

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Collins-Maxwell Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Lowell Crouse	President	2013
Mark Huntrods	Vice President	2015
Amy Van Maanen	Board Member	2015
Jeff Lindemoen	Board Member	2013
Bryce Caple	Board Member	2015
<b>School Officials</b>		
Jason Ellingson	Superintendent	2013
Bonnie Mitchell	District Secretary/Treasurer and Business Manager	2013
Ahlers & Cooney, P.C.	Attorney	2013

COLLINS-MAXWELL 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 Collins-Maxwell 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 Collins-Maxwell Community School District, Maxwell, Iowa, as of and for the year ended June 30, 2013, 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 Collins-Maxwell Community School District as of June 30, 2013, 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 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

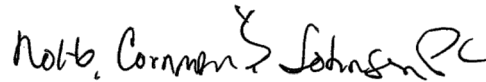
### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Collins-Maxwell Community School District's basic financial statements. Another auditor 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, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 21, 2014 on our consideration of Collins-Maxwell Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Collins-Maxwell Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2014  
Newton, Iowa

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

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Collins-Maxwell 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,780,375 in fiscal 2012 to \$4,781,546 in fiscal 2013, while General Fund expenditures increased from \$4,797,303 in fiscal 2012 to \$4,958,402 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,332,903 in fiscal 2012 to a balance of \$1,156,047 in fiscal 2013, a 13.27% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2013. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- The 2012-2013 school year brought with it many challenging opportunities and resulted in many successes. This was a year of great change for the district, so we continue to build from our strong foundation as we challenge ourselves to grow.
  - Throughout the 2012-2013, construction occurred at the Collins-Maxwell Elementary in Collins, with \$2.2 million worth of remodeling and new construction. New construction consisted of a preschool, art room, administration offices with secured entryway, and commons. Remodeled areas included new spaces for the music room, Title 1 room, TAG room, guidance center, and AEA offices.
  - In May, Collins-Maxwell awarded diplomas to 32 seniors. Of those, 29 indicated they plan to attend some type of postsecondary institution to expand their learning and prepare for a career.
  - Those same seniors gave incredible portfolio presentations in December and April. For the second year, all portfolio presentations were electronic. The district congratulates the students for demonstrating their success with our Student Learning Goals.
  - The district successfully met all Adequate Yearly Progress goals in reading, mathematics, and science again for the school year.
  - The district continued to receive strong financial and personal support from our various booster clubs. Our students were celebrated and supported in sports, fine arts, and other extra-curricular activities.
  - The ACT is the most common college entrance exam taken by our students. A score of 20 or higher on the ACT is considered to be an indicator of probable success in college. Of the 25 ACT-tested juniors and seniors during the 2012-2013 school year, 19 (or 76%) of them earned a score of 20 or more.

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- The district's Comprehensive School Improvement Plan (CSIP) was certified by the state. Professional development plans for the district, the buildings, and every teacher were aligned to the CSIP to ensure a clear and consistent focus on improvement in our goal areas. This year, the entire district teaching staff engaged in learning and using the Authentic Intellectual Work (AIW) framework.
  - The base salary of the teachers for the 2013-2014 school year was increased to \$28,100. Teachers were able to receive their year of experience increase as well as any lane advancements due to staff development or graduate course credits.
  - Special education costs continued to rise compared to previous years. The district continues to see an increase in the number of special education students with increasingly severe needs.
  - Select students from the FFA again attended the national convention in Indianapolis in the fall.
  - District enrollment decreased again this year, maintaining a downward trend for the district. Open enrollment out requests continue to outbalance open enrollment in requests. Both factors contribute to a loss in funding to support quality programs and services.
  - Health insurance rates continue to rise, forcing the district to carry a larger burden of the cost or reduce employee benefits. The district chose to maintain the same level of benefits and worked with its insurance management company to continue to partially self-fund its insurance plan.
  - The IMPACT Teen Club was once again offered to middle school students throughout the year. The district is thankful to Youth and Shelter Services for providing the supervising personnel and to the Story County Decat board for support a grant to fund the Teen Club. Participation in the C-M Teen Club allows our students to engage in worthwhile activities that support learning and positive social interaction.
  - Breakfast and lunch prices were increased by ten cents in the spring for the 2013-2014 school year to fund new changes to the food service program as mandated by the federal government.
  - The board approved its FY14 budget with a debt service levy of \$2.36 to pay down debt and allow more sales tax revenues to be used for current facility improvements. The income surtax for the instructional support program remained at five percent. Overall, the total levy rate remained the same.
  - The district received \$640,000 in state sales tax revenue, while spending \$350,000 toward debt and other small improvements in facilities and technology. The district plans to use the balance of sales tax revenue to support larger facility and technology improvements in the near future.

