

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis (MD&A)	7-15
Basic Financial Statements:	<u>Exhibit</u>
District-Wide Financial Statements:	
Statement of Net Assets	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 25
Statement of Cash Flows	I 26
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 27
Statement of Changes in Fiduciary Net Assets	K 28
Notes to Financial Statements	29-41
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	44
Notes to Required Supplementary Information - Budgetary Reporting	45
Schedule of Funding Progress for the Retiree Health Plan	46
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 49
Capital Project Accounts:	
Combining Balance Sheet	3 50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4 51
Schedule of Changes in Student Activity Accounts	5 52
Combining Balance Sheet, Fiduciary Fund Private Purpose Trust	6 53
Combining Statement of Additions, Deductions, and Changes in Net Assets, Fiduciary Fund, Private Purpose Trust	7 54
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8 55
Schedule of Revenues by Source and Expenditures by Function for the Last Eight Years	9 56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	57-58
Schedule of Findings	59-62

St. Ansgar Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Charlotte Gordon	President	2011
Bryan Shupe	Vice President	2013
Gene Hertel	Board Member	2011
Tara Bork	Board Member	2013
Pat Wagner	Board Member	2013
	(Resigned August 2011)	
Matt Hanna	Board Member	2013
	(Appointed August 2011)	
Steve Groth	Board Member	2011
Ed Kleinwort	Board Member	2013
(After September 2011 Election)		
Charlotte Gordon	President	2015
Gene Hertel	Vice President	2015
Ed Kleinwort	Board Member	2013
Matt Hanna	Board Member	2013
Bryan Shupe	Board Member	2013
Steve Groth	Board Member	2015
Tara Bork	Board Member	2013
School Officials		
Jody Gray	Superintendent	2012
Lisa Groth	Business Manager/District Secretary	2012
Patrick Rourick	Attorney	2012

ST. ANSGAR 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
St. Ansgar 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 St. Ansgar Community School District, St. Ansgar, Iowa, 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. 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 St. Ansgar Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2013 on our consideration of St. Ansgar 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

Members American Institute & Iowa Society of Certified Public Accountants

through 15 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Ansgar 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 four years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 9 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The St. Ansgar Community School District provides the 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 decreased from \$6,825,816 in fiscal 2011 to \$6,578,490 in fiscal 2012, while General Fund expenditures increased from \$5,981,876 in fiscal 2011 to \$6,111,281 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$2,503,473 in fiscal 2011 to \$2,970,682 in fiscal 2012, an 18.66% increase from the prior year.
- The decrease in General Fund revenues was attributable to decreases in property tax in fiscal 2012. The increase in expenditures was due primarily to increases in expenses related to the instructional and support services functional area.
- Since the end of fiscal year 2006, the District's General Fund carryover balance has increased from a deficit \$312,513 to \$2,970,682 as of the end of fiscal year 2012.
- The District's solvency ratio (unassigned/general fund revenues) increased from 33.35% for fiscal year 2011 to 43.45% for fiscal year 2012.

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 St. Ansgar 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 St. Ansgar 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 St. Ansgar Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds as well as the District's fiduciary fund, the Private Purpose Trust.

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

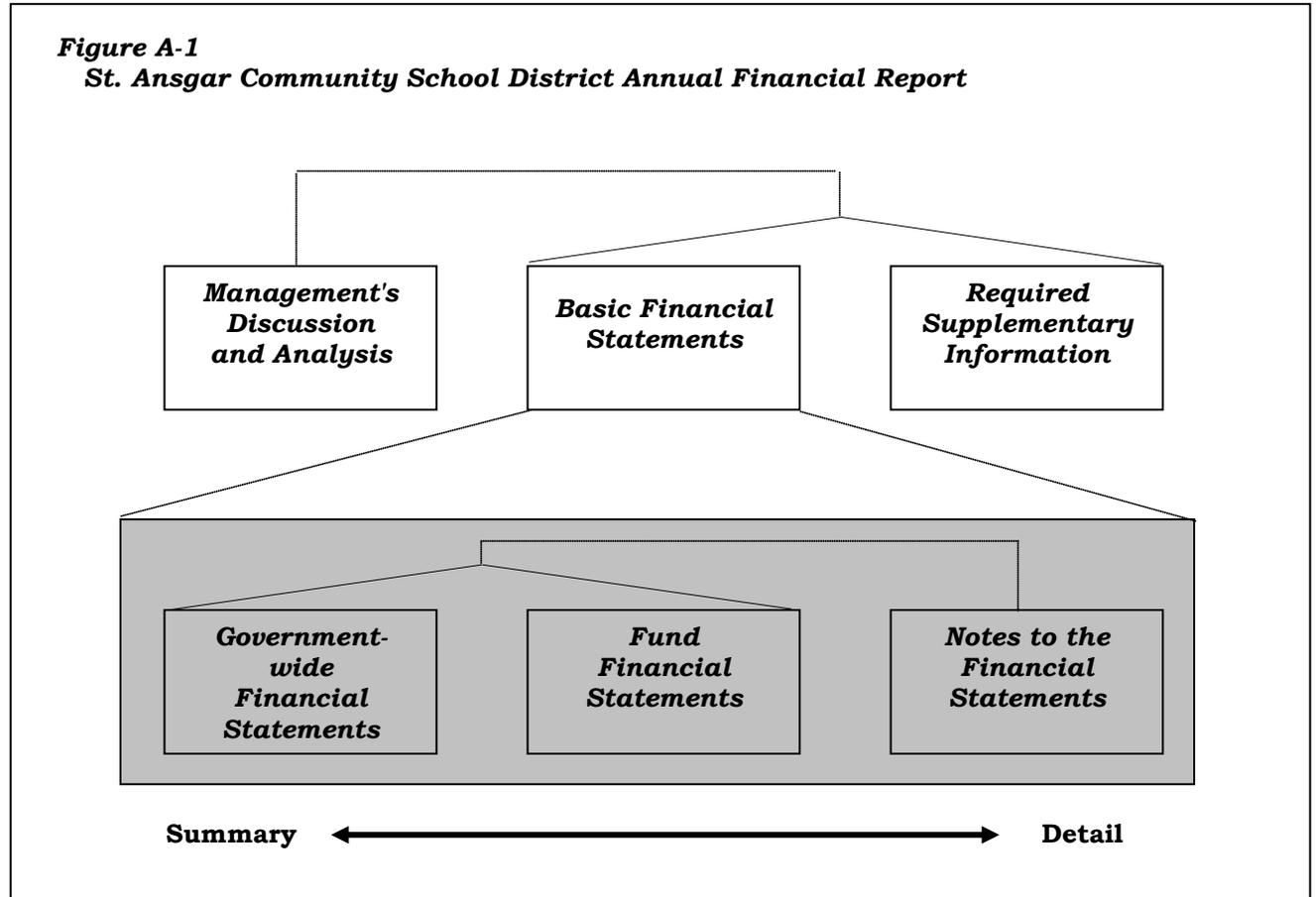


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

The District's internal service fund, another type of proprietary fund, is the same as its governmental activities, but provide more detail and additional information, such as cash flows. The District has one internal service fund for health insurance benefits.

