

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Martensdale - St. Mary's Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Nicole Bunch	President	2011
David Schutt	Vice President	2013
Scott Anderson	Board Member	2011
Wade Gibson	Board Member	2013
Amy Harper	Board Member	2013
(After September 2011 Election)		
Nicole Bunch	President	2015
David Schutt	Vice President	2013
Dean Furness	Board Member	2015
Wade Gibson	Board Member	2013
Amy Harper	Board Member	2013
School Officials		
Bob Newsum	Superintendent	2012
Jill Gavin	District Secretary/Treasurer and Business Manager	2012
Ahlers & Cooney	Attorney	2012

Martensdale-St. Marys 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
Martensdale-St. Marys Community School District:

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 the Martensdale-St. Marys Community School District, Martensdale, Iowa as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 the Martensdale-St. Marys Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2013 on our consideration of the Martensdale-St. Marys Community School District's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management regarding 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.

Members American Institute & Iowa Society of Certified Public Accountants

We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martensdale-St. Marys Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Martensdale-St. Marys 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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,744,366 in fiscal 2011 to \$5,845,079 in fiscal 2012, while General Fund expenditures increased from \$5,001,755 in fiscal 2011 to \$5,212,045 in fiscal 2012. The District's General Fund balance increased from \$1,343,678 in fiscal 2011 to \$1,958,408 in fiscal 2012, a 45.75% increase from the prior year.
- The increase in General Fund revenues was largely attributable to increases in local tax and state sources in fiscal 2012. The increase in expenditures was due primarily to an increase of negotiated salaries and benefits paid in fiscal 2012.
- As of June 30, 2012 the District's solvency ratio was 31.92%, compared to 20.62% for the year ended June 30, 2011.

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 Assets and a Statement of Activities. These provide information about the activities of Martensdale-St. Marys 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 Martensdale-St. Marys 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 Martensdale-St. Marys Community School District acts solely as an agent or custodian 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 governmental funds.

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

Figure A-1
Martensdale-St. Marys Community School District Annual Financial Report

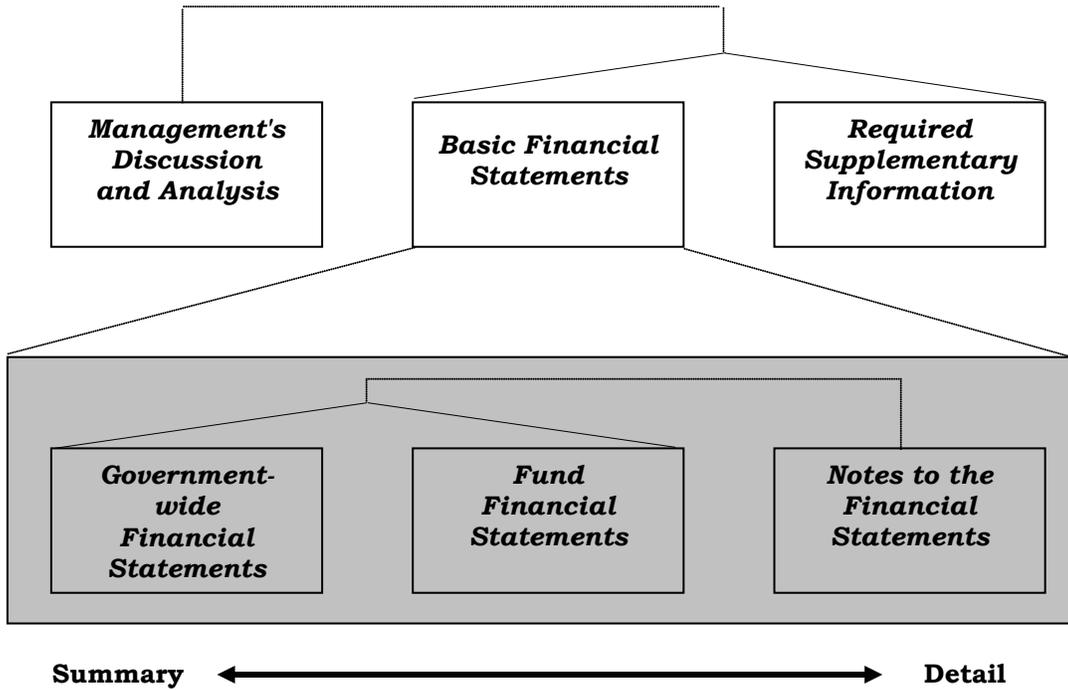


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 Assets 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.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust 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 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 assets and a statement of changes in fiduciary net assets.

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 assets at June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 6,330,526	5,662,575	87,606	81,421	6,418,132	5,743,996	11.74%
Capital assets	7,040,582	7,175,636	29,580	32,891	7,070,162	7,208,527	-1.92%
Total assets	13,371,108	12,838,211	117,186	114,312	13,488,294	12,952,523	4.14%
Long-term liabilities	5,975,007	6,010,135	-	-	5,975,007	6,010,135	-0.58%
Other liabilities	2,952,598	3,092,499	6,488	6,368	2,959,086	3,098,867	-4.51%
Total liabilities	8,927,605	9,102,634	6,488	6,368	8,934,093	9,109,002	-1.92%
Net assets:							
Invested in capital assets, net of related debt	1,390,582	1,430,636	29,580	32,891	1,420,162	1,463,527	-2.96%
Restricted	1,410,218	1,271,163	-	-	1,410,218	1,271,163	10.94%
Unrestricted	1,642,703	1,033,778	81,118	75,053	1,723,821	1,108,831	55.46%
Total net assets	\$ 4,443,503	3,735,577	110,698	107,944	4,554,201	3,843,521	18.49%

The District's combined net assets increased by 18.49%, or \$710,680, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$139,059 or 10.94% from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other

legal requirements – increased \$614,990 or 55.46% due in part to the improvement in General Fund unassigned fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 as compared to the year ended June 30, 2011.