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

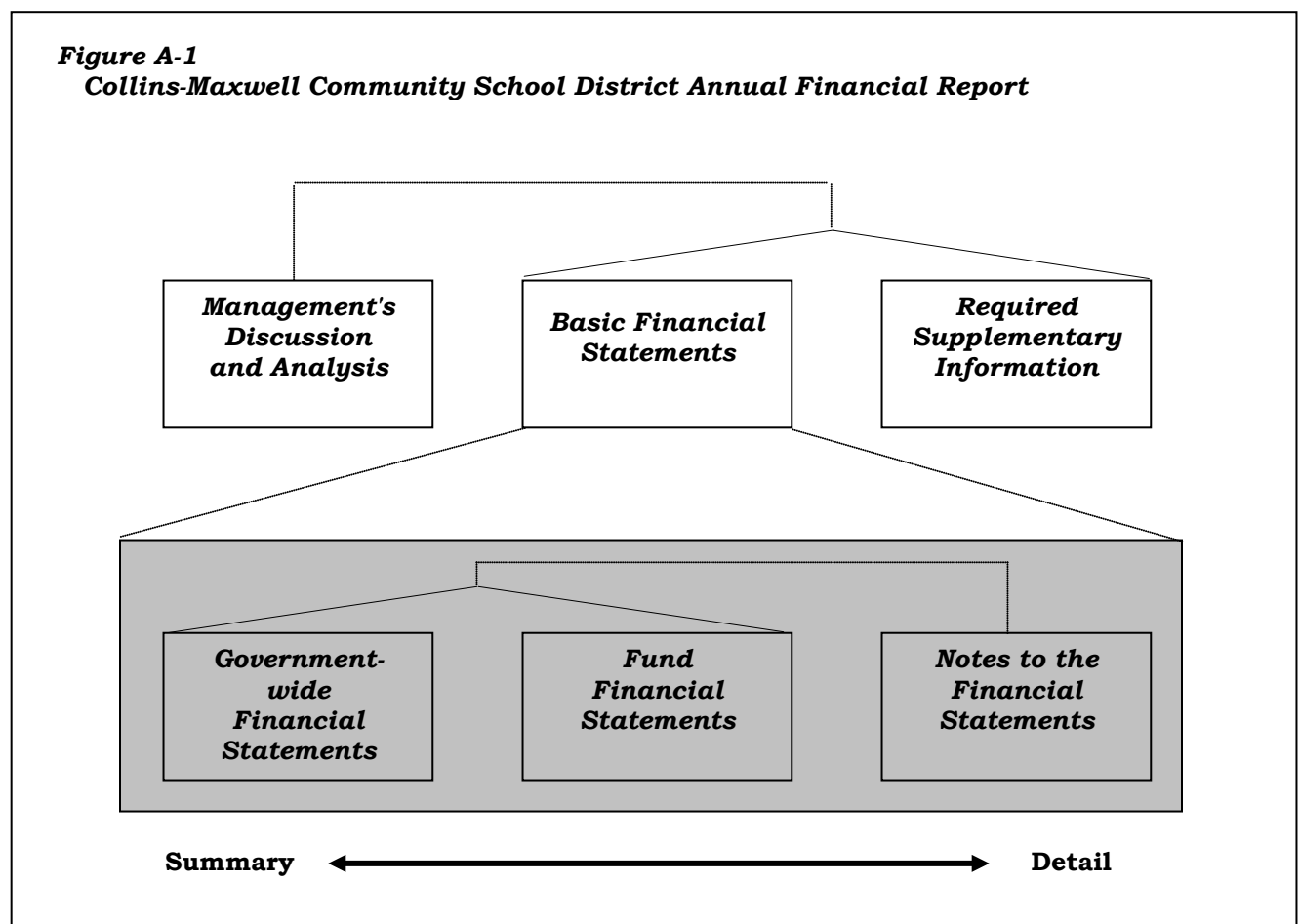


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show 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 the proprietary funds include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

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

- 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 government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 6,421,781	7,766,180	16,767	37,834	6,438,548	7,804,014	-17.50%
Capital assets	5,620,919	3,902,924	1,236	391	5,622,155	3,903,315	44.04%
Total assets	12,042,700	11,669,104	18,003	38,225	12,060,703	11,707,329	3.02%
Long-term obligations	3,206,760	3,679,397	3,191	-	3,209,951	3,679,397	-12.76%
Other liabilities	2,427,283	2,045,640	11,616	3,272	2,438,899	2,048,912	19.03%
Total liabilities	5,634,043	5,725,037	14,807	3,272	5,648,850	5,728,309	-1.39%
Net position:							
Invested in capital assets, net of related debt	3,121,352	4,243,964	1,236	391	3,122,588	4,244,355	-26.43%
Restricted	2,263,923	583,106	-	-	2,263,923	583,106	288.25%
Unrestricted	1,023,382	1,116,997	1,960	34,562	1,025,342	1,151,559	-10.96%
Total net position	\$ 6,408,657	5,944,067	3,196	34,953	6,411,853	5,979,020	7.24%

The District's combined net position increased by 7.24%, or \$432,833, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$1,680,817, or 288.25% over the prior year. The increase was a result of the increase in 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 \$126,217, or 10.96%. This decrease in unrestricted net position was primarily a result the District's decrease in the General fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 331,051	170,180	114,779	121,339	445,830	291,519	52.93%
Operating grants and contributions and restricted interest	439,073	1,026,624	107,559	98,531	546,632	1,125,155	-51.42%
General revenues:							
Property tax	1,991,874	1,953,329	-	-	1,991,874	1,953,329	1.97%
Income surtax	108,423	118,401	-	-	108,423	118,401	-8.43%
Statewide sales, services and use tax	642,618	429,857	-	-	642,618	429,857	49.50%
Unrestricted state grants	2,514,200	2,129,166	-	-	2,514,200	2,129,166	18.08%
Unrestricted investment earnings	18,413	9,211	144	-	18,557	9,211	101.47%
Other	26,356	19,694	-	-	26,356	19,694	33.83%
Total revenues	6,072,008	5,856,462	222,482	219,870	6,294,490	6,076,332	3.59%
Program expenses:							
Governmental activities:							
Instructional	3,735,175	3,618,006	-	-	3,735,175	3,618,006	3.24%
Support services	1,445,349	1,194,424	28,070	-	1,473,419	1,194,424	23.36%
Non-instructional programs	-	-	226,169	223,601	226,169	223,601	1.15%
Other expenses	426,894	644,633	-	-	426,894	644,633	-33.78%
Total expenses	5,607,418	5,457,063	254,239	223,601	5,861,657	5,680,664	3.19%
Change in net position	464,590	399,399	(31,757)	(3,731)	432,833	395,668	9.39%
Beginning net position	5,944,067	5,544,668	34,953	38,684	5,979,020	5,583,352	7.09%
Ending net position	\$ 6,408,657	5,944,067	3,196	34,953	6,411,853	5,979,020	7.24%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 86.58% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.94% of the revenue from business type activities.

The District's total revenues were approximately \$6.29 million of which \$6.07 million was for governmental activities and \$0.22 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.59% increase in revenues and a 3.19% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits.

### Governmental Activities

Revenues for governmental activities were \$6,072,008 and expenses were \$5,607,418.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 3,735,175	3,618,006	3.24%	3,146,272	2,615,967	20.27%
Support services	1,445,349	1,194,424	21.01%	1,444,808	1,192,193	21.19%
Other expenses	426,894	644,633	-33.78%	246,214	452,099	-45.54%
Totals	\$ 5,607,418	5,457,063	2.76%	4,837,294	4,260,259	13.54%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$331,051.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$439,073.
- The net cost of governmental activities was financed with \$1,991,874 in property tax, \$108,423 in income surtax, \$642,618 in statewide sales, services and use tax, \$2,514,200 in unrestricted state grants, \$18,413 in unrestricted investment earnings, and \$26,356 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$222,482 and expenses were \$254,239. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,918,071, below last year's ending fund balances of \$5,609,802. The primary reason for the decrease in combined fund balances in fiscal 2013 is due to the decrease in the Capital Projects accounts balance.

### Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2013 increased 0.02% or \$1,171, to \$4,781,546 compared to \$4,780,375 in fiscal 2012. The expenses increased by 3.36% or \$161,099, to \$4,958,402 compared to \$4,797,303 in fiscal 2012. The General Fund balance decreased \$176,856.
- The Capital Projects Fund balance decreased from \$3,783,736 in fiscal 2012 to \$2,091,761 in fiscal 2013. The decrease was due to the construction costs incurred during the year.
- The Debt Service Fund balance increased from \$21,268 in fiscal 2012 to \$263,486 in fiscal 2013. The increase is due to an increase in local revenue sources during the year.

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## Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$34,953 at June 30, 2012 to \$3,196 at June 30, 2013, representing a decrease of 90.86%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$655,908 less than budgeted revenues, a variance of 9.43%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, 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.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$5,622,155, 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 \$292,837.

The original cost of the District's capital assets was \$10,835,627. Governmental funds account for \$10,816,087 with the remainder of \$19,540 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 \$1,945,535 at June 30, 2013, compared to \$199,294 reported at June 30, 2012. This increase resulted from the continuing construction of the elementary addition.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 226,464	226,464	-	-	226,464	226,464	0.00%
Construction in progress	1,945,535	199,294	-	-	1,945,535	199,294	876.21%
Buildings and improvements	2,948,794	2,876,714	-	-	2,948,794	2,876,714	2.51%
Land improvements	54,056	66,667	-	-	54,056	66,667	-18.92%
Machinery and equipment	446,070	533,785	1,236	391	447,306	534,176	-16.26%
Total	\$ 5,620,919	3,902,924	1,236	391	5,622,155	3,903,315	44.04%

### Long-Term Debt

At June 30, 2013, the District had \$3,209,951 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 12.76% 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 bonded indebtedness of \$420,000 at June 30, 2013.

The District had total outstanding revenue bonded indebtedness of \$2,590,000 at June 30, 2013.

The District had total outstanding computer lease payable from the Capital Projects: Physical Plant and Equipment Levy of \$134,032 at June 30, 2013.

The District had total outstanding other postemployment benefits payable of \$65,919 at June 30, 2013.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 420,000	785,000	-	-	420,000	785,000	-46.50%
Revenue bonds	2,590,000	2,590,000	-	-	2,590,000	2,590,000	0.00%
Computer lease	134,032	263,908	-	-	134,032	263,908	-49.21%
Net OPEB liability	62,728	40,489	3,191	-	65,919	40,489	62.81%
Totals	\$ 3,206,760	3,679,397	3,191	-	3,209,951	3,679,397	-12.76%

## 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:

- Fluctuations in enrollment, with a negative trend for the past five years; increasing costs for salaries, benefits and instructional materials; state and federal legislation resulting in funding changes; and property valuations.

## 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 Bonnie Mitchell, Board Secretary/Business Manager, Collins-Maxwell Community School District, 400 Metcalf St., Maxwell, Iowa, 50161.



