(226,430)</u>	<u>11,970,821</u>
Change in fund balances	6,821,749	3,498,989	57,590	10,378,328
Fund balances beginning of year	706,062	0	268,541	974,603
Fund balances end of year	<u>\$ 7,527,811</u>	<u>3,498,989</u>	<u>326,131</u>	<u>11,352,931</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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	Interfund Transfers	Balance End of Year
JH Athletic Accounts:					
JH Boys Basketball	\$ 0	668	668	0	0
JH Football	0	943	943	0	0
JH Boys Track	0	168	168	0	0
JH Wrestling	0	285	285	0	0
JH Volleyball	0	707	707	0	0
	<u>0</u>	<u>2,771</u>	<u>2,771</u>	<u>0</u>	<u>0</u>
JH Athletic Fundraiser:					
JH Boys Basketball	91	0	0	0	91
JH Football	226	0	0	0	226
JH Girls Basketball	247	0	0	0	247
JH Volleyball	217	0	0	0	217
Elementary Girls Basketball	688	0	0	0	688
	<u>1,469</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,469</u>
HS Athletic Accounts:					
HS General Athletics	1,660	22,981	17,343	0	7,298
HS Co-ed Track	0	2,590	2,590	0	0
HS Golf	0	480	480	0	0
HS Boys Basketball	0	1,735	1,735	0	0
HS Football	0	9,517	9,517	0	0
HS Baseball	0	6,033	6,033	0	0
HS Boys Track	0	2,264	2,264	0	0
HS Girls Basketball	0	4,349	4,349	0	0
HS Volleyball	0	3,893	3,893	0	0
HS Softball	0	4,743	4,743	0	0
	<u>1,660</u>	<u>58,585</u>	<u>52,947</u>	<u>0</u>	<u>7,298</u>
HS Athletic Fundraiser:					
Girls and Boys Golf	29	0	0	0	29
HS Co-ed Track Fundraiser	0	4,343	3,397	0	946
Weightlifting	28	0	0	0	28
HS Boys Basketball	6,300	3,588	7,143	0	2,745
HS Football	1,753	21,898	19,868	0	3,783
Baseball	3,506	36,019	42,725	0	(3,200)
HS Boys Track	252	0	252	0	0
HS Wrestling	1,098	3,025	3,739	0	384
HS Girls Basketball	1,210	4,666	3,727	0	2,149
HS Girls Volleyball	(90)	5,188	3,095	0	2,003
HS Girls Softball	4,013	11,544	14,004	0	1,553
HS Girls Track	42	0	42	0	0
	<u>18,141</u>	<u>90,271</u>	<u>97,992</u>	<u>0</u>	<u>10,420</u>
Activities Accounts:					
Cash on hand	475	7,278	7,278	0	475
HS Cheerleaders	3,404	14,852	10,727	0	7,529
MS Cheerleaders	212	452	488	0	176
Class of 2014	6,353	0	6,353	0	0
Class of 2015	3,561	23,808	19,099	0	8,270
Class of 2016	0	11,868	6,654	0	5,214
Concession Stand	0	3,273	3,273	0	0
HS Dance Team	115	10,766	10,877	0	4
Drama	3,923	1,861	2,805	0	2,979
Flag Team Fundraiser	315	0	0	0	315
Jazz Festival	4,754	10,407	8,438	0	6,723
Marketing Fundraiser	603	0	0	0	603
Spanish Club	1,276	0	0	0	1,276
HS Student Council	1,647	5,012	5,689	0	970
MS Student Council	1,687	2,427	3,226	0	888
ELP	1,540	0	0	(1,540)	0
Yearbook	4,124	1,985	5,709	0	400
Elementary Student Council	1,054	0	0	0	1,054
Tri-M Fundraiser	439	0	0	0	439
	<u>35,482</u>	<u>93,989</u>	<u>90,616</u>	<u>(1,540)</u>	<u>37,315</u>
Total	<u>\$ 56,752</u>	<u>245,616</u>	<u>244,326</u>	<u>(1,540)</u>	<u>56,502</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>Statewide Sales, Services and Use Tax</u>				
ASSETS				
Cash and pooled investments	\$ 203	117,559	117,559	203