	Figure A-4							
	Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2012	2011	2012	2011	2012	2011	2011-12	
Revenues and transfers:								
Program revenues:								
Charges for services	\$ 836,068	779,049	194,261	210,322	1,030,329	989,371	4.14%	
Operating grants, contributions, and restricted interest	371,825	502,373	94,525	93,530	466,350	595,903	-21.74%	
General revenues:								
Property tax	2,298,778	2,176,218	-	-	2,298,778	2,176,218	5.63%	
Income surtax	215,882	197,733	-	-	215,882	197,733	9.18%	
Statewide sales, services and use tax	386,822	360,195	-	-	386,822	360,195	7.39%	
Unrestricted state grants	2,648,110	2,474,459	-	-	2,648,110	2,474,459	7.02%	
Nonspecific program federal grants	66,099	90,485	-	-	66,099	90,485	100.00%	
Unrestricted interest earnings	17,788	17,712	-	-	17,788	17,712	0.43%	
Other general revenue	48,820	72,698	-	-	48,820	72,698	-32.85%	
Total revenues and transfers	<u>6,890,192</u>	<u>6,670,922</u>	<u>288,786</u>	<u>303,852</u>	<u>7,178,978</u>	<u>6,974,774</u>	<u>2.93%</u>	
Program expenses:								
Governmental activities:								
Instruction	3,822,538	3,811,533	-	-	3,822,538	3,811,533	0.29%	
Support services	1,731,553	1,489,081	-	1,733	1,731,553	1,490,814	16.15%	
Non-instructional programs	-	-	286,032	274,607	286,032	274,607	4.16%	
Other expenses	628,175	695,343	-	-	628,175	695,343	-9.66%	
Total expenses	<u>6,182,266</u>	<u>5,995,957</u>	<u>286,032</u>	<u>276,340</u>	<u>6,468,298</u>	<u>6,272,297</u>	<u>3.12%</u>	
Change in net assets	707,926	674,965	2,754	27,512	710,680	702,477	1.17%	
Net assets beginning of year, as restated	<u>3,735,577</u>	<u>3,060,612</u>	<u>107,944</u>	<u>80,432</u>	<u>3,843,521</u>	<u>3,141,044</u>	<u>22.36%</u>	
Net assets end of year	<u>\$ 4,443,503</u>	<u>3,735,577</u>	<u>110,698</u>	<u>107,944</u>	<u>4,554,201</u>	<u>3,843,521</u>	<u>18.49%</u>	

Property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 80.54% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$7.18 million, of which approximately \$6.89 million was for governmental activities and approximately \$0.29 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.93% increase in revenues and a 3.12% increase in expenses. Property tax revenue increased \$122,560 and unrestricted state grants increased \$173,651 to fund District expenditures. The increase in expenses was related to negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,890,192 and expenses were \$6,182,266 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 3,822,538	3,811,533	0.29%	2,805,654	2,753,813	1.88%
Support services	1,731,553	1,489,081	16.28%	1,726,874	1,470,309	17.45%
Other expenses	628,175	695,343	-9.66%	441,845	490,413	-9.90%
Total	<u>\$ 6,182,266</u>	<u>5,995,957</u>	<u>3.11%</u>	<u>4,974,373</u>	<u>4,714,535</u>	<u>5.51%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$836,068.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$371,825.
- The net cost of governmental activities was financed with \$2,298,778 in property tax, \$215,882 in income surtax, \$386,822 in statewide sales, services and use tax, \$2,648,110 in unrestricted state grants, \$66,099 in nonspecific program federal grants, \$17,788 in interest income, and \$48,820 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$288,786 and expenses were \$286,032. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,251,819, above last year's ending fund balances of \$2,470,265. This increase was mainly the result of the improved fund balance in the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. The General Fund balance increased from \$1,343,678 to \$1,976,712, due in part to increased revenues from local and state sources.
- The Capital Project Accounts balance increased from a restated balance of \$493,111 at the beginning of fiscal year 2011 to \$612,241 at the end of fiscal year 2012. The balance

increased in part due to the decrease in facilities acquisitions expenditures. The Capital Projects: Statewide Sales, Services and Use Tax Fund revenues increased \$26,497 and expenses and transfers decreased \$55,715 when compared to the previous year. The Capital Projects: Physical Plant and Equipment Levy Fund revenues decreased \$13,161 and expenses increased \$42,923 when compared to the previous year.

- The Debt Service Fund balance increased from \$556,857 for fiscal year 2011 to \$563,083 in fiscal year 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$78,891 at June 30, 2011 to \$76,764 at June 30, 2012, representing a decrease of 2.69%. The Day Care Fund net assets increased from \$29,053 at June 30, 2010 to \$33,934 at June 30, 2012, representing an increase of 16.80%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$70,674 more than budgeted revenues, a variance of 1.00%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures as is deemed necessary for each fiscal year. 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, 2012, the District had invested \$7,070,162, 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 6 to the financial statements. Depreciation expense for the year was \$230,711.

The original cost of the District's capital assets was \$9,965,281. Governmental funds account for \$9,808,887 with the remainder of \$156,397 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$76,379 at June 30, 2011, compared to \$87,053 reported at June 30, 2012. This increase is a result of various improvements to District grounds.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 431,172	431,172	-	-	431,172	431,172	0.00%
Land improvements	87,053	76,379	-	-	87,053	76,379	13.98%
Buildings and improvements	6,374,911	6,533,995	-	-	6,374,911	6,533,995	-2.43%
Machinery and equipment	147,446	134,090	29,580	32,891	177,026	166,981	6.02%
Total	\$ 7,040,582	7,175,636	29,580	32,891	7,070,162	7,208,527	-1.92%

Long-Term Debt

At June 30, 2012, the District had \$5,975,077 in total long-term debt outstanding. This represents a decrease of 0.58% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