BASIC FINANCIAL STATEMENTS

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,070,611	7,894	4,078,505
Receivables:			
Property tax:			
Delinquent	25,718	-	25,718
Succeeding year	2,063,403	-	2,063,403
Income surtax	111,956	-	111,956
Due from other funds	7,500	-	7,500
Due from other governments	142,593	-	142,593
Inventories	-	8,873	8,873
Capital assets, net of accumulated depreciation	5,620,919	1,236	5,622,155
<b>TOTAL ASSETS</b>	<b>12,042,700</b>	<b>18,003</b>	<b>12,060,703</b>
<b>LIABILITIES</b>			
Due to other funds	-	7,500	7,500
Accounts payable	328,351	-	328,351
Interest payable	35,529	-	35,529
Deferred revenue:			
Succeeding year property tax	2,063,403	-	2,063,403
Unearned revenue	-	4,116	4,116
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	310,000	-	310,000
Computer lease payable	134,032	-	134,032
Portion due after one year:			
General obligation bonds payable	110,000	-	110,000
Revenue bonds payable	2,590,000	-	2,590,000
Net OPEB liability	62,728	3,191	65,919
<b>TOTAL LIABILITIES</b>	<b>5,634,043</b>	<b>14,807</b>	<b>5,648,850</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	3,121,352	1,236	3,122,588
Restricted for:			
Categorical funding	181,687	-	181,687
Debt service	227,957	-	227,957
Management levy purposes	296,287	-	296,287
Student activities	110,490	-	110,490
School infrastructure	1,447,502	-	1,447,502
Unrestricted	1,023,382	1,960	1,025,342
<b>TOTAL NET POSITION</b>	<b>\$ 6,408,657</b>	<b>3,196</b>	<b>6,411,853</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,441,566	187,249	105,867	(2,148,450)	-	(2,148,450)
Special	615,719	29,478	34,283	(551,958)	-	(551,958)
Other	677,890	114,324	117,702	(445,864)	-	(445,864)
	<u>3,735,175</u>	<u>331,051</u>	<u>257,852</u>	<u>(3,146,272)</u>	<u>-</u>	<u>(3,146,272)</u>
Support services:						
Student	115,929	-	-	(115,929)	-	(115,929)
Instructional staff	143,024	-	-	(143,024)	-	(143,024)
Administration	511,896	-	-	(511,896)	-	(511,896)
Operation and maintenance of plant	480,590	-	-	(480,590)	-	(480,590)
Transportation	193,910	-	541	(193,369)	-	(193,369)
	<u>1,445,349</u>	<u>-</u>	<u>541</u>	<u>(1,444,808)</u>	<u>-</u>	<u>(1,444,808)</u>
Long-term debt interest	101,578	-	-	(101,578)	-	(101,578)
Other expenses:						
AEA flowthrough	180,680	-	180,680	-	-	-
Depreciation(unallocated)*	144,636	-	-	(144,636)	-	(144,636)
	<u>325,316</u>	<u>-</u>	<u>180,680</u>	<u>(144,636)</u>	<u>-</u>	<u>(144,636)</u>
Total governmental activities	5,607,418	331,051	439,073	(4,837,294)	-	(4,837,294)
Business type activities:						
Support services:						
Administration	26,296	-	-	-	(26,296)	(26,296)
Operation and maintenance of plant	1,774	-	-	-	(1,774)	(1,774)
Non-instructional programs:						
Nutrition services	226,169	114,779	107,559	-	(3,831)	(3,831)
	<u>254,239</u>	<u>114,779</u>	<u>107,559</u>	<u>-</u>	<u>(31,901)</u>	<u>(31,901)</u>
Total	\$ 5,861,657	445,830	546,632	(4,837,294)	(31,901)	(4,869,195)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,463,611	-	1,463,611
Debt service				394,263	-	394,263
Capital outlay				134,000	-	134,000
Income surtax				108,423	-	108,423
Statewide sales, services and use tax				642,618	-	642,618
Unrestricted state grants				2,514,200	-	2,514,200
Unrestricted investment earnings				18,413	144	18,557
Other general revenues				26,356	-	26,356
Total general revenues				<u>5,301,884</u>	<u>144</u>	<u>5,302,028</u>
Changes in net position				464,590	(31,757)	432,833
Net position beginning of year				<u>5,944,067</u>	<u>34,953</u>	<u>5,979,020</u>
Net position end of year				<u>\$ 6,408,657</u>	<u>3,196</u>	<u>6,411,853</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,144,650	2,260,034	259,150	406,777	4,070,611
Receivables:					
Property tax:					
Delinquent	18,903	1,729	5,086	-	25,718
Succeeding year	1,596,529	138,981	327,893	-	2,063,403
Income surtax	111,956	-	-	-	111,956
Due from other funds	7,500	-	-	-	7,500
Due from other governments	53,599	88,994	-	-	142,593
<b>TOTAL ASSETS</b>	<b>\$ 2,933,137</b>	<b>2,489,738</b>	<b>592,129</b>	<b>406,777</b>	<b>6,421,781</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 68,605	258,996	750	-	328,351
Deferred revenue:					
Succeeding year property tax	1,596,529	138,981	327,893	-	2,063,403
Income surtax	111,956	-	-	-	111,956
Total liabilities	1,777,090	397,977	328,643	-	2,503,710
Fund balances:					
Restricted for:					
Categorical funding	181,687	-	-	-	181,687
Debt service	-	-	263,486	-	263,486
Management levy purposes	-	-	-	296,287	296,287
Student activities	-	-	-	110,490	110,490
School infrastructure	-	2,091,967	-	-	2,091,967
Unassigned:					
General fund	974,360	-	-	-	974,360
Physical plant and equipment	-	(206)	-	-	(206)
Total fund balances	1,156,047	2,091,761	263,486	406,777	3,918,071
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,933,137</b>	<b>2,489,738</b>	<b>592,129</b>	<b>406,777</b>	<b>6,421,781</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	3,918,071
 <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 report as assets in in the governmental funds.		5,620,919
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(35,529)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		111,956
Long-term liabilities, including bonds payable, computer lease payable and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,206,760)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>6,408,657</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,578,501	776,618	394,263	-	2,749,382
Tuition	196,717	-	-	-	196,717
Other	52,839	9,174	65	117,722	179,800
State sources	2,772,157	73	214	-	2,772,444
Federal sources	180,132	-	-	-	180,132
Total revenues	4,780,346	785,865	394,542	117,722	6,078,475
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	2,324,350	-	750	32,826	2,357,926
Special	612,430	-	-	-	612,430
Other	568,780	-	-	105,745	674,525
	3,505,560	-	750	138,571	3,644,881
Support services:					
Student	115,929	-	-	-	115,929
Instructional staff	143,024	-	-	-	143,024
Administration	492,720	7,038	-	-	499,758
Operation and maintenance of plant	344,893	-	-	33,579	378,472
Transportation	175,596	9,200	-	10,690	195,486
	1,272,162	16,238	-	44,269	1,332,669
Capital outlay	-	2,044,566	-	-	2,044,566
Long-term debt:					
Principal	-	-	494,876	-	494,876
Interest and fiscal charges	-	-	73,734	-	73,734
	-	-	568,610	-	568,610
Other expenditures:					
AEA flowthrough	180,680	-	-	-	180,680
Total expenditures	4,958,402	2,060,804	569,360	182,840	7,771,406
Excess(Deficiency) of revenues over(under) expenditures	(178,056)	(1,274,939)	(174,818)	(65,118)	(1,692,931)
Other financing sources(uses):					
Transfer in	-	-	417,036	-	417,036
Transfer out	-	(417,036)	-	-	(417,036)
Sale of equipment	1,200	-	-	-	1,200
Total other financing sources(uses)	1,200	(417,036)	417,036	-	1,200
Change in fund balances	(176,856)	(1,691,975)	242,218	(65,118)	(1,691,731)
Fund balances beginning of year	1,332,903	3,783,736	21,268	471,895	5,609,802
Fund balances end of year	\$ 1,156,047	2,091,761	263,486	406,777	3,918,071

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL 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, 2013

**Change in fund balances - total governmental funds(page 22)** \$ (1,691,731)

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

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

Capital outlays	\$ 2,012,500	
Depreciation expense	(292,675)	
Loss on asset disposal	<u>(1,830)</u>	1,717,995

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Current year repayments are as follows:

Repaid		494,876
--------	--	---------

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.

(27,844)

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

(6,467)

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.

Other postemployment benefits

(22,239)

**Change in net position of governmental activities(page 19)** \$ 464,590

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2013

	School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 7,894
Receivables:	
Inventories	8,873
Total current assets	16,767
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	1,236
<b>TOTAL ASSETS</b>	<b>18,003</b>
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	7,500
Unearned revenue	4,116
Total current liabilities	11,616
Long-term liabilities:	
Net OPEB liability	3,191
<b>TOTAL LIABILITIES</b>	<b>14,807</b>
<b>NET POSITION</b>	
Invested in capital assets	1,236
Unrestricted	1,960
<b>TOTAL NET POSITION</b>	<b>\$ 3,196</b>

SEE NOTES TO FINANCIAL STATEMENTS.



COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 114,779
OPERATING EXPENSES:	
Support services:	
Administration:	
Benefits	26,296
Operation and maintenance of plant:	
Supplies	1,774
Total support services	28,070
Non-instructional programs:	
Salaries	90,484
Benefits	14,541
Supplies	121,989
Depreciation	162
TOTAL OPERATING EXPENSES	255,246
OPERATING LOSS	(140,467)
NON-OPERATING REVENUES:	
State sources	1,973
Federal sources	105,586
Interest on investments	144
TOTAL NON-OPERATING REVENUES	107,703
Net loss before capital contributions	(32,764)
Capital contributions	1,007
Change in net position	(31,757)
Net position beginning of year	34,953
Net position end of year	\$ 3,196

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 115,623
Cash payments to employees for services	(128,130)
Cash payments to suppliers for goods or services	(106,862)
Net cash used in operating activities	(119,369)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	7,500
State grants received	1,973
Federal grants received	85,230
Net cash provided by non-capital financing activities	94,703
Cash flows from investing activities:	
Interest on investments	144
Net decrease in cash and cash equivalents	(24,522)
Cash and cash equivalents at beginning of year	32,416
Cash and cash equivalents at end of year	\$ 7,894
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (140,467)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,356
Depreciation	162
Increase in inventories	(3,455)
Increase in unearned revenue	844
Increase in other postemployment benefits	3,191
Net cash used in operating activities	\$ (119,369)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$20,356.