	<u>\$ 203</u>	<u>117,559</u>	<u>117,559</u>	<u>203</u>
LIABILITIES				
Due to other groups	\$ 203	117,559	117,559	203
	<u>\$ 203</u>	<u>117,559</u>	<u>117,559</u>	<u>203</u>
<u>Teacher Pop</u>				
ASSETS				
Cash and pooled investments	\$ 4,002	809	0	4,811
	<u>\$ 4,002</u>	<u>809</u>	<u>0</u>	<u>4,811</u>
LIABILITIES				
Due to other groups	\$ 4,002	809	0	4,811
	<u>\$ 4,002</u>	<u>809</u>	<u>0</u>	<u>4,811</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 4,205	118,368	117,559	5,014
	<u>\$ 4,205</u>	<u>118,368</u>	<u>117,559</u>	<u>5,014</u>
LIABILITIES				
Due to other groups	\$ 4,205	118,368	117,559	5,014
	<u>\$ 4,205</u>	<u>118,368</u>	<u>117,559</u>	<u>5,014</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,891,486	5,270,699	5,138,771	4,846,166	4,462,938	4,334,175	3,562,849	3,411,897	2,970,812	2,866,489
Tuition	3,934,773	3,819,099	3,180,926	3,139,875	3,199,273	3,042,327	2,902,427	2,416,577	2,369,680	2,367,322
Other	571,853	468,256	389,231	414,454	382,451	525,164	490,237	387,814	367,226	321,089
State sources	5,580,573	4,749,979	4,557,865	3,796,564	3,520,267	4,018,933	3,846,070	3,627,329	3,201,767	3,034,280
Federal sources	548,337	522,547	707,802	723,654	1,028,426	469,552	387,945	366,931	392,317	371,799
Total	\$ 15,527,022	14,830,580	13,974,595	12,920,713	12,593,355	12,390,151	11,189,528	10,210,548	9,301,802	8,960,979
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,687,563	4,213,839	4,050,095	3,209,307	3,192,705	3,352,348	3,477,718	3,113,317	2,672,466	2,492,078
Special	4,296,764	4,026,606	3,714,620	3,651,361	3,697,322	3,684,357	3,400,319	3,048,937	2,804,889	2,832,695
Other	1,318,646	1,277,529	1,327,989	1,302,638	1,127,644	854,627	584,943	435,368	639,858	618,314
Support services:										
Student	364,649	288,808	231,888	208,513	284,119	228,214	195,404	205,935	181,587	222,986
Instructional staff	317,136	279,318	603,979	221,919	260,217	217,634	190,316	190,944	251,380	182,376
Administration	1,790,179	1,249,663	1,235,954	1,147,874	953,422	966,516	980,359	1,018,479	997,818	688,281
Operation and maintenance of plant	1,163,646	959,605	874,470	811,331	871,673	673,494	651,067	630,563	518,574	429,979
Transportation	525,188	365,086	317,957	373,584	269,129	292,760	407,459	365,278	356,718	248,768
Non-instructional programs	0	0	0	0	25	0	0	0	0	0
Capital outlay	2,083,315	526,544	163,588	715,412	1,731,187	4,776,431	941,913	762,944	1,486,917	1,877,531
Long-term debt:										
Principal	2,801,574	585,199	572,999	515,000	742,935	761,309	522,319	461,462	336,864	304,313
Interest	612,686	369,977	371,290	388,105	418,625	443,513	171,897	168,299	163,341	151,545
Other expenditures:										
AEA flow-through	333,939	319,167	299,111	306,467	305,777	270,262	254,635	235,532	206,218	193,002
Total	\$ 20,295,285	14,461,341	13,763,940	12,545,044	13,549,003	16,251,203	11,523,714	10,401,526	10,410,412	10,048,866