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds for which the District administers and accounts for the FFA dues and fees.

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

The required financial statements for fiduciary funds include a statement of fiduciary net 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		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 8,594,016	8,473,037	59,795	72,634	8,653,811	8,545,671	1.27%
Capital assets	3,778,962	3,364,748	27,826	18,002	3,806,788	3,382,750	12.54%
Total assets	12,372,978	11,837,785	87,621	90,636	12,460,599	11,928,421	4.46%
Long-term obligations	992,674	1,178,496	6,623	4,234	999,297	1,182,730	-15.51%
Other liabilities	3,785,874	4,076,864	7,136	6,178	3,793,010	4,083,042	-7.10%
Total liabilities	4,778,548	5,255,360	13,759	10,412	4,792,307	5,265,772	-8.99%
Net assets:							
Invested in capital assets, net of related debt	2,933,962	2,279,748	27,826	18,002	2,961,788	2,297,750	28.90%
Restricted	1,836,693	1,863,649	0	0	1,836,693	1,863,649	-1.45%
Unrestricted	2,823,775	2,439,028	46,036	62,222	2,869,811	2,501,250	14.74%
Total net assets	\$ 7,594,430	6,582,425	73,862	80,224	7,668,292	6,662,649	15.09%

The District's combined net assets increased by 15.09%, or \$1,005,643, over the prior year. The largest portion of the District's net assets is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net 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 decreased 1.45%, or \$26,956, over the prior year. This decrease is due primarily to the decrease in the Capital Projects: Statewide Sales and Services Tax Fund.

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 \$368,561, or 14.74%. This is due in part to the increase in the General Fund balance.

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

Figure A-4
Changes in Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 753,740	747,708	179,073	185,840	932,813	933,548	-0.08%
Operating grants and contributions and restricted interest	558,817	637,841	147,520	134,013	706,337	771,854	-8.49%
Capital grants and contributions and restricted interest	34,094	11,283	13,411	0	47,505	11,283	321.03%
General revenues:							
Local tax	3,219,914	3,512,561	0	0	3,219,914	3,512,561	-8.33%
Statewide sales, services and use tax	487,031	469,077	0	0	487,031	469,077	3.83%
Unrestricted state grants	2,614,169	2,495,151	0	0	2,614,169	2,495,151	4.77%
Nonspecific program federal grants	120,666	77,196	0	0	120,666	77,196	56.31%
Other	62,472	119,077	165	9,674	62,637	128,751	-51.35%
Transfers	(1,435)	(8,626)	0	8,626	(1,435)	0	-100.00%
Total revenues and transfers	7,849,468	8,061,268	340,169	338,153	8,189,637	8,399,421	-2.50%
Program expenses:							
Governmental activities:							
Instructional	4,515,171	4,542,073	0	0	4,515,171	4,542,073	-0.59%
Support services	1,883,571	1,992,528	0	0	1,883,571	1,992,528	-5.47%
Non-instructional programs	13,411	0	346,531	342,703	359,942	342,703	5.03%
Other expenses	425,310	412,289	0	0	425,310	412,289	3.16%
Total expenses	6,837,463	6,946,890	346,531	342,703	7,183,994	7,289,593	-1.45%
Changes in net assets	1,012,005	1,114,378	(6,362)	(4,550)	1,005,643	1,109,828	-9.39%
Net assets beginning of year	6,582,425	5,468,047	80,224	84,774	6,662,649	5,552,821	19.99%
Net assets beginning of year	\$ 7,594,430	6,582,425	73,862	80,224	7,668,292	6,662,649	15.09%

In fiscal 2012, local tax and unrestricted state grants account for 74.32% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.01% of the revenue from business type activities.

The District's total revenues were approximately \$8.19 million of which approximately \$7.85 million was for governmental activities and approximately \$0.34 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.48% decrease in revenues and a 1.45% decrease in expenses. The decrease in expenditures can be attributed to a decrease in instructional and support services expenses.

Governmental Activities

Revenues for governmental activities were \$7,849,468 and expenses were \$6,837,463.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,515,171	4,542,073	-0.59%	3,482,357	3,439,596	1.24%
Support services	1,883,571	1,992,528	-5.47%	1,846,285	1,978,207	-6.67%
Non-instructional programs	13,411	0	100.00%	13,411	0	100.00%
Other expenses	425,310	412,289	3.16%	148,759	132,255	12.48%
Totals	<u>\$ 6,837,463</u>	<u>6,946,890</u>	<u>-1.58%</u>	<u>5,490,812</u>	<u>5,550,058</u>	<u>-1.07%</u>

- The cost financed by users of the District's programs was \$753,740.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$959,688.
- The net cost of governmental activities was financed with \$3,219,914 in local tax, \$487,031 in statewide sales, services and use tax, \$2,614,169 in unrestricted state grants, \$120,666 in nonspecific program federal grants, \$18,731 in interest income and \$42,306 in other revenues net of transfers.

Business Type Activities

Revenues of the District's business type activity were \$340,169 and expenses were \$346,531. The District's business type activity is the School Nutrition Fund and the FFA Farm Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the St. Ansgar 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 \$4,577,481, above last year's ending fund balances of \$4,140,063. The primary reason for the increase in combined fund balances is attributable to increases in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. A decrease in local source revenues was the cause of the decrease in General Fund revenues. Increased salary and benefits costs were the main contributing factor in the increase in fund expenditures. While revenue decreased and expenses increased, compared with prior year, the General Fund balance still increased from \$2,503,473 in 2011 to \$2,970,682 in 2012.