During the year ended June 30, 2013 the District received capital contributions valued at \$1,007 from the Capital Projects: Physical Plant and Equipment Levy.

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 377,974
Land	2,239,728
<b>TOTAL ASSETS</b>	<u>2,617,702</u>
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u>\$ 2,617,702</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Rent	\$ 135,276
Gifts and contributions	586
Interest income	1,010
Unrealized gain on land	132,288
Total additions	<u>269,160</u>
Deductions:	
Instruction:	
Scholarships awarded	55,190
Support services:	
Farm maintenance costs	7,223
Total deductions	<u>62,413</u>
Change in net position	206,747
Net position beginning of year, as restated	<u>2,410,955</u>
Net position end of year	<u>\$ 2,617,702</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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

The Collins-Maxwell Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Collins and Maxwell, Iowa, and the agricultural territory in Jasper, Marshall, Polk and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The statement of net position (previously referred to as net assets) 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 and liabilities, with the difference reported as net position. Net position is reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding principal 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.

*Unrestricted net position* consists of net position not meeting 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 expenditures, including instructional, support and other costs.

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District also reports the following nonmajor proprietary funds:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is a nonmajor fund 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.

### 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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from 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 Funds 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 and Fund Equity

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

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

For purpose 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 Taxes - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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 - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ 1,000
Buildings and improvements	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

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 and improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2013, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2013.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal grant proceeds, succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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 other spendable classifications.

Restricted Net Position - In the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

**Note 2. Deposits and Pooled Investments**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. As of June 30, 2013, the District had no investments.

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

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 7,500

The Nutrition Fund is repaying the General Fund for money borrowed for salaries and benefits not repaid before year end.

**Note 4. Transfers**

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 138,321
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	278,715
Total		<u>\$ 417,036</u>

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

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

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 226,464	-	-	226,464
Construction in progress	199,294	1,746,241	-	1,945,535
Total capital assets not being depreciated	425,758	1,746,241	-	2,171,999
Capital assets being depreciated:				
Buildings and improvements	5,480,722	204,105	-	5,684,827
Land improvements	315,711	-	-	315,711
Machinery and equipment	2,641,516	62,154	60,120	2,643,550
Total capital assets being depreciated	8,437,949	266,259	60,120	8,644,088
Less accumulated depreciation for:				
Buildings and improvements	2,604,008	132,025	-	2,736,033
Land improvements	249,044	12,611	-	261,655
Machinery and equipment	2,107,731	148,039	58,290	2,197,480
Total accumulated depreciation	4,960,783	292,675	58,290	5,195,168
Total capital assets being depreciated, net	3,477,166	(26,416)	1,830	3,448,920
Governmental activities capital assets, net	\$ 3,902,924	1,719,825	1,830	5,620,919
Business type activities:				
Machinery and equipment	\$ 18,533	1,007	-	19,540
Less accumulated depreciation	18,142	162	-	18,304
Business type activities capital assets, net	\$ 391	845	-	1,236

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 113,430
Other	3,365

Support services:

Administration	12,138
Operation and maintenance of plant	11,312
Transportation	7,794

Unallocated depreciation	<u>148,039</u>
	<u>144,636</u>

Total governmental activities depreciation expense	<u>\$ 292,675</u>
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Business Type activities:

Food services	<u>\$ 162</u>
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**Note 6. Long-Term Debt**

All Long-Term Debt listed is related to governmental activities. A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 785,000	-	365,000	420,000	310,000
Revenue Bonds	2,590,000	-	-	2,590,000	-
Computer Lease	263,908	-	129,876	134,032	134,032
Termination Benefits	-	5,388	5,388	-	-
Net OPEB Liability	40,489	22,239	-	62,728	-
Total	<u>\$ 3,679,397</u>	<u>27,627</u>	<u>500,264</u>	<u>3,206,760</u>	<u>444,032</u>
<u>Business type Activities:</u>					
Net OPEB Liability	<u>\$ -</u>	<u>3,191</u>	<u>-</u>	<u>3,191</u>	<u>-</u>

**General Obligation Bonds Payable**

During the year ended June 30, 2013, the District paid \$65,000 in principal of the 2015 payment. Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2003				
	Interest Rate	Principal	Interest	Total	
2014	3.55 %	\$ 310,000	15,020	325,020	
2015	3.65	110,000	4,015	114,015	
Total		<u>\$ 420,000</u>	<u>19,035</u>	<u>439,035</u>	

**Revenue Bonds Payable**

Details of the District’s June 30, 2013 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 28, 2012			
	Interest Rate	Principal	Interest	Total
2014	1.00 %	\$ -	64,623	64,623
2015	1.00	-	64,623	64,623
2016	1.00	140,000	63,923	203,923
2017	1.25	140,000	62,348	202,348
2018	1.50	145,000	60,385	205,385
2019-2023	1.75-2.55	765,000	258,424	1,023,424
2024-2028	2.70-3.10	875,000	151,516	1,026,516
2029-2030	3.15-3.25	525,000	21,452	546,452
Total		\$ 2,590,000	747,294	3,337,294

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,590,000 bonds issued June 28, 2012. 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 10 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,337,294. For the current year, \$37,696 in interest was paid on the bonds and total statewide sales and services tax revenues were \$642,618.

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

- a) \$208,760 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) All proceeds from the statewide sales, services, and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**Computer Lease Payable**

Details of the District’s June 30, 2013 computer lease indebtedness paid from the Capital Projects: Physical Plant and Equipment Levy are as follows:

Year Ending June 30,	Computer Lease of April 30, 2012			
	Interest Rate	Principal	Interest	Total
2014	3.20 %	\$ 134,032	4,289	138,321

**Termination Benefits**

The District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30, 2013. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal 1% of the employees' salary schedule salary in effect the last year of the employee's employment with the school district times the benefits multiplier.

At June 30, 2013, the District had no early retirement obligations. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$5,388.