- The District had total outstanding general obligation bonds payable of \$1,995,000 at June 30, 2012.
- The District had total outstanding revenue bonds payable of \$3,655,000 at June 30, 2012.
- The District had total outstanding early retirement from the Management Levy Fund of \$58,165 at June 30, 2012.
- The District had a Net OPEB liability of \$266,842 at June 30, 2012.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	Total
	District	District	Change
	June 30,	June 30,	June 30,
	2012	2011	2011-12
General Obligation Bonds	\$ 1,995,000	1,990,000	0.25%
Revenue Bonds	3,655,000	3,755,000	-2.66%
Early Retirement	58,165	75,503	-22.96%
Net OPEB liability	266,842	189,632	40.72%
Total	<u>\$ 5,975,007</u>	<u>6,010,135</u>	<u>-0.58%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- MSTM has experienced declining growth, which has not allowed for additional dollars to fund programs. Student growth continues to present many challenges for the district.
- Although we are unsure of unemployment numbers for the area, we have had several reports of layoffs in the community and in areas our community members' work.
- Continued concerns in the economy and discussion at the state level regarding allowable growth will continue to play an important factor in meeting the needs of our district. Although the District has a healthy unspent balance and cash reserve, these funds could quickly be depleted.
- In February 2009, the District approved a new Revenue Statement of Purpose for the LOSST. This will allow a greater use of LOSST Funds and adding to the capacity for projects that have primarily been PPEL projects.
- The District has Board and voter approved PPEL levy allowed to be as high as \$1.00 per thousand. In September 2012, the PPEL levy was passed at a special election to continue for another ten years. The District's current county LOSST that will transfer to the state-wide plan as each expire. Due to current economic conditions, the District will need to be very careful how these funds are used and what is requested from patrons in the form of a bond issue. The District will attempt to use LOSST funds for ongoing repair and maintenance of facilities rather than additional bonding of these revenue based funds.

-
- Future increases to teachers' salaries are tied to the allowable growth set by the state, which allows for a positive situation for the district.
 - Over the past several years, the District's open enrollment in and out numbers have stayed relatively the same and have increased slightly. The District will need to be careful of funding ongoing expenditures with funds as variable as open enrollment. The District needs to continue to foster open enrollment to the extent that facilities allow.
 - The District's average of enrollment over the past ten years is 516 students. The highest has been 533.7 in FY10 and the lowest has been 485.70 in FY06. It is prudent for the District to plan for growth of 10-15 students per year.
 - The District currently has a LOSST from Warren and Madison Counties. How these two sales tax sources blend, depending on the impact one has on the other, will impact LOSST dollars available for facility needs. The statewide SAVE plan passed in the 2009 Legislative session will help address some property tax equalization statewide, it will not provide any property tax relief for MSTM. Once Warren and Madison county revenues roll into the statewide pool, MSTM will likely see an increase in funding from the SAVE / LOSST fund.
 - Although current facilities are in good condition, there has been an increasing need for annual facility maintenance funds, as District facilities are no longer under warranty and starting to age. Much of the increased cost is associated with managing increased technology in our mechanical and electrical systems. The voters of the District approved a voted-PPEL levy to help meet the annual facility maintenance needs.
 - There is not a rapid addition of facilities due to the lack of significant residential and commercial taxable valuation growth. This will likely have an impact on the district property tax rate. Although district enrollment growth has been manageable, rates of growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.
 - Ongoing discussions of increasing the residential property and improving the sewer system of Martensdale have been made.
 - The District continues to take positive steps to counter balance expenses and revenues by using a variety of financial tools and extensive financial planning models for the future. These include; under spending revenues, enhanced early retirement model, adjustments in fund rates, use and increased cash reserve together with prudent fiscal management, these strategies will assist the District in managing unknown shortfalls from the state.

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 Jill Gavin, Business Manager, Martensdale-St. Marys Community School District, PO Box 350, Martensdale, Iowa, 50160.

Basic Financial Statements

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:	\$ 3,500,882	85,338	3,586,220
Receivables:			
Property tax:			
Delinquent	30,472	-	30,472
Succeeding year	2,303,866	-	2,303,866
Income surtax	215,166	-	215,166
Due from other governments	280,140	-	280,140
Inventories	-	2,268	2,268
Capital assets, net of accumulated depreciation	7,040,582	29,580	7,070,162
Total assets	13,371,108	117,186	13,488,294
Liabilities			
Accounts payable	130,461	934	131,395
Salaries and benefits payable	429,214	-	429,214
Interest payable	89,057	-	89,057
Deferred revenue:			
Succeeding year property tax	2,303,866	-	2,303,866
Unearned revenue	-	5,554	5,554
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	505,000	-	505,000
Revenue bonds	100,000	-	100,000
Portion due after one year:			
General obligation bonds	1,490,000	-	1,490,000
Revenue bonds	3,555,000	-	3,555,000
Early retirement	58,165	-	58,165
Net OPEB liability	266,842	-	266,842
Total liabilities	8,927,605	6,488	8,934,093
Net Assets			
Invested in capital assets, net of related debt	1,390,582	29,580	1,420,162
Restricted for:			
Categorical funding	170,182	-	170,182
Debt service	563,083	-	563,083
Student activities	64,712	-	64,712
School infrastructure	174,402	-	174,402
Physical plant and equipment	137,839	-	137,839
Unrestricted	1,942,703	81,118	2,023,821
Total net assets	\$ 4,443,503	110,698	4,554,201