- The Capital Projects Fund balance decreased from a balance of \$1,112,515 at the beginning of the fiscal year 2012 to \$975,531. This decrease was a result of construction costs associated with the science building renovations.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$56,863 at June 30, 2011 to \$57,655 at June 30, 2012, representing an increase of approximately 1.39%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$35,685 more than budgeted revenues, a variance of 0.44%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$3,806,788, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 12.54% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$215,784.

The original cost of the District's capital assets was \$9,473,842. Governmental funds account for \$9,361,842 with the remainder of \$112,000 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in construction in progress. The District's construction in progress totaled \$183,092 at June 30, 2011 as compared to \$0 at June 30, 2012. This decrease is due to the District's science and family consumer science remodel, which was completed during the year and transferred into Buildings.

Figure A-6
Capital Assets, Net of Depreciation

	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	\$ 105,408	105,408	0	0	105,408	105,408	0.00%
Construction in progress	0	183,092	0	0	0	183,092	-100.00%
Buildings	3,246,570	2,743,432	0	0	3,246,570	2,743,432	18.34%
Land improvements	148,641	120,571	0	0	148,641	120,571	23.28%
Machinery and equipment	278,343	212,245	27,826	18,002	306,169	230,247	32.97%
Total	\$ 3,778,962	3,364,748	27,826	18,002	3,806,788	3,382,750	12.54%

Long-Term Debt

At June 30, 2012, the District had \$999,297 in general obligation, and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$845,000 at June 30, 2012.

The District had total outstanding Compensated Absences payable from the General Fund of \$20,751 at June 30, 2012.

The District had total outstanding Net OPEB liability payable from the General and Nutrition Funds totaling \$133,546 at June 30, 2012.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 845,000	1,085,000	0	0	845,000	1,085,000	-22.12%
Compensated absences	20,751	12,340	0	0	20,751	12,340	68.16%
Net OPEB obligation	126,923	81,156	6,623	4,234	133,546	85,390	56.40%
Total	\$ 992,674	1,178,496	6,623	4,234	999,297	1,182,730	-15.51%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District shared a Transportation Director with Riceville CSD during FY 12 to receive sharing incentive funds during FY 13. The District will not share this position after FY 12.
- The District shared a Food Service Director with Riceville CSD during FY 12 to reduce Hot Lunch costs for FY 12. The District will not share this position after FY 12.
- The financial health of the District has steadily improved over the past few years due to reductions made by the District and additional miscellaneous income. The District will strive to maintain the positive financial health of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Groth, Business Manager/District Secretary, St. Ansgar Community School District, 206 East 8th Street, St. Ansgar, Iowa, 50472.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENT

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 4,949,011	43,944	4,992,955
Receivables:			
Property tax:			
Delinquent	37,996	0	37,996
Succeeding year	2,890,399	0	2,890,399
Income surtax	204,399	0	204,399
Accounts	0	1,606	1,606
Accrued interest	340	0	340
Due from other governments	511,871	7,608	519,479
Inventories	0	6,637	6,637
Capital assets, net of accumulated depreciation	3,778,962	27,826	3,806,788
TOTAL ASSETS	12,372,978	87,621	12,460,599
LIABILITIES			
Accounts payable	336,102	67	336,169
Salaries and benefits payable	557,005	0	557,005
Accrued interest payable	2,368	0	2,368
Deferred revenue:			
Succeeding year property tax	2,890,399	0	2,890,399
Unearned revenue	0	7,069	7,069
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	250,000	0	250,000
Compensated absences payable	20,751	0	20,751
Portion due after one year:			
General obligation bonds payable	595,000	0	595,000
Net OPEB liability	126,923	6,623	133,546
TOTAL LIABILITIES	4,778,548	13,759	4,792,307
NET ASSETS			
Invested in capital assets, net of related debt	2,933,962	27,826	2,961,788
Restricted for:			
Categorical funding	221,804	0	221,804
School infrastructure	583,871	0	583,871
Physical plant and equipment	391,660	0	391,660
Management levy purposes	555,885	0	555,885
Student activities	83,473	0	83,473
Unrestricted	2,823,775	46,036	2,869,811
TOTAL NET ASSETS	\$ 7,594,430	73,862	7,668,292

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		Charges for Services	Interest	Interest			
Governmental activities:							
Instruction:							
Regular	\$ 3,017,053	307,115	138,274	0	(2,571,664)	0	(2,571,664)
Special	845,352	123,756	32,106	0	(689,490)	0	(689,490)
Other	652,766	295,028	136,535	0	(221,203)	0	(221,203)
	<u>4,515,171</u>	<u>725,899</u>	<u>306,915</u>	<u>0</u>	<u>(3,482,357)</u>	<u>0</u>	<u>(3,482,357)</u>
Support services:							
Student	163,515	0	0	0	(163,515)	0	(163,515)
Instructional staff	147,283	0	0	0	(147,283)	0	(147,283)
Administration	606,234	0	0	0	(606,234)	0	(606,234)
Operation and maintenance of plant	542,112	0	0	9,094	(533,018)	0	(533,018)
Transportation	424,427	27,841	351	0	(396,235)	0	(396,235)
	<u>1,883,571</u>	<u>27,841</u>	<u>351</u>	<u>9,094</u>	<u>(1,846,285)</u>	<u>0</u>	<u>(1,846,285)</u>
Non-instructional programs:							
Food service operations	13,411	0	0	0	(13,411)	0	(13,411)
Capital outlay	34,470	0	0	25,000	(9,470)	0	(9,470)
Long-term debt interest	35,518	0	0	0	(35,518)	0	(35,518)
Other expenses:							
AEA flowthrough	251,551	0	251,551	0	0	0	0
Depreciation (unallocated)*	103,771	0	0	0	(103,771)	0	(103,771)
	<u>425,310</u>	<u>0</u>	<u>251,551</u>	<u>25,000</u>	<u>(148,759)</u>	<u>0</u>	<u>(148,759)</u>
Total governmental activities	6,837,463	753,740	558,817	34,094	(5,490,812)	0	(5,490,812)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	339,377	179,073	147,520	13,411	0	627	627
FFA Farm	7,154	0	0	0	0	(7,154)	(7,154)
Total non-instructional programs:	<u>346,531</u>	<u>179,073</u>	<u>147,520</u>	<u>13,411</u>	<u>0</u>	<u>(6,527)</u>	<u>(6,527)</u>
Total	\$ 7,183,994	932,813	706,337	47,505	(5,490,812)	(6,527)	(5,497,339)
General Revenues and Transfers:							
General Revenues							
Local tax for:							
General purposes					\$ 2,735,188	0	2,735,188
Capital outlay					275,668	0	275,668
Income Surtax					209,058	0	209,058
Statewide sales, services and use tax					487,031	0	487,031
Unrestricted state grants					2,614,169	0	2,614,169
Nonspecific program federal grants					120,666	0	120,666
Unrestricted investment earnings					18,731	165	18,896
Other					43,741	0	43,741
Transfers					(1,435)	0	(1,435)
Total general revenues and transfers					<u>6,502,817</u>	<u>165</u>	<u>6,502,982</u>
Changes in net assets					1,012,005	(6,362)	1,005,643
Net assets beginning of year					<u>6,582,425</u>	<u>80,224</u>	<u>6,662,649</u>
Net assets end of year					<u>\$ 7,594,430</u>	<u>73,862</u>	<u>7,668,292</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 3,351,758	936,210	632,413	4,920,381
Receivables:				
Property tax				
Delinquent	32,137	3,309	2,550	37,996
Succeeding year	2,376,192	314,207	200,000	2,890,399
Income surtax	204,399	0	0	204,399
Accrued interest	340	0	0	340
Due from other governments	371,963	139,908	0	511,871
TOTAL ASSETS	\$ 6,336,789	1,393,634	834,963	8,565,386
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 228,511	103,896	3,695	336,102
Salaries and benefits payable	557,005	0	0	557,005
Deferred revenue:				
Succeeding year property tax	2,376,192	314,207	200,000	2,890,399
Income surtax	204,399	0	0	204,399
Total liabilities	3,366,107	418,103	203,695	3,987,905
Fund balances:				
Restricted for:				
Categorical funding	221,804	0	0	221,804
School infrastructure	0	583,871	0	583,871
Physical plant and equipment	0	391,660	0	391,660
Management levy purposes	0	0	555,885	555,885
Student activities	0	0	83,473	83,473
Unassigned:	2,748,878	0	(8,090)	2,740,788
Total fund balances	2,970,682	975,531	631,268	4,577,481
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,336,789	1,393,634	834,963	8,565,386