**Note 7. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 55 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 32,582
Interest on net OPEB obligation	1,012
Adjustment to annual required contribution	<u>(2,600)</u>
Annual OPEB cost	30,994
Contributions made	<u>(5,564)</u>
Increase in net OPEB obligation	25,430
Net OPEB obligation beginning of year	<u>40,489</u>
Net OPEB obligation end of year	<u>\$ 65,919</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 17,829	29.9%	\$ 25,925
2012	19,190	24.1%	40,489
2013	30,994	18.0%	65,919

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$220,298, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$220,298. The

covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,170,720, and the ratio of the UAAL to covered payroll was 6.9%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from sample rates varying by age and employee type.

Projected claim costs of the medical plan are is \$674 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$267,190, \$247,590, and \$203,464 respectively, equal to the required contributions for each year.

#### **Note 9. Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection for dental. District contributions to ISEBA for the year ended June 30, 2013 were \$18,189.

Collins-Maxwell 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$180,680 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Construction Commitments**

The District has entered into construction contracts for an addition to the elementary school totaling \$2,257,741. As of June 30, 2013, costs of \$1,945,535 had been incurred against the contracts. The balance of \$312,206 will be paid as work progresses. The total cost of the improvements will be added to the District’s capital asset listing upon completion.

**Note 12. Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
At-risk supplemental weighting	\$ 10,610
Home School Assistance Program	12,794
Dropout and dropout prevention	84,970
Educator quality, professional development	39,683
Educator quality, model core curriculum	21,835
Four-year-old preschool	11,795
Total restricted for cateforical funding	<u>\$ 181,687</u>

**Note 13. Deficit Unassigned Balance**

During the year ended June 30, 2013 the District had a negative unassigned balance of \$206 in the Capital Projects: Physical Plant and Equipment Levy Fund.

**Note 14. Detailed 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:

	Invested in Capital Assets	Debt Service	School Infrastructure	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	263,486	2,091,967	974,154
Capital assets	5,620,919	-	-	-
General obligation bond proceeds expended for capital assets	(420,000)	-	-	-
Revenue bond proceeds expended for capital assets	(2,590,000)	-	-	-
Revenue bond proceeds not expended	644,465	-	(644,465)	-
Computer lease	(134,032)	-	-	-
Income surtax	-	-	-	111,956
Accrued interest payable	-	(35,529)	-	-
Net OPEB liability	-	-	-	(62,728)
Net position (Exhibit A)	<u>\$ 3,121,352</u>	<u>227,957</u>	<u>1,447,502</u>	<u>1,023,382</u>

**Note 15. Fiduciary Fund, Private Purpose Trust Land Value**

The land balance in the Fiduciary Fund, Private Purpose Trust Fund is found using the 2013 Iowa Land Values for Story County (obtained from the Iowa State University Extension and Outreach) and the Story County assessed value for the Maxwell Post Office. The land value for fiscal year 2013 is as follows:

	2013 Iowa Land Value	Tillable Acres	Total
Land	\$10,566	208	\$2,197,728
Post office (assessed value)			42,000
Total Land Value			<u>\$2,239,728</u>

**Note 16. Accounting Change/Restatement**

The following beginning balances have been restated to properly reflect the Land value in the Private Purpose Trust Fund. To figure the land value, the 2012 Iowa Land Values for Story County (obtained from the Iowa State University Extension and Outreach) were used. Then the Story County assessed value of the post office was added to this amount.

Land Balance, June 30, 2012, as previously reported	\$ 587,500
Net land value adjustment	1,519,940
Restated land balance beginning of year	<u>\$ 2,107,440</u>

	2012 Iowa Land Value	Tillable Acres	Total
Land	\$9,930	208	\$2,065,440
Post office (assessed value)			42,000
Total Land Value			<u>\$2,107,440</u>

Fund Balance, June 30, 2012, as previously reported	\$ 891,015
Net land value adjustment	1,519,940
Restated fund balance beginning of year	<u>\$ 2,410,955</u>



REQUIRED SUPPLEMENTARY INFORMATION

**COLLINS-MAXWELL 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, 2013**

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Types Actual		Original	Final	
<b>Revenues:</b>						
Local sources	\$ 3,125,899	114,923	3,240,822	3,431,335	3,431,335	(190,513)
Intermediate sources	-	-	-	25,000	25,000	(25,000)
State sources	2,772,444	1,973	2,774,417	2,980,530	2,980,530	(206,113)
Federal sources	180,132	105,586	285,718	520,000	520,000	(234,282)
Total revenues	<u>6,078,475</u>	<u>222,482</u>	<u>6,300,957</u>	<u>6,956,865</u>	<u>6,956,865</u>	<u>(655,908)</u>
<b>Expenditures/expenses:</b>						
Instruction	3,644,881	-	3,644,881	4,327,000	4,327,000	682,119
Support services	1,332,669	28,070	1,360,739	2,132,000	2,132,000	771,261
Non-instructional programs	-	227,176	227,176	255,000	255,000	27,824
Other expenditures/expenses	2,793,856	-	2,793,856	4,089,437	4,089,437	1,295,581
Total expenditures/expenses	<u>7,771,406</u>	<u>255,246</u>	<u>8,026,652</u>	<u>10,803,437</u>	<u>10,803,437</u>	<u>2,776,785</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,692,931)	(32,764)	(1,725,695)	(3,846,572)	(3,846,572)	2,120,877
Other financing sources, net	<u>1,200</u>	<u>1,007</u>	<u>2,207</u>	<u>2,700,000</u>	<u>2,700,000</u>	<u>(2,697,793)</u>
Deficiency of revenues and other financing sources under expenditures/expenses	(1,691,731)	(31,757)	(1,723,488)	(1,146,572)	(1,146,572)	(576,916)
Balance beginning of year	<u>5,609,802</u>	<u>34,953</u>	<u>5,644,755</u>	<u>2,918,568</u>	<u>2,918,568</u>	<u>2,726,187</u>
Balance end of year	<u>\$ 3,918,071</u>	<u>3,196</u>	<u>3,921,267</u>	<u>1,771,996</u>	<u>1,771,996</u>	<u>2,149,271</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