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,606,540	579,650	63,140	(1,963,750)	-	(1,963,750)
Special	636,554	62,360	73,535	(500,659)	-	(500,659)
Other	579,444	194,058	44,141	(341,245)	-	(341,245)
	<u>3,822,538</u>	<u>836,068</u>	<u>180,816</u>	<u>(2,805,654)</u>	<u>-</u>	<u>(2,805,654)</u>
Support services:						
Student	122,453	-	-	(122,453)	-	(122,453)
Instructional staff	64,641	-	-	(64,641)	-	(64,641)
Administration	725,529	-	-	(725,529)	-	(725,529)
Operation and maintenance of plant	551,455	-	-	(551,455)	-	(551,455)
Transportation	267,475	-	4,679	(262,796)	-	(262,796)
	<u>1,731,553</u>	<u>-</u>	<u>4,679</u>	<u>(1,726,874)</u>	<u>-</u>	<u>(1,726,874)</u>
Other expenses:						
Long-term debt:						
Interest and fiscal charges	273,113	-	-	(273,113)	-	(273,113)
AEA flowthrough	186,330	-	186,330	-	-	-
Depreciation(unallocated)*	168,732	-	-	(168,732)	-	(168,732)
	<u>628,175</u>	<u>-</u>	<u>186,330</u>	<u>(441,845)</u>	<u>-</u>	<u>(441,845)</u>
Total governmental activities	<u>6,182,266</u>	<u>836,068</u>	<u>371,825</u>	<u>(4,974,373)</u>	<u>-</u>	<u>(4,974,373)</u>
Business Type activities:						
Non-instructional programs:						
Food service operations	231,961	135,309	94,525	-	(2,127)	(2,127)
Day care operations	54,071	58,952	-	-	4,881	4,881
Total business type activities	<u>286,032</u>	<u>194,261</u>	<u>94,525</u>	<u>-</u>	<u>2,754</u>	<u>2,754</u>
Total	<u>\$ 6,468,298</u>	<u>1,030,329</u>	<u>466,350</u>	<u>(4,974,373)</u>	<u>2,754</u>	<u>(4,971,619)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,957,868	-	1,957,868
Debt service				218,181	-	218,181
Capital outlays				122,729	-	122,729
Income surtax				215,882	-	215,882
Statewide sales, services and use tax				386,822	-	386,822
Unrestricted state grants				2,648,110	-	2,648,110
Nonspecific program federal grants				66,099	-	66,099
Unrestricted investment earnings				17,788	-	17,788
Other general revenues				48,820	-	48,820
Total general revenues				<u>5,682,299</u>	<u>-</u>	<u>5,682,299</u>
Change in net assets				707,926	2,754	710,680
Net assets beginning of year				<u>3,735,577</u>	<u>107,944</u>	<u>3,843,521</u>
Net assets end of year				<u>\$ 4,443,503</u>	<u>110,698</u>	<u>4,554,201</u>

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,431,883	398,120	553,858	117,021	3,500,882
Receivables:					
Property tax:					
Delinquent	24,887	1,627	2,892	1,066	30,472
Succeeding year	1,466,633	132,024	530,209	175,000	2,303,866
Income surtax	215,166	-	-	-	215,166
Due from other funds	18,304	-	6,333	-	24,637
Due from other governments	60,398	219,742	-	-	280,140
Total assets	\$ 4,217,271	751,513	1,093,292	293,087	6,355,163
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ -	6,333	-	18,304	24,637
Accounts payable	129,546	915	-	-	130,461
Salaries and benefits payable	429,214	-	-	-	429,214
Deferred revenue:					
Succeeding year property tax	1,466,633	132,024	530,209	175,000	2,303,866
Income surtax	215,166	-	-	-	215,166
Total liabilities	2,240,559	139,272	530,209	193,304	3,103,344
Fund balances:					
Restricted for:					
Categorical funding	170,182	-	-	-	170,182
Debt service	-	-	563,083	-	563,083
Management levy purposes	-	-	-	35,071	35,071
Student activities	-	-	-	64,712	64,712
School infrastructure	-	474,402	-	-	474,402
Physical plant and equipment	-	137,839	-	-	137,839
Unassigned:					
General	1,806,530	-	-	-	1,806,530
Total fund balances	1,976,712	612,241	563,083	99,783	3,251,819
Total liabilities and fund balances	\$ 4,217,271	751,513	1,093,292	293,087	6,355,163

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	3,251,819
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,040,582
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		215,166
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, are deferred in the governmental funds.		(89,057)
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(5,975,007)</u>
Net assets of governmental activities(page 18)	\$	<u><u>4,443,503</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,072,533	509,551	218,181	80,445	2,880,710
Tuition	558,232	-	-	-	558,232
Other	132,920	-	17,506	198,658	349,084
State sources	2,839,119	-	-	-	2,839,119
Federal sources	242,275	-	-	-	242,275
Total revenues	5,845,079	509,551	235,687	279,103	6,869,420
Expenditures:					
Current:					
Instruction:					
Regular	2,561,644	3,847	-	-	2,565,491
Special	629,813	-	-	-	629,813
Other	388,424	-	-	190,957	579,381
	3,579,881	3,847	-	190,957	3,774,685
Support services:					
Student	121,256	-	-	-	121,256
Instructional staff	55,759	-	-	12,574	68,333
Administration	582,858	22,476	17,000	2,226	624,560
Operation and maintenance of plant	415,308	80,621	-	47,173	543,102
Transportation	270,653	3,000	-	3,009	276,662
	1,445,834	106,097	17,000	64,982	1,633,913
Capital Outlay	-	25,325	-	-	25,325
Long-term debt:					
Principal	-	-	230,000	-	230,000
Interest and fiscal charges	-	-	278,639	-	278,639
Other Expenditures:					
AEA flowthrough	186,330	-	-	-	186,330
	186,330	25,325	508,639	-	720,294
Total expenditures	5,212,045	135,269	525,639	255,939	6,128,892
Excess (Deficiency) of revenues over (under) expenditures	633,034	374,282	(289,952)	23,164	740,528
Other financing sources(uses):					
Transfer in	-	-	255,152	-	255,152
Transfer out	-	(255,152)	-	-	(255,152)
Bond refunding issuance	-	-	1,995,000	-	1,995,000
Discount on refunding bond issuance	-	-	(15,960)	-	(15,960)
Payment to escrow	-	-	(1,938,014)	-	(1,938,014)
Total other financing sources(uses)	-	(255,152)	296,178	-	41,026
Net change in fund balances	633,034	119,130	6,226	23,164	781,554
Fund balances beginning of year, as restated	1,343,678	493,111	556,857	76,619	2,470,265
Fund balances end of year	\$ 1,976,712	612,241	563,083	99,783	3,251,819

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS 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, 2012