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR 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)	\$	4,577,481
 <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 in the governmental funds.		3,778,962
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		204,399
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		28,630
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,368)
Long-term liabilities, including general obligation bonds, compensated absences, and other postemployment benefits are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds.		<u>(992,674)</u>
Net assets of governmental activities(page 18)	\$	<u><u>7,594,430</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,765,666	762,698	201,027	3,729,391
Tuition	407,976	0	0	407,976
Other	175,548	21,016	285,853	482,417
State sources	2,988,143	1,242	105	2,989,490
Federal sources	239,042	25,000	0	264,042
Total revenues	<u>6,576,375</u>	<u>809,956</u>	<u>486,985</u>	<u>7,873,316</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,928,037	142,729	0	3,070,766
Special	831,736	0	1,515	833,251
Other	376,628	0	277,236	653,864
	<u>4,136,401</u>	<u>142,729</u>	<u>278,751</u>	<u>4,557,881</u>
Support services:				
Student	161,488	0	602	162,090
Instructional staff	146,057	0	244	146,301
Administration	600,970	6,939	11,130	619,039
Operation and maintenance of plant	430,556	20,000	80,325	530,881
Transportation	384,258	1,386	7,305	392,949
	<u>1,723,329</u>	<u>28,325</u>	<u>99,606</u>	<u>1,851,260</u>
Non-instructional programs:				
Food service operations	0	13,411	0	13,411
Capital outlay	0	486,357	0	486,357
Long-term debt:				
Principal	0	0	240,000	240,000
Interest and fiscal charges	0	0	36,118	36,118
Other expenditures:				
AEA flowthrough	251,551	0	0	251,551
	<u>251,551</u>	<u>486,357</u>	<u>276,118</u>	<u>1,014,026</u>
Total expenditures	<u>6,111,281</u>	<u>670,822</u>	<u>654,475</u>	<u>7,436,578</u>
Excess(Deficiency) of revenues over(under) expenditures	465,094	139,134	(167,490)	436,738
Other financing sources(uses):				
Transfer in	0	0	276,118	276,118
Transfer out	0	(276,118)	(1,435)	(277,553)
Sale of equipment	2,115	0	0	2,115
Total other financing sources(uses)	<u>2,115</u>	<u>(276,118)</u>	<u>274,683</u>	<u>680</u>
Net change in fund balances	467,209	(136,984)	107,193	437,418
Fund balance beginning of year	<u>2,503,473</u>	<u>1,112,515</u>	<u>524,075</u>	<u>4,140,063</u>
Fund balance end of year	<u>\$ 2,970,682</u>	<u>975,531</u>	<u>631,268</u>	<u>4,577,481</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR 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) \$ 437,418

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

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

Expenditures for capital assets	\$ 626,411	
Depreciation expense	(212,197)	414,214

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. 240,000

Net change in Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (3,603)

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. 600

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (22,446)

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.

Compensated absences	(8,411)	
Other postemployment benefits	(45,767)	(54,178)

Changes in net assets of governmental activities(page 19) \$ 1,012,005

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
	ASSETS			
Cash and pooled investments	\$ 27,737	16,207	43,944	28,630
Accounts receivable	1,606	0	1,606	0
Inventories	6,637	0	6,637	0
Due from other governments	7,608	0	7,608	0
Capital assets, net of accumulated depreciation	27,826	0	27,826	0
TOTAL ASSETS	71,414	16,207	87,621	28,630
LIABILITIES				
Accounts payable	67	0	67	0
Unearned revenue	7,069	0	7,069	0
Net OPEB liability	6,623	0	6,623	0
TOTAL LIABILITIES	13,759	0	13,759	0
NET ASSETS				
Invested in capital assets	27,826	0	27,826	0
Unrestricted	29,829	16,207	46,036	28,630
TOTAL NET ASSETS	\$ 57,655	16,207	73,862	28,630