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

For 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	\$ -	\$ 162,000	162,000	0.0%	\$ 3,039,000	5.3%
2011	July 1, 2009	-	159,000	159,000	0.0%	2,988,000	5.3%
2012	July 1, 2009	-	152,000	152,000	0.0%	3,118,000	4.9%
2013	July 1, 2012	-	220,298	220,298	0.0%	3,170,720	6.9%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 296,287	110,490	406,777
<b>LIABILITIES AND FUND BALANCES</b>			
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Management levy purposes	296,287	-	296,287
Student activities	-	110,490	110,490
Total fund balances	296,287	110,490	406,777
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 296,287</b>	<b>110,490</b>	<b>406,777</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Other	\$ 3,398	114,324	117,722
EXPENDITURES:			
Current:			
Instruction:			
Regular	32,826	-	32,826
Other	-	105,745	105,745
Support services:			
Operation and maintenance of plant	33,579	-	33,579
Transportation	10,690	-	10,690
Total expenditures	77,095	105,745	182,840
Change in fund balances	(73,697)	8,579	(65,118)
Fund balances beginning of year	369,984	101,911	471,895
Fund balances end of year	\$ 296,287	110,490	406,777

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,239,808	20,226	2,260,034
Receivables:			
Property tax:			
Delinquent	-	1,729	1,729
Succeeding year	-	138,981	138,981
Due from other governments	88,994	-	88,994
<b>TOTAL ASSETS</b>	<b>\$ 2,328,802</b>	<b>160,936</b>	<b>2,489,738</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 236,835	22,161	258,996
Deferred revenue:			
Succeeding year property tax	-	138,981	138,981
Total liabilities	236,835	161,142	397,977
Fund balances:			
Restricted for:			
School infrastructure	2,091,967	-	2,091,967
Unassigned	-	(206)	(206)
Total fund balances	2,091,967	(206)	2,091,761
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,328,802</b>	<b>160,936</b>	<b>2,489,738</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 642,618	134,000	776,618
Other	1,835	7,339	9,174
State sources	-	73	73
Total revenues	<u>644,453</u>	<u>141,412</u>	<u>785,865</u>
EXPENDITURES:			
Current:			
Support services:			
Administration	7,038	-	7,038
Transportation	-	9,200	9,200
Capital outlay	2,038,221	6,345	2,044,566
Total expenditures	<u>2,045,259</u>	<u>15,545</u>	<u>2,060,804</u>
Excess(Deficiency)of revenues over(under) expenditures	(1,400,806)	125,867	(1,274,939)
Other financing uses:			
Transfer out	<u>(278,715)</u>	<u>(138,321)</u>	<u>(417,036)</u>
Change in fund balances	(1,679,521)	(12,454)	(1,691,975)
Fund balance beginning of year	<u>3,771,488</u>	<u>12,248</u>	<u>3,783,736</u>
Fund balance end of year	<u>\$ 2,091,967</u>	<u>(206)</u>	<u>2,091,761</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Vocal Music	\$ 1,220	295	1,081	-	434
Instrumental Music	115	1,251	1,241	200	325
Music	919	-	-	-	919
Music Boosters	-	2,112	-	-	2,112
CM Athletics	124	-	263	139	-
CMB Athletics	7,251	44,429	33,797	-	17,883
JH Track	39	-	-	-	39
Golf	39	736	585	-	190
Boys Basketball	119	-	-	-	119
Wrestling	512	1,249	-	-	1,761
Youth Wrestling	116	-	-	-	116
Girls Basketball	2	-	-	-	2
Soccer	1,324	879	792	-	1,411
Softball	1,012	2,471	3,173	-	310
Girls Track	45	-	-	-	45
FFA	10,590	13,625	13,535	-	10,680
Greenhouse	26,070	-	-	-	26,070
Class of 2012	58	-	-	-	58
Class of 2013	1,036	-	200	-	836
Class of 2014	535	8,348	8,157	-	726
Class of 2015	-	500	-	-	500
Class of 2016	-	500	-	-	500
Dance Team	3,628	8,843	9,639	-	2,832
National Honor Society	100	-	-	-	100
HS Academic	1,156	-	-	-	1,156
HS Student Council	50	4,745	4,756	-	39
Powerlifting	537	-	-	-	537
MS Student Council	7,567	5,874	6,787	-	6,654
JH Softball	170	-	-	-	170
CHAMPS	1,022	212	150	-	1,084
Vending	750	-	750	-	-
Robotics	-	2,880	700	-	2,180
Yearbook	4,390	4,745	3,840	-	5,295
TAG	-	-	163	163	-
Cheerleader	2,877	1,966	4,843	-	-
Book Fair	200	3,075	3,075	-	200
Shop	64	-	-	-	64
Elementary	4,999	2,537	2,375	-	5,161
Pepsi	15,681	2,693	5,097	(502)	12,775
JH Basketball	580	-	-	-	580
JH Volleyball	3,198	-	-	-	3,198
JH Cheerleading	244	-	-	-	244
Courtyard	993	100	-	-	1,093
Baseball	750	-	743	-	7
Preschool	777	-	-	-	777
Interest	1,052	259	3	-	1,308
<b>TOTAL</b>	<b>\$ 101,911</b>	<b>114,324</b>	<b>105,745</b>	<b>-</b>	<b>110,490</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 PRIVATE-PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS  
 JUNE 30, 2013

	Private Purpose Trust - Scholarship				
	Atwood Trust	Lions Club	Brethren	Robinson Educational Opportunity Fund	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 24,916	5,962	4,465	342,631	377,974
Land	-	-	-	2,239,728	2,239,728
<b>TOTAL ASSETS</b>	<b>24,916</b>	<b>5,962</b>	<b>4,465</b>	<b>2,582,359</b>	<b>2,617,702</b>
<b>LIABILITIES</b>	-	-	-	-	-
<b>NET POSITION</b>					
Restricted for scholarships	\$ 24,916	5,962	4,465	2,582,359	2,617,702

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN PRIVATE-PURPOSE TRUST FUND,  
 SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship				Total
	Atwood Trust	Lions Club	Brethren	Robinson Educational Opportunity Fund	
Additions:					
Local sources:					
Rent	\$ -	-	-	135,276	135,276
Gifts and contributions	-	586	-	-	586
Interest income	180	20	19	791	1,010
Unrealized gain on land	-	-	-	132,288	132,288
Total additions	180	606	19	268,355	269,160
Deductions:					
Instruction:					
Scholarships awarded	500	-	815	53,875	55,190
Support services:					
Farm maintenance costs	-	-	-	7,223	7,223
Total deductions	500	-	815	61,098	62,413
Change in net position	(320)	606	(796)	207,257	206,747
Net position beginning of year, as restated	25,236	5,356	5,261	2,375,102	2,410,955
Net position end of year	\$ 24,916	5,962	4,465	2,582,359	2,617,702