Net change in fund balances - total governmental funds(page 22)	\$	781,554
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>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. Capital outlay expenditures, depreciation expense and loss on disposal in the current year are as follows:</p>		
Expenditures for capital assets	\$ 89,922	
Depreciation expense	<u>(224,976)</u>	(135,054)
<p>Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Issued	\$ (1,995,000)	
Repaid	<u>2,090,000</u>	95,000
<p>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.</p>		
		5,526
<p>Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.</p>		
		20,772
<p>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.</p>		
Early retirement	\$ 17,338	
Other postemployment benefits	<u>(77,210)</u>	<u>(59,872)</u>
Changes in net assets of governmental activities(page 19)	\$	<u>707,926</u>

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	School Nutrition	Day Care	Total
Assets			
Cash and cash equivalents	\$ 50,470	34,868	85,338
Inventories	2,268	-	2,268
Capital assets, net of accumulated depreciation	29,580	-	29,580
Total assets	82,318	34,868	117,186
Liabilities			
Accounts payable	-	934	934
Unearned revenue	5,554	-	5,554
Total liabilities	5,554	934	6,488
Net Assets			
Invested in capital assets	29,580	-	29,580
Unrestricted	47,184	33,934	81,118
Total net assets	\$ 76,764	33,934	110,698

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 135,309	58,952	194,261
TOTAL OPERATING REVENUES	135,309	58,952	194,261
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	78,265	-	78,265
Benefits	12,280	-	12,280
Supplies	134,479	-	134,479
Other	1,202	-	1,202
Depreciation	5,735	-	5,735
	231,961	-	231,961
Community service operations:			
Salaries	-	38,165	38,165
Benefits	-	5,999	5,999
Supplies	-	9,907	9,907
Total non-instructional programs	231,961	54,071	54,071
Total operating expenses	231,961	54,071	286,032
Operating income(loss)	(96,652)	4,881	(91,771)
Non-operating revenues:			
State sources	2,316	-	2,316
Federal sources	92,209	-	92,209
Total non-operating revenues	94,525	-	94,525
Changes in net assets	(2,127)	4,881	2,754
Net assets beginning of year	78,891	29,053	107,944
Net assets end of year	\$ 76,764	33,934	110,698

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 135,929	-	135,929
Cash received from miscellaneous operating activities	-	58,952	58,952
Cash payments to employees for services	(90,545)	(44,164)	(134,709)
Cash payments to suppliers for goods or services	(119,312)	(10,407)	(129,719)
Net cash provided by(used in) operating activities	(73,928)	4,381	(69,547)
Cash flows from non-capital financing activities:			
State grants received	2,316	-	2,316
Federal grants received	76,918	-	76,918
Net cash provided by non-capital financing activities	79,234	-	79,234
Cash flows from capital and other financing activities:			
Acquisition of assets	(2,424)	-	(2,424)
Net cash used in capital and other financing activities	(2,424)	-	(2,424)
Net increase in cash and cash equivalents	2,882	4,381	7,263
Cash and cash equivalents at beginning of year	47,588	30,487	78,075
Cash and cash equivalents at end of year	\$ 50,470	34,868	85,338
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (96,652)	4,881	(91,771)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	15,291	-	15,291
Depreciation	5,735	-	5,735
Decrease in inventories	1,078	-	1,078
Decrease in accounts payable	-	(500)	(500)
Increase in deferred revenue	620	-	620
Net cash provided by (used in) operating activities	\$ (73,928)	4,381	(69,547)

Non-cash investing, capital and other related financing activities:

During the year ended June 30, 2012, the District received \$15,291 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 76,847
Liabilities	<u>-</u>
Net Assets	
Restricted for scholarships	76,000
Unrestricted	847
Total net assets	<u>\$ 76,847</u>

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 760
Total additions	<u>760</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,000</u>
Change in net assets	(240)
Net assets beginning of year	<u>77,087</u>
Net assets end of year	<u>\$ 76,847</u>

SEE NOTES TO FINANCIAL STATEMENTS

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) Summary of Significant Accounting Policies

The Martensdale-St. Marys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. The geographic area served includes the Cities of Martensdale and St. Marys, Iowa, and the predominate agricultural territories in Warren and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Martensdale-St. Marys 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 Martensdale-St. Marys 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Warren and Madison Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of 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 service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise Fund, School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service operations of the District.

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable

has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Intangibles	25,000
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	5-12 years
Machinery and equipment	5-12 years

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

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

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

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

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 Assets.

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset 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 Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$2,355,756 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Service.

(3) Due From and Due to Other Funds

Receivable Fund	Payable Fund	Amount
General	Management Levy	\$ 18,304
Debt Service	Physical Plant and Equipment Levy (PPEL)	<u>6,333</u>
Total		<u>\$ 24,637</u>

The Management Levy Fund is repaying the General Fund to correct property tax incorrectly recorded in the Management Levy Fund.

The Physical Plant and Equipment Levy Fund is repaying the Debt Service Fund to correct property tax incorrectly recorded in the Physical Plant and Equipment Levy Fund. The balance is to be repaid by June 30, 2013.

(4) Inter-Fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service: Sinking Fund	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 255,152</u>

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on Series 2011-12A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	06/30/11	06/23/12	\$ -	18,001	18,001	-

During the year ended June 30, 2012, the District paid \$83 of interest on the ISCAP warrants.

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 431,172	-	-	431,172
Land improvements	98,816	16,466	-	115,282
Buildings and improvements	8,379,077	3,856	-	8,382,933
Machinery and equipment	844,022	69,600	34,125	879,497
Total capital assets being depreciated	9,321,915	89,922	34,125	9,377,712
Less accumulated depreciation for:				
Land improvements	22,437	5,792	-	28,229
Machinery and equipment	709,932	56,244	34,125	732,051
Total accumulated depreciation	2,577,451	224,976	34,125	2,768,302
Total capital assets being depreciated, net	6,744,464	(135,054)	-	6,609,410
Governmental activities capital assets, net	\$ 7,175,636	(135,054)	-	7,040,582
Business type activities:				
Machinery and equipment	\$ 153,973	2,424	-	156,397
Less accumulated depreciation	121,082	5,735	-	126,817
Business type activities capital assets, net	\$ 32,891	(3,311)	-	29,580
Depreciation expense was charged by the District as follows:				
Instruction:				
Regular				\$ 1,198
Other				19,632
Support services:				
Instructional staff				11,821
Administration				2,517
Operation and maintenance of plant				2,169
Transportation				18,907
Unallocated depreciation				168,732
Total governmental activities depreciation expense				\$ 224,976
Business type activities:				
Food services				\$ 5,735