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business-Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 179,073	0	179,073	0
TOTAL OPERATING REVENUES	179,073	0	179,073	0
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	125,948	0	125,948	0
Benefits	56,748	0	56,748	0
Services	3,719	0	3,719	3,636
Supplies	149,375	7,154	156,529	0
Depreciation	3,587	0	3,587	0
TOTAL OPERATING EXPENSES	339,377	7,154	346,531	3,636
OPERATING LOSS	(160,304)	(7,154)	(167,458)	(3,636)
NON-OPERATING REVENUES:				
Interest	165	0	165	33
State sources	3,323	0	3,323	0
Federal sources	144,197	0	144,197	0
TOTAL NON-OPERATING REVENUES	147,685	0	147,685	33
Net loss before other financing sources	(12,619)	(7,154)	(19,773)	(3,603)
Other financing sources:				
Capital contributions	13,411	0	13,411	0
Change in net assets	792	(7,154)	(6,362)	(3,603)
Net assets beginning of year	56,863	23,361	80,224	32,233
Net assets end of year	\$ 57,655	16,207	73,862	28,630

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 179,916	0	179,916	0
Cash payments to employees for services	(180,307)	0	(180,307)	0
Cash payments to suppliers for goods or services	(138,055)	(7,307)	(145,362)	(3,716)
Net cash provided used in operating activities	(138,446)	(7,307)	(145,753)	(3,716)
Cash flows from non-capital financing activities:				
State grants received	3,323	0	3,323	0
Federal grants received	129,057	0	129,057	0
Net cash provided by non-capital financing activities	132,380	0	132,380	0
Cash flows from investing activities:				
Interest on investments	165	0	165	33
Net increase(decrease) in cash and cash equivalents	(5,901)	(7,307)	(13,208)	(3,683)
Cash and cash equivalents at beginning of year	33,638	23,514	57,152	32,313
Cash and cash equivalents at end of year	\$ 27,737	16,207	43,944	28,630
Reconciliation of operating loss to net cash provided by(used in) operating activities:				
Operating loss	\$ (160,304)	(7,154)	(167,458)	(3,636)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	15,140	0	15,140	0
Depreciation	3,587	0	3,587	0
Decrease in inventories	127	0	127	0
Increase in accounts receivable	(496)	0	(496)	0
Decrease in accounts payable	(228)	(153)	(381)	(80)
Increase in unearned revenue	1,339	0	1,339	0
Increase in other postemployment benefits	2,389	0	2,389	0
Net cash provided by(used in) operating activities	\$ (138,446)	(7,307)	(145,753)	(3,716)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$15,140.

During the year ended June 30, 2012, the School Nutrition Fund received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund of \$13,411.

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 153,609	31
TOTAL ASSETS	<u>153,609</u>	<u>31</u>
LIABILITIES		
Due to other groups	0	31
TOTAL LIABILITIES	<u>0</u>	<u>31</u>
NET ASSETS		
Restricted for scholarships	153,609	0
TOTAL NET ASSETS	<u>\$ 153,609</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Donations	\$	1,300
Interest		2,841
Stock dividends		48
Total additions		4,189
Deductions:		
Non-instructional programs:		
Scholarships awarded		7,465
Total deductions		7,465
Change in net assets before other financing sources		(3,276)
Other financing sources:		
Transfer in		1,435
Change in net assets		(1,841)
Net assets beginning of year		155,450
Net assets end of year	\$	153,609

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) **Summary of Significant Accounting Policies**

The St. Ansgar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of St. Ansgar, Carpenter, Stacyville and Grafton Iowa, and the predominate agricultural territory of Worth and Mitchell County. 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, St. Ansgar 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 St. Ansgar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Worth and Mitchell County 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the Enterprise, School Nutrition Fund, FFA Farm Fund and the Internal Service Fund. The Nutrition Fund is used to account for the food service operations of the District and the FFA Farm Fund is used to account for the operations of the District's FFA Farming operations program.

The District also reports one fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in

the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	25,000
Machinery and equipment:	
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	20-50 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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 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.

Investments in common stock are stated at the approximate fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2012, the District's investment in common stock is the following:

Name of Stock	Number of Shares	Fair Value
Coca Cola	33	\$1,290
Principal Financial Group	471	\$12,354
Dominion Resources, Inc.	114	\$6,156
Total	<u>618</u>	<u>\$19,800</u>

(3) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Statewide Sales, Services and Use Tax	\$ 276,118
Private-Purpose Trust	Activity Fund	1,435
Total		<u>\$ 277,553</u>

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

The transfer from the Activity Fund to Private-Purpose Trust was to fund FFA scholarships awarded during the year.

(4) 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	\$ 105,408	0	0	105,408
Construction in progress	183,092	413,520	596,612	0
Total capital assets not being depreciated	<u>288,500</u>	<u>413,520</u>	<u>596,612</u>	<u>105,408</u>
Capital assets being depreciated:				
Buildings	5,130,495	596,612	0	5,727,107
Land improvements	174,845	38,367	0	213,212
Machinery and equipment	3,141,591	174,524	0	3,316,115
Total capital assets being depreciated	<u>8,446,931</u>	<u>809,503</u>	<u>0</u>	<u>9,256,434</u>
Less accumulated depreciation for:				
Buildings	2,387,063	93,474	0	2,480,537
Land improvements	54,274	10,297	0	64,571
Machinery and equipment	2,929,346	108,426	0	3,037,772
Total accumulated depreciation	<u>5,370,683</u>	<u>212,197</u>	<u>0</u>	<u>5,582,880</u>
Total capital assets being depreciated, net	<u>3,076,248</u>	<u>597,306</u>	<u>0</u>	<u>3,673,554</u>
Governmental activities capital assets, net	<u>\$ 3,364,748</u>	<u>1,010,826</u>	<u>596,612</u>	<u>3,778,962</u>
Business-type activities:				
Machinery and equipment	\$ 98,589	13,411	0	112,000
Less accumulated depreciation	80,587	3,587	0	84,174
Business type activities capital assets, net	<u>\$ 18,002</u>	<u>9,824</u>	<u>0</u>	<u>27,826</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 43,854
Special	4,651
Other	7,231
Support services:	
Administration	8,891
Operation and maintenance	10,736
Transportation	33,063
	<u>108,426</u>
Unallocated depreciation	<u>103,771</u>
Total governmental activities depreciation expense	<u>\$ 212,197</u>
Business-type activities:	
Food services	<u>\$ 3,587</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 1,085,000	0	240,000	845,000	250,000
Compensated Absences	12,340	20,751	12,340	20,751	20,751
Net OPEB liability	81,156	45,767	0	126,923	0
Total	<u>\$ 1,178,496</u>	<u>66,518</u>	<u>252,340</u>	<u>992,674</u>	<u>270,751</u>
Business type activities:					
Net OPEB liability	\$ 4,234	2,389	0	6,623	0

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rates	Bond Issue of March 24, 2004		
		Principal	Interest	Total
2013	3.15 %	\$ 250,000	28,418	278,418
2014	3.35	255,000	20,543	275,543
2015	3.50	240,000	12,000	252,000
2016	3.60	100,000	3,600	103,600
Total		<u>\$ 845,000</u>	<u>64,561</u>	<u>909,561</u>

Early Retirement

Early retirement benefits are offered during certain years at the discretion of the Board of Directors of the District. In years where early retirement is offered, benefits of the plan can also change by direction of the District's Board of Directors. The District did not offer early retirement in fiscal year 2012.