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**COLLINS-MAXWELL 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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,749,382	2,450,354	2,477,413	2,242,840	2,155,623	1,978,105	1,968,465	1,822,223	1,886,379	1,749,664
Tuition	196,717	153,201	180,529	71,472	85,995	94,385	126,671	215,461	147,557	122,126
Other	179,800	191,832	196,617	240,666	303,053	267,687	295,368	224,408	197,490	153,445
State sources	2,772,444	2,751,290	2,696,237	2,336,628	2,794,560	2,796,247	2,581,360	2,538,211	2,410,086	2,211,514
Federal sources	180,132	257,918	284,496	346,984	142,795	133,000	110,827	145,682	89,737	121,278
<b>Total</b>	<b>\$ 6,078,475</b>	<b>5,804,595</b>	<b>5,835,292</b>	<b>5,238,590</b>	<b>5,482,026</b>	<b>5,269,424</b>	<b>5,082,691</b>	<b>4,945,985</b>	<b>4,731,249</b>	<b>4,358,027</b>
Expenditures:										
Instruction:										
Regular	\$ 2,357,926	2,365,727	2,199,167	2,262,998	2,226,835	2,046,725	1,969,826	1,767,991	1,767,847	1,651,854
Special	612,430	635,255	639,065	520,093	559,536	572,074	600,798	533,982	539,195	503,816
Other	674,525	624,465	606,460	604,287	617,340	517,461	474,137	492,066	425,521	397,601
Support services:										
Student	115,929	96,302	98,739	106,269	89,363	89,818	79,943	50,864	74,809	75,025
Instructional staff	143,024	88,761	138,990	156,750	158,726	155,090	154,064	174,582	271,000	189,210
Administration	499,758	458,190	465,729	456,563	509,566	483,980	473,002	464,577	433,544	458,896
Operation and maintenance of plant	378,472	360,995	345,871	337,045	345,842	345,604	318,243	347,620	387,612	389,323
Transportation	195,486	187,649	179,150	154,753	159,315	165,695	160,463	248,149	133,490	119,164
Non-instructional programs	-	-	-	-	-	-	-	-	-	3,000
Other expenditures:										
Capital outlays	2,044,566	923,019	185,387	75,970	55,931	154,683	141,004	89,446	10,562	44,641
Long-term debt:										
Principal	494,876	295,000	285,000	280,000	275,000	260,000	255,000	195,000	185,000	175,000
Interest and other charges	73,734	37,623	47,312	56,412	65,350	73,150	80,800	140,483	149,657	157,982
AEA flow-through	180,680	180,069	200,245	198,258	182,969	172,246	162,388	154,124	148,384	147,670
<b>Total</b>	<b>\$ 7,771,406</b>	<b>6,253,055</b>	<b>5,391,115</b>	<b>5,209,398</b>	<b>5,245,773</b>	<b>5,036,526</b>	<b>4,869,668</b>	<b>4,658,884</b>	<b>4,526,621</b>	<b>4,313,182</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Collins-Maxwell Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards 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 Collins-Maxwell Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a 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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 and I-C-13 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Collins-Maxwell 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 which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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.

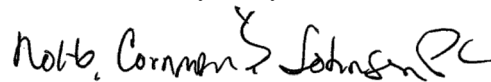
## **Collins-Maxwell Community School District's Responses to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion 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 Collins-Maxwell 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 21, 2014  
Newton, Iowa

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District will review its policies and practices to determine if greater segregation of duties can be accomplished.

Conclusion - Response accepted.



I-B-13 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an admission.

Recommendation -The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number, times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The business office, in conjunction with the Board, will review and revise policies and institute practices that provided greater internal controls for cash handled at all activity events.

Conclusion - Response accepted.

I-C-13 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board.

Recommendation - Districts should have policies and/or procedures in place to address fund-raising activity including:

- a. The Board or its designee should approve all District-sponsored fundraising activity.

- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.
- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District-sponsored, the District should account for the fund-raising activity.

Response - The Board will approve all fundraisers, in accordance with Board policies. Further, it will review, and revise if necessary, current procedures for fundraisers.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget - District expenditures/expenses for the year ended June 30, 2013, did not exceed the amount budgeted.
- II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will publish the minutes of the Board meetings within two weeks of the date of the meeting.

Conclusion - Response accepted.

- II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 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, however we noted the District did not include Bankers Trust on its depository resolution.
- Recommendation - The District should add Bankers Trust to their depository resolution.
- Response - Bankers Trust has been added to the depository resolution by Board action during the 2013-2014 school year.
- Conclusion - Response accepted.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments during the fiscal year 2013 audit:

Beginning balance		\$	3,771,488
Revenues:			
Sales tax revenues	\$	642,618	
Other local revenue		1,835	644,453
			<u>4,415,941</u>
Expenditures/transfers out:			
School infrastructure	\$	1,982,820	
Other		62,439	
Transfers to other funds:			
Debt service fund		278,715	2,323,974
			<u>2,323,974</u>
Ending balance		\$	<u>2,091,967</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-13 District and Regional Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - Fees from the rental of school facilities will be deposited in the General Fund.

Conclusion - Response accepted.

II-N-13 Student Activity Fund - In accordance with 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. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

**Questionable Account:** We noted a Book Fair account in the Student Activity Fund. The revenues and expenditures related to the Book Fair account appear to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Book Fair account appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - Revenues and expenditures of the Book Fair will be coded to the General Fund.

Conclusion - Response accepted.

**Questionable Revenues and Expenses:** We noted during our audit that the District records PSAT testing revenues and expenses in the Student Activity Fund. In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the Activity Fund shall not be used as a clearing account for any other fund.

Recommendation - PSAT testing revenues and expenses are instructional in nature. Revenues and expenditures for instructional supplies are more appropriately handled in the General Fund. In the future, the District should record PSAT testing revenues and expenses in the General Fund.

Response - PSAT testing revenues and expenditures will be coded to the General Fund.

Conclusion - Response accepted.

We also noted during our audit that Target donations as well as Lifetouch Picture commissions were being receipted to the Student Activity Fund. According to Dillon's Rule, revenues are all posted to General Fund unless specifically identified as allowable. Since commissions and donations are not identified they should be put in the General Fund.

Recommendation - The District should receipt commission revenues from Lifetouch and donations from Target into the general fund.

Response - Donations and commission revenues will be coded to the General Fund.

Conclusion - Response accepted.