(7) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 1,990,000	1,995,000	1,990,000	1,995,000	505,000
Revenue Bonds	3,755,000	-	100,000	3,655,000	100,000
Early Retirement	75,503	-	17,338	58,165	17,338
Net OPEB liability	189,632	77,210	-	266,842	-
Total	\$ 6,010,135	2,072,210	2,107,338	5,975,007	622,338

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 25, 2012			
	Interest Rates	Principal	Interest	Total
2013	0.35 %	\$ 505,000	25,209	530,209
2014	0.60	140,000	21,150	161,150
2015	0.60	145,000	20,310	165,310
2016	1.00	145,000	19,440	164,440
2017	1.00	145,000	17,990	162,990
2018-2022	1.45-2.15	755,000	59,575	814,575
2023	2.15	160,000	3,440	163,440
Total		\$ 1,995,000	167,114	2,162,114

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 21, 2009			
	Interest Rates	Principal	Interest	Total
2013	3.50 %	\$ 100,000	169,488	269,488
2014	3.50	140,000	165,288	305,288
2015	3.50	145,000	160,301	305,301
2016	4.00	155,000	154,663	309,663
2017	4.00	160,000	148,362	308,362
2018-2022	4.00-5.00	915,000	632,430	1,547,430
2023-2027	5.00-5.13	1,170,000	381,689	1,551,689
2028-2030	5.13-5.25	870,000	69,916	939,916
Total		\$ 3,655,000	1,882,137	5,537,137

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,755,000 of bonds issued in May 2009. The bonds were issued for the purpose of financing construction projects. 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 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,537,137. For the current year, \$100,000 in principal and \$172,988 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$386,822.

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

- a) \$321,237 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- 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.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Employees participating in the early retirement plan are eligible to continue participation in the District's group insurance plan by meeting the requirements of the insurer. The District will pay the cost of the single premium at the level it was when the employee retired. The employee is responsible for paying any increase in premium costs. Early retirement benefits paid during the year ended June 30, 2012, totaled \$17,338.

(8) Operating Lease Obligations

The District leases four copiers and one printer on a monthly basis. The lease contract for the four copiers extends through April 30, 2014. The lease contract for the printer extends through August 31, 2014. Annual payments for the copier and printer leases are \$23,484 and \$11,460 respectively.

(9) 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$212,179, \$182,402 and \$187,115, respectively, equal to the required contributions for each year.

(10) 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 51 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 136,000
Interest on net OPEB obligation	8,534
Adjustment to annual required contribution	<u>(7,324)</u>
Annual OPEB cost	137,210
Contributions made	<u>(60,000)</u>
Increase in net OPEB obligation	77,210
Net OPEB obligation beginning of year	<u>189,632</u>
Net OPEB obligation end of year	<u><u>\$ 266,842</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2009.

The end of the 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, 2012.

For the year ended June 30, 2012, the District contributed \$46,000, to the medical plan. Plan members eligible for benefits contributed \$26,844, or 36.85% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	136,000	27.2%	99,000
2011	136,632	33.7%	189,632
2012	137,210	43.7%	266,842

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$725,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$725,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,030,917 and the ratio of the UAAL to covered payroll was 35.7%. As of June 30, 2012, there were no trust fund assets.

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

time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 10.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$397 per month for retirees on the HMO plan and \$446 per month for retirees on the POS plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

Martensdale-St. Marys 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.

(12) 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 \$186,330 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(13) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Weighted At-Risk Programs	\$ 29,641
Returning Dropouts and Dropout Prevention Programs	79,967
Beginning Teacher Mentoring and Induction Program	6,046
Teacher Salary Supplement	26,101
Market Factor	449
Professional Development for Model Core Curriculum	1,816
Professional Development	22,397
Market Factor Incentives	3,764
Total	<u>\$ 170,181</u>

(14) Bond Defeasement

On April 25, 2012 the District issued \$1,995,000 in general obligation bonds to advance refund \$1,860,000 of outstanding general obligation bonds dated December 31, 2003. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility that the account is insufficient to pay the refunding bonds. At June 30, 2012, \$1,860,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$0 and \$0 respectively. The new issue of bonds have been added to the appropriate financial statements and schedules. The present value savings of the bond refinancing is \$199,685.

Required Supplementary Information

MARTENSDALE-ST. MARYS 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, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 3,788,026	194,261	3,982,287	3,893,036	3,893,036	89,251
State sources	2,839,119	2,316	2,841,435	2,957,496	2,957,496	(116,061)
Federal sources	242,275	92,209	334,484	237,000	237,000	97,484
Total revenues	<u>6,869,420</u>	<u>288,786</u>	<u>7,158,206</u>	<u>7,087,532</u>	<u>7,087,532</u>	<u>70,674</u>
Expenditures/Expenses:						
Instruction	3,774,685	-	3,774,685	4,307,700	5,500,000	1,725,315
Support services	1,633,913	-	1,633,913	1,882,200	3,500,000	1,866,087
Non-instructional programs	-	286,032	286,032	320,000	750,000	463,968
Other expenditures	720,294	-	720,294	673,640	3,000,000	2,279,706
Total expenditures/expenses	<u>6,128,892</u>	<u>286,032</u>	<u>6,414,924</u>	<u>7,183,540</u>	<u>12,750,000</u>	<u>6,335,076</u>
Excess (Deficiency) of revenues over (under) expenditures/expenses	740,528	2,754	743,282	(96,008)	(5,662,468)	6,405,750
Other financing sources (uses), net	41,026	-	41,026	-	-	41,026
Excess(Deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	781,554	2,754	784,308	(96,008)	(5,662,468)	6,446,776
Balances beginning of year	<u>2,470,265</u>	<u>107,944</u>	<u>2,578,209</u>	<u>1,378,133</u>	<u>1,378,133</u>	<u>161,165</u>
Balances end of year	<u>\$ 3,251,819</u>	<u>110,698</u>	<u>3,362,517</u>	<u>1,282,125</u>	<u>(4,284,335)</u>	<u>6,607,941</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

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

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

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 725,000	725,000	0.0%	\$ 2,330,014	31.1%
2011	July 1, 2009	-	725,000	725,000	0.0%	1,994,896	36.3%
2012	July 1, 2009	-	725,000	725,000	0.0%	2,030,917	35.7%

See Note 10 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.