(6) 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 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 \$298,063, \$240,768 and \$221,763, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for retirees and their spouses. There are 63 active and 3 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 and prescription drug as active employees, which result 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's 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	\$ 55,678
Interest on net OPEB obligation	2,135
Adjustment to annual required contribution	(5,039)
Annual OPEB cost	<u>52,774</u>
Contributions made	(4,618)
Increase in net OPEB obligation	<u>48,156</u>
Net OPEB obligation beginning of year	<u>85,390</u>
Net OPEB obligation end of year	<u>\$ 133,546</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$4,618 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 47,730	10.35%	\$ 42,789
2011	48,637	12.47%	85,360
2012	52,774	8.75%	133,546

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 \$429,004, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$429,004. The covered payroll (annual payroll of active employees covered by the plan) was \$2,914,795, and the ratio of the UAAL to covered payroll was 14.7%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical plan for retirees under age 65 are illustrated per month in the following table.

	Target	Alternative 1	Alternative 2
Single	\$ 586.06	\$ 611.79	\$ 546.89
Family	1,465.16	1529.49	1367.24

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

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association(ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and long-term disability. District contributions to ISEBA for the year ended June 30, 2012 were \$738,453.

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

(9) 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 \$251,551 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.

(10) Property Lease

For fiscal year 2012, the District has a lease with the City of Grafton for rental of rooms for the District's alternative school. The rental payment for the year is \$7,000.

The District also rented a building from the city of Stacyville for \$4,000 a year. The building was used to house a preschool staffed and run by the District.

The District currently has a lease with Rosalee Lowe for rental of a storage facility for two buses that are kept in Stacyville. Payment is \$1,200 per year until either the District or the landlord terminates the lease.

The District currently has a lease with Darren Marsh and Mullenbach Rental for rental of storage facilities for District equipment. Payments are \$20 and \$75 per month respectively. The lease will remain in effect until either the District or the landlord terminates the lease.

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
LEP weighting	\$ 1,066
At-risk supplemental weighting	12,795
Gifted and talented	6,072
Dropout prevention	21,869
Basic salary	32,072
Professional development	113,160
Learning connections	1,137
Curriculum survey	797
Core curriculum	32,836
Total	<u>\$ 221,804</u>

(12) Deficit Balances

At June 30, 2012 the District had a negative balance in the HS Athletics - Unassigned Fund Balance within the Student Activity Fund of \$8,090.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

ST. ANSGAR 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 Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual		Actual	Actual	Variance
Revenues:						
Local sources	\$ 4,619,784	179,238	4,799,022	4,727,746	4,727,746	71,276
Intermediate sources	0	0	0	18,000	18,000	(18,000)
State sources	2,989,490	3,323	2,992,813	3,035,092	3,035,092	(42,279)
Federal sources	264,042	144,197	408,239	383,551	383,551	24,688
Total revenues	7,873,316	326,758	8,200,074	8,164,389	8,164,389	35,685
Expenditures:						
Instruction	4,557,881	0	4,557,881	4,631,000	4,631,000	73,119
Support services	1,851,260	0	1,851,260	2,097,000	2,297,000	445,740
Non-instructional programs	13,411	346,531	359,942	450,000	450,000	90,058
Other expenditures	1,014,026	0	1,014,026	1,658,349	1,658,349	644,323
Total expenditures/expenses	7,436,578	346,531	7,783,109	8,836,349	9,036,349	1,253,240
Excess(Deficiency) of revenues over(under) expenditures/expenses	436,738	(19,773)	416,965	(671,960)	(871,960)	1,288,925
Other financing sources, net	680	13,411	14,091	0	0	14,091
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	437,418	(6,362)	431,056	(671,960)	(871,960)	1,303,016
Balance beginning of year	4,140,063	80,224	4,220,287	4,443,021	4,443,021	222,734
Balance end of year	\$ 4,577,481	73,862	4,651,343	3,771,061	3,571,061	1,525,750

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$200,000.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2010	July 1, 2009	-	\$ 453,786	\$ 453,786	0.0%	\$ 2,920,813	15.5%
2011	July 1, 2009	-	453,786	453,786	0.0%	2,905,350	15.6%
2012	July 2, 2009	-	429,004	429,004	0.0%	2,914,795	14.7%

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

SUPPLEMENTARY INFORMATION

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total Special Revenue Funds
ASSETS			
Cash and pooled investments	\$ 554,839	77,574	632,413
Receivables:			
Property tax			
Delinquent	2,550	0	2,550
Succeeding year	200,000	0	200,000
TOTAL ASSETS	\$ 757,389	77,574	834,963
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,504	2,191	3,695
Deferred revenue:			
Succeeding year property tax	200,000	0	200,000
Total liabilities	201,504	2,191	203,695
Fund balances:			
Restricted for:			
Management levy purposes	555,885	0	555,885
Student activities	0	83,473	83,473
Unassigned	0	(8,090)	(8,090)
Total fund balances	555,885	75,383	631,268
TOTAL LIABILITIES AND FUND BALANCES	\$ 757,389	77,574	834,963