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 18,342
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	116,867 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 14	<u>1,103</u>
			<u>136,312</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	<u>46,237</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	84.013	FY 14	<u>352,717</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 14	<u>17,778</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 14	<u>5,770</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>5,423</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 14	<u>255</u>
HEARTLAND AREA EDUCATION AGENCY 11: SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 14	<u>40,044</u>
TOTAL			<u>\$ 604,536</u>

* - Includes \$16,772 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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 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
Woodward-Granger Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Woodward-Granger 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 January 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodward-Granger Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodward-Granger Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woodward-Granger Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

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 misstatement 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 II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodward-Granger 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Woodward Granger CSD Responses to Findings

Woodward-Granger Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Woodward-Granger Community School District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

January 19, 2015
Newton, Iowa

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

To the Board of Education of
Woodward-Granger Community School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination on Woodward-Granger Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Woodward-Granger Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

Woodward-Granger Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Woodward-Granger Community School District's responses and, accordingly, we express no opinion on them.

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2015
Newton, Iowa

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Individual Program:
 - CFDA Number 84.013 - Title I State Agency Program for Neglected and Delinquent Children and Youth
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Woodward-Granger Community School District did not qualify as a low-risk auditee.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Inventories - ordering, receiving, issuing and storing.
- 4) Capital assets - purchasing, recording and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Transfers - preparing and approving.
- 7) Financial reporting - preparing, reconciling and approving.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-14 Deficit Lunch Account Balances - During our audit we note multiple negative student lunch account balances on the District's financial statements at June 30, 2014. Some of these negative amounts appeared to be excessive.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming excessively negative. The District may also wish to investigate alternatives to bring negative accounts back to a positive balance.

Response - We hired a collection agency to pursue students with high negative balances. The Board passed a policy that does not allow middle school/high school students to eat school lunch if they owe over \$40.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.013 - Title I State Agency Program for Neglected and Delinquent Children and Youth

Federal Award Year: 2014

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of internal accounting control is the (2014-001) 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) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Financial reporting - preparing, reconciling and approving.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amounts budgeted.

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

Response - The District will monitor expenditures more closely in the future. The construction project proceeded more quickly than anticipated. We also refinanced our general obligation bonds in June.

Conclusion - Response accepted.

IV-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.

IV-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Rich Ashton, Bus Driver Owner of Dicks Fire Extinguisher	Services	\$2,216
Michael Blaser, Bus Driver Owner of Blaser Electric	Services	\$67
Larry Burgus, Custodian Owner Creative Spirit Studio	Services	\$300

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the named employees do not appear to represent conflicts of interest.

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

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. We did note that the board minutes did not distinctly name each official depository and specify the maximum amount was to be kept at each depository as required by Section 12C.2 of the Code of Iowa.

Recommendation - The District should review procedures to ensure compliance with Section 12C.2 of the Code of Iowa.

Response - We amended the minutes for the FY14 and FY15 board meetings where the depository limits were set. We included each banking institution and the depository limits for each.

Conclusion - Response accepted.

IV-G-14 Certified Enrollment - No variance regarding the basic enrollment data certified to the Iowa Department of Education were noted.

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

IV-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.

IV-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.

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

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

Pursuant to Chapter 423F.3 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 reports (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		\$ 706,062
Revenues:		
Sales tax revenues	\$ 703,790	
Other local revenues	144,855	
Issuance of long-term debt	7,223,800	8,072,445
		<u>8,778,507</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 65,419	
Equipment	573,227	
Other	61,433	
Other		
Transfers to other funds:		
Debt service fund	550,617	1,250,696
		<u>1,250,696</u>
Ending balance		<u>\$7,527,811</u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt Service Levy	<u>\$ 0.76000</u>	<u>\$ 178,438</u>

IV-M-14 Financial Condition - The District has a deficit unrestricted net position in the Enterprise, School Nutrition Fund of \$120,895 and a deficit total net position of \$25,739. We also noted an account in the Student Activity Fund with a deficit balance of \$3,200.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit fund balances.

Response - The District hired a food service management company to run the school nutrition program to try to improve the situation. We actually made money in FY14.

Conclusion - Response accepted.

IV-N-14 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should seek financing from the local bank for the deficit in the Enterprise, Nutrition Fund.

Response - The District will investigate options for obtaining a loan for the Nutrition Fund.

Conclusion - Response accepted.

IV-O-14 Credit Card Purchases - We noted numerous instances of the expenses on the District's credit card that lacked a detailed receipt, in addition we noted several instances that lacked a credit card receipt being provided to support the charge. The School Board Policy 401.10 states in part "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim."

Recommendation - The District should evaluate methods of ensuring compliance with the Board Policy.

Response - Receipts are required to be turned in for all physical purchases and order confirmations or receipts for online purchases. We will have more staff training on the proper use of credit cards.

Conclusion - Response accepted.

IV-P-14 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process; however we noted purchase orders were being completed after the orders were already placed.

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

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

Response - Purchase orders are required for all purchases prior to the buying of the item. We will have more staff training on the proper use of purchase orders.

Conclusion - Response accepted.

IV-Q-14 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. We noted that the District was receipting money received from Scholastic Book Fairs intended for instructional supplies into the Student Activity Fund. This does not appear to be an appropriate fund to be recording this activity.

Recommendation - The District should evaluate its procedures to determine a more appropriate method of recording the financial transactions.

Response - We will record Scholastic Book Fair monies through the General Fund.

Conclusion - Response accepted.