Supplementary Information

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 52,309	64,712	117,021
Receivables:			
Property tax:			
Delinquent	1,066	-	1,066
Succeeding year	175,000	-	175,000
Total assets	\$ 228,375	64,712	293,087
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ 18,304	-	18,304
Deferred revenue:			
Succeeding year property tax	175,000	-	175,000
Total liabilities	193,304	-	193,304
Fund balances:			
Restricted for:			
Management levy purposes	35,071	-	35,071
Student activities	-	64,712	64,712
Total fund balances	35,071	64,712	99,783
Total liabilities and fund balances	\$ 228,375	64,712	293,087

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 80,445	-	80,445
Other	4,535	194,123	198,658
Total revenues	84,980	194,123	279,103
Expenditures:			
Current:			
Instruction:			
Other	-	190,957	190,957
Support services:			
Instructional staff	12,574	-	12,574
Administration	2,226	-	2,226
Operation and maintenance of plant	47,173	-	47,173
Transportation	3,009	-	3,009
Total expenditures	64,982	190,957	255,939
Net change in fund balances	19,998	3,166	23,164
Fund balances beginning of year	15,073	61,546	76,619
Fund balances end of year	\$ 35,071	64,712	99,783

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 254,660	143,460	398,120
Receivables:			
Property tax:			
Delinquent	-	1,627	1,627
Succeeding year	-	132,024	132,024
Due from other governments	219,742	-	219,742
Total assets	\$ 474,402	277,111	751,513
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	915	915
Due to other funds	-	6,333	6,333
Deferred revenue:			
Succeeding year property tax	-	132,024	132,024
Total liabilities	-	139,272	139,272
Fund balances:			
Restricted for:			
School infrastructure	474,402	-	474,402
Physical plant and equipment	-	137,839	137,839
Total fund balances	474,402	137,839	612,241
Total liabilities and fund balances	\$ 474,402	277,111	751,513

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 386,822	122,729	509,551
Total revenues	<u>386,822</u>	<u>122,729</u>	<u>509,551</u>
Expenditures:			
Instruction:			
Regular	-	3,847	3,847
Support services:			
Administration	19,320	3,156	22,476
Operation and maintenance of plant	-	80,621	80,621
Transportation	-	3,000	3,000
Other expenditures:			
Capital Outlay	2,885	22,440	25,325
Total expenditures	<u>22,205</u>	<u>113,064</u>	<u>135,269</u>
Excess of revenues over expenditures	364,617	9,665	374,282
Other financing sources(uses):			
Transfer out	<u>(255,152)</u>	-	<u>(255,152)</u>
Net change in fund balances	109,465	9,665	119,130
Fund balaces beginning year	<u>364,937</u>	<u>128,174</u>	<u>493,111</u>
Fund balances end of year	<u>\$ 474,402</u>	<u>137,839</u>	<u>612,241</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2012

	Debt Service	Debt Sinking	Total
Assets			
Cash and pooled investments	\$ 43,522	510,336	553,858
Receivables:			
Property tax:			
Delinquent	2,892	-	2,892
Succeeding year	530,209	-	530,209
Due from other funds	6,333	-	6,333
Total assets	\$ 582,956	510,336	1,093,292
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 530,209	-	530,209
Fund balances:			
Restricted for:			
Debt service	52,747	510,336	563,083
Total liabilities and fund balances	\$ 582,956	510,336	1,093,292

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2012

	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 218,181	-	218,181
Other	-	17,506	17,506
Total revenues	218,181	17,506	235,687
Expenditures:			
Support services:			
Administration	17,000	-	17,000
Other expenditures:			
Long-term debt:			
Principal	130,000	100,000	230,000
Interest and fiscal charges	104,151	174,488	278,639
Total expenditures	251,151	274,488	525,639
Deficiency of revenues under expenditures	(32,970)	(256,982)	(289,952)
Other financing sources:			
Transfer in	-	255,152	255,152
Bond refunding issuance	1,995,000	-	1,995,000
Discount on refunding bond issuance	(15,960)	-	(15,960)
Payment to escrow	(1,938,014)	-	(1,938,014)
Total other financing sources	41,026	255,152	296,178
Net change in fund balances	8,056	(1,830)	6,226
Fund balances beginning of year	44,691	512,166	556,857
Fund balances end of year	\$ 52,747	510,336	563,083

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,488	1,047	1,621	914
Vocal Music	1,961	699	1,677	983
Instrumental Music	849	913	1,035	727
Music Resale	1,942	1,569	1,520	1,991
Band	424	-	-	424
Boys Basketball	1,832	1,909	1,711	2,030
Athletics	8,378	87,414	88,135	7,657
Golf	493	-	-	493
Girls Basketball	2,319	14,735	13,458	3,596
Elementary Student Council	865	1,856	2,163	558
Volleyball	(33)	2,533	1,863	637
Boys Track	300	455	721	34
Tennis	(110)	110	-	-
Football	3,235	9,016	8,115	4,136
Cross Country	469	-	-	469
Baseball	2,792	21,347	19,327	4,812
Girls Track	587	2,767	2,308	1,046
Wrestling	1,375	1,322	322	2,375
Softball	757	5,585	6,155	187
Junior High Student Council	223	234	32	425
Pop	2,824	692	354	3,162
Student Council	291	1,803	1,919	175
Shop	162	-	-	162
Pictures Interest	-	1,312	1,312	-
Home Ec	171	-	-	171
Art	141	56	-	197
Student Ambassadors	(32)	32	-	-
National Honor Society	169	-	159	10
Dance	1,303	2,338	2,040	1,601
Linn Grove	103	2,270	2,051	322
Math Resale	-	261	87	174
Class of 2011	201	-	201	-
Class of 2012	(79)	94	15	-
Class of 2013	1,666	6,659	7,696	629
Class of 2014	452	-	-	452
Class of 2015	773	210	-	983
Class of 2016	414	-	-	414
Class of 2017	-	550	-	550
Share the vision	844	-	844	-
Annual	17,665	4,761	4,460	17,966
Wrestling Cheerleaders	627	103	95	635
FB/BB Cheerleaders	2,855	12,551	12,541	2,865
Grid Iron Football	150	-	150	-
Pink Out	500	6,446	6,246	700
General Activities	200	474	624	50
Total	\$ 61,546	194,123	190,957	64,712