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total	Debt Service	Other
			Special Revenue Funds		Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 201,027	0	201,027	0	201,027
Other	9,271	276,582	285,853	0	285,853
State sources	105	0	105	0	105
TOTAL REVENUES	210,403	276,582	486,985	0	486,985
EXPENDITURES:					
Current:					
Instruction:					
Special	0	1,515	1,515	0	1,515
Other	0	277,236	277,236	0	277,236
Support services:					
Student Services	602	0	602	0	602
Instructional staff	0	244	244	0	244
Administration	11,130	0	11,130	0	11,130
Operation and maintenance of plant	79,983	342	80,325	0	80,325
Transportation	7,305	0	7,305	0	7,305
Long-term debt:					
Principal	0	0	0	240,000	240,000
Interest and fiscal charges	0	0	0	36,118	36,118
TOTAL EXPENDITURES	99,020	279,337	378,357	276,118	654,475
Excess(Deficiency) of revenues over(under) expenditures	111,383	(2,755)	108,628	(276,118)	(167,490)
Other financing sources:					
Transfers in	0	0	0	276,118	276,118
Transfers out	0	(1,435)	(1,435)	0	(1,435)
Total other financing sources	0	(1,435)	(1,435)	276,118	274,683
Net change in fund balance	111,383	(4,190)	107,193	0	107,193
Fund balances beginning of year	444,502	79,573	524,075	0	524,075
Fund balances end of year	\$ 555,885	75,383	631,268	0	631,268

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR 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	\$ 542,605	393,605	936,210
Receivables:			
Delinquent	0	3,309	3,309
Succeeding year	0	314,207	314,207
Due from other governments	114,908	25,000	139,908
Total assets	\$ 657,513	736,121	1,393,634
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 73,642	30,254	103,896
Deferred revenue			
Succeeding year property tax	0	314,207	314,207
Total liabilities	73,642	344,461	418,103
Fund balances:			
Restricted for:			
School infrastructure	583,871	0	583,871
Physical plant and equipment	0	391,660	391,660
Total fund balances	583,871	391,660	975,531
Total liabilities and fund balances	\$ 657,513	736,121	1,393,634

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT 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	\$ 487,031	275,667	762,698
Other	2,993	18,023	21,016
State sources	0	1,242	1,242
Federal sources	0	25,000	25,000
TOTAL REVENUES	490,024	319,932	809,956
EXPENDITURES:			
Current:			
Instruction:			
Regular	74,780	67,949	142,729
Support services:			
Administration	0	6,939	6,939
Operation and maintenance of plant	0	20,000	20,000
Transportation	0	1,386	1,386
Non-instructional programs:			
Food service operations	0	13,411	13,411
Other expenditures:			
Facilities acquisitions	280,668	205,689	486,357
TOTAL EXPENDITURES	355,448	315,374	670,822
Excess of revenues over expenditures	134,576	4,558	139,134
Other financing uses:			
Transfers out	(276,118)	0	(276,118)
Net change in fund balance	(141,542)	4,558	(136,984)
Fund balances beginning of year	725,413	387,102	1,112,515
Fund balances end of year	\$ 583,871	391,660	975,531

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ST. ANSGAR 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	Interfund and Intrafund Transfers	Balance End of Year
Drama	\$ 7,222	3,454	4,585	16	6,107
Speech	1,112	0	676	16	452
Vocal Music	913	4,602	5,989	2,521	2,047
Choir Robes	2,187	1,237	0	0	3,424
Band and Choir Trip	6,080	20,712	13,540	0	13,252
Vocal Music Activities	6,790	1,901	0	0	8,691
Instrument Rent	6	30	341	310	5
High School Band	64	480	2,754	2,493	283
Middle School Band	3	0	0	0	3
Band Uniforms	587	453	60	(273)	707
Music Concessions	637	10,341	5,975	(4,775)	228
Cheerleaders	4,526	5,428	6,767	(311)	2,876
Baseball	6,047	9,938	9,822	0	6,163
Softball	1,471	5,690	4,808	523	2,876
HS Athletics	1,306	93,648	102,341	7,387	0
HS Athletics - unassigned	0	0	0	(8,090)	(8,090)
MS Athletics	217	2,577	5,980	3,186	0
MS Student Council	141	1,866	1,829	16	194
HS Student Council	920	663	894	16	705
Elem. Student Council	122	1,638	211	16	1,565
Annual	2,910	4,930	8,351	2,122	1,611
Art Club	1,971	0	343	0	1,628
German Club	33	11,510	11,460	16	99
Industrial Arts Club	4,496	510	1,673	16	3,349
Revolving Shop - MS	282	0	0	0	282
MS Activities	79	0	0	0	79
Class of 2012	9,550	0	0	(9,550)	0
Class of 2013	103	32,856	22,263	245	10,941
Class of 2015	2,244	0	0	(2,244)	0
Class of 2016	0	0	5,300	7,443	2,143
FCCLA	1,070	20	185	16	921
Saints Pride	303	0	0	0	303
Student Book Club	8	257	0	0	265
FFA stock	1,743	0	0	0	1,743
FFA	7,154	52,320	53,768	(1,419)	4,287
Student Activities	0	3,257	2,546	(711)	0
Milk Machines	1,519	1,311	1,028	(500)	1,302
Towel Rental	0	3,153	3,153	0	0
Insurance	0	63	63	0	0
Petty Cash	100	0	0	0	100
Community Education	218	0	0	0	218
Student Extended Learning	460	0	262	0	198
Computer Club	994	1,537	705	0	1,826
Robotics Club	70	0	150	80	0
Special Olympics	3,915	200	1,515	0	2,600
Total	\$ 79,573	276,582	279,337	(1,435)	75,383

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 JUNE 30, 2012

Private Purpose Trust - Scholarship Fund									
	Kulik	Ramsay	Sheka	Arnold	Maurine Moore	Vocal Music	Band	FFA	Total
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Memorials	Memorials	Scholarship	
ASSETS									
Cash and pooled investments	\$ 9,984	10,920	20,628	103,406	6,921	225	225	1,300	153,609
TOTAL ASSETS	9,984	10,920	20,628	103,406	6,921	225	225	1,300	153,609
LIABILITIES									
	0	0	0	0	0	0	0	0	0
NET ASSETS									
Restricted for scholarships	9,984	10,920	20,628	103,406	6,921	225	225	1,300	153,609
TOTAL NET ASSETS	\$ 9,984	10,920	20,628	103,406	6,921	225	225	1,300	153,609