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,880,710	2,751,364	2,382,621	2,199,499	2,104,531	2,020,429	1,828,027	1,782,209	1,468,089
Tuition	558,232	527,169	685,781	608,670	500,882	346,166	268,793	193,115	237,180
Other	349,084	342,290	333,415	287,204	299,851	277,391	257,101	274,261	228,111
State sources	2,839,119	2,776,430	2,393,631	2,718,850	2,653,668	2,535,980	2,256,776	2,278,432	2,197,005
Federal sources	242,275	290,887	457,552	222,901	141,168	163,723	387,275	304,235	186,085
Total	\$ 6,869,420	6,688,140	6,253,000	6,037,124	5,700,100	5,343,689	4,997,972	4,832,252	4,316,470
Expenditures:									
Current:									
Instruction:									
Regular	\$ 2,565,491	2,410,146	2,676,284	2,560,160	2,196,803	2,091,929	1,919,119	1,802,790	1,824,800
Special	629,813	687,416	690,996	758,459	632,249	524,806	592,288	645,026	422,627
Other	579,381	570,249	363,336	314,631	487,519	405,925	346,799	358,071	367,606
Support services:									
Student	121,256	113,896	92,463	134,847	142,225	140,778	103,331	93,793	89,627
Instructional staff	68,333	49,383	33,212	37,821	42,106	41,249	58,315	60,109	57,935
Administration	624,560	534,354	726,635	831,298	558,761	573,015	522,627	461,959	519,924
Operation and maintenance of plant	543,102	480,177	496,783	647,045	529,581	607,604	442,073	418,060	348,965
Transportation	276,662	260,133	289,384	395,251	293,594	271,562	264,664	208,206	197,403
Other expenditures:									
Capital Outlay	25,325	56,352	3,487,168	241,349	104,111	179,494	390,091	2,501,314	231,636
Long-term debt:									
Principal	230,000	125,000	120,000	115,000	110,000	105,000	100,000	47,985	12,360
Interest and fiscal charges	278,639	267,323	203,369	100,722	105,673	110,398	115,646	176,478	1,274
AEA flow-through	186,330	204,930	203,315	178,130	170,406	159,775	141,717	140,879	139,942
Total	\$ 6,128,892	5,759,359	9,382,945	6,314,713	5,373,028	5,211,535	4,996,670	6,914,670	4,218,982

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(A Professional Corporation)

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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
Martensdale-St Marys Community School District:

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 Martensdale-St Marys Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2013. 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.

Internal Control Over Financial Reporting

The management of Martensdale-St. Mary's Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Martensdale-St Marys Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Martensdale-St Marys Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Martensdale-St Marys Community School District's internal control over financial reporting.

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

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 deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 through I-D-12 to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martensdale-St Marys Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Martensdale-St Marys Community School District and other parties to whom Martensdale-St Marys Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Martensdale-St Marys 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.

February 19, 2013

MARTENSDALE-ST. MARYS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30 2012

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - We will investigate available alternatives and implement them as soon as possible. The Business Manager reviews reports monthly with the Superintendent.

Conclusion - Response accepted.

I-B-12 Supporting Documentation - We noted during our audit that several disbursements from the Activity Fund lacked sufficient invoices to be used as supporting documentation.

Recommendation - Documentation provides a financial record of each disbursement and therefore ensures the accuracy and completeness of transactions. If an invoice is not available, the District should have additional procedures for approval. The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District and its Administration will make the necessary adjustments and modifications and will develop specific procedures in the event an invoice is not available for activity account procedures.

Conclusion - Response accepted.

I-C-12 Accounts Utilizing the District's Federal Identification Number - We noted during our audit, that the District has two bank accounts that were created using the District's Federal Identification Number but were not being maintained on the District's financial statements. Through discussion with District officials, it was determined that the two bank accounts were not owned by the District, but rather by outside organizations associated with the District.

Recommendation - The District should contact the bank and have them contact the owners of these accounts and correct the Federal Identification Number to that of the owners of the accounts. The District should not allow other organizations to use its Federal Identification Number. The District should research any unfamiliar accounts and take necessary steps to remedy the situation.

Response - The District has contacted the bank and the owners of the two accounts. One account has been removed from the District's Federal Identification Number. The other account is a scholarship account and has been added to the District's financial statements.

Conclusion - Response accepted.

- I-D-12 Supporting Documentation for Meal Money - We noted during our audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

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

Response - The District immediately put into place a spreadsheet that is signed off by the coach or sponsor who received the cash and the amount, the students will sign off on what they have received and what cash was refunded.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 did not exceed budgeted amounts in any of the functional areas.

- II-B-12 Questionable Disbursements We noted during our audit that the District purchased gift cards for individual students from the Student Activity Fund. These gift cards were given to students as incentive prizes for a fundraiser. These disbursements do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District addressed the purchasing of gift cards with the administration and this practice will be discontinued immediately.

Conclusion - Response accepted.

- II-C-12 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-12 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-12 Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.

- II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed timely to the Iowa Department of Education.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 364,937
Revenues/transfers in:		
Sales tax revenues		<u>386,822</u>
		751,759
Expenditures/transfers out:		
Equipment	\$ 19,320	
Other	2,885	
Transferred to other funds:		
Debt service fund	<u>255,152</u>	<u>277,357</u>
Ending Balance		<u><u>\$ 474,402</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the code of Iowa.