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF ADDITIONS, DEDUCTIONS AND
 CHANGES IN NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund								Total
	Kulik Scholarship	Ramsay Scholarship	Sheka Scholarship	Arnold Scholarship	Maurine	Vocal	Band Memorials	FFA Scholarship	
					Moore Scholarship	Music Memorials			
Additions:									
Local sources:									
Donations	\$ 0	0	0	0	0	0	0	1,300	1,300
Interest	156	47	402	2,126	110	0	0	0	2,841
Stock dividends	48	0	0	0	0	0	0	0	48
TOTAL ADDITIONS	204	47	402	2,126	110	0	0	1,300	4,189
DEDUCTIONS:									
Non-instructional programs:									
Scholarships awarded	1,180	350	500	4,000	0	0	0	1,435	7,465
Excess(deficiency) of revenues over(under) expenditures	(976)	(303)	(98)	(1,874)	110	0	0	(135)	(3,276)
OTHER FINANCING SOURCES:									
Transfer in	0	0	0	0	0	0	0	1,435	1,435
Change in net assets	(976)	(303)	(98)	(1,874)	110	0	0	1,300	(1,841)
Net assets beginning of year	10,960	11,223	20,726	105,280	6,811	225	225	0	155,450
Net assets end of year	\$ 9,984	10,920	20,628	103,406	6,921	225	225	1,300	153,609

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>FFA</u>				
ASSETS				
Cash and pooled investments	\$ 1,583	4,796	6,348	31
LIABILITIES				
Accounts payable	\$ 1,005	0	1,005	0
Due to other groups	578	4,796	5,343	31
	\$ 1,583	4,796	6,348	31

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR 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	\$ 3,729,391	3,992,675	3,727,641	3,679,077	3,651,327	3,326,800	3,146,241	2,885,208	2,939,844
Tuition	407,976	373,940	308,778	352,628	310,045	211,470	183,288	128,749	132,425
Other	482,417	575,049	562,274	605,150	524,160	533,807	472,661	361,648	295,047
Intermediate sources	0	5,000	5,000	6,000	5,000	0	0	0	0
State sources	2,989,490	2,904,753	2,580,760	3,009,217	3,092,944	2,956,993	2,771,584	2,767,428	2,410,644
Federal sources	264,042	229,514	485,434	195,796	122,340	156,961	147,855	171,815	142,765
Total	\$ 7,873,316	8,080,931	7,669,887	7,847,868	7,705,816	7,186,031	6,721,629	6,314,848	5,920,725
Expenditures:									
Instruction:									
Regular	\$ 3,070,766	2,720,407	2,819,866	3,141,931	2,894,492	3,188,377	2,939,467	2,764,925	2,633,020
Special	833,251	699,545	822,001	794,433	659,961	717,157	671,818	691,043	664,163
Other	653,864	1,093,416	721,737	616,562	869,642	593,694	685,481	577,227	532,842
Support services:									
Student	162,090	138,027	135,058	69,315	133,895	127,565	122,449	115,147	114,685
Instructional staff	146,301	136,112	124,221	98,714	91,124	209,929	187,880	129,933	181,098
Administration	619,039	548,581	499,346	589,566	671,303	746,539	670,406	549,271	525,642
Operation and maintenance of plant	530,881	546,969	469,660	429,654	435,533	451,359	477,599	484,627	433,465
Transportation	392,949	394,861	348,804	372,720	423,135	366,153	367,380	304,032	319,713
Non-instructional programs	13,411	6,113	0	0	0	1,072	1,778	434	1,844
Other expenditures:									
Facilities acquisitions	486,357	357,376	91,942	187,753	237,707	327,064	139,833	121,152	116,718
Long-term debt:									
Principal	240,000	230,000	225,000	220,000	215,000	210,000	205,000	2,435,000	140,000
Interest and fiscal charges	36,118	42,508	48,195	53,365	57,772	61,342	63,710	196,094	210,835
AEA flow-through	251,551	280,034	278,690	238,867	233,639	226,566	212,020	211,638	211,147
Total	\$ 7,436,578	7,193,949	6,584,520	6,812,880	6,923,203	7,226,817	6,744,821	8,580,523	6,085,172

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
St. Ansgar 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 St. Ansgar 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 March 15, 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 St. Ansgar Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered St. Ansgar Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Ansgar Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Ansgar 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 that we consider to be material weaknesses.

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 on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-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 attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Ansgar 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.

St. Ansgar 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 St. Ansgar 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 St. Ansgar Community School District and other parties to whom St. Ansgar 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 St. Ansgar 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.

March 15, 2013

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the 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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. We also noted that only one person enters payroll contracts into the system.

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 are always looking for ways to improve our internal controls and are willing to make changes that improve our situation that are within reason. We will have a separate employee verify contracts and hourly rates that are entered into the payroll system annually.

Conclusion - Response accepted.

I-B-12 Timesheets - We noted that timesheets are not approved by the appropriate supervisor. Better internal controls are achieved if the timesheets are approved before being turned in.

Recommendation - Have the appropriate supervisor approve time sheets before they are turned in.

Response - We will have supervisors approve time cards before they are turned in.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - During the year ended June 30, 2012, District expenditures did not exceed the amounts budgeted.

II-B-12 Questionable Disbursement - We noted the annual fire alarm inspection fee of \$1,886 was paid from the Capital Projects: Statewide Sales, Service and Use Tax Fund. Per chapter 298.3 of the Code of Iowa maintenance items are not to be paid from fund Capital Projects: Statewide Sales, Service and Use Tax Fund.

Recommendation - The expenditure should be transferred and recorded in a more appropriate fund.

Response - The fire alarm inspection bill was transferred to the operating fund. This type of bill will be paid from the operating fund in the future.

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 - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ed Kleinwort, Board Member Shareholder in St. Ansgar Mills	Purchased service	\$574
Joni DeMaris, Secretary Spouse is owner of Al's Electric	Purchased service	\$4,847
Rosalee Lowe, Bus Driver	Building rent	\$1,200
Diann Tabbert, Cook Owner of Country Cakes Etc.	Purchased service	\$374
Jennifer Nielsen, Aide Co-owner of Striking Designs	Purchased service	\$1,176
Dave Juhl, Transportation Director Jolene Juhl, Bus driver Mike Juhl, Sub bus driver Co-owners St Ansgar Landscaping	Purchased Services	\$1,941
Lisa Groth, Board Secretary Mother owns Thome's Grocery	Supplies	\$528

The above transaction with the Board Member does not appear to represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Joni DeMaris and mother of Lisa Groth do not appear to represent a conflict of interest.

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions with employees of the District do not appear to represent a conflict of interest.

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 - We noted a student was counted for special education, but was actually Osage's student. This results in an overstatement in the enrollment certified to the Department of Education of .72 students.

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

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

Conclusion - Response accepted.

II-H-12 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-12 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District received dividends from stock owned in Principal, Coca Cola and Dominion Resources Inc. These are instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

Recommendation - The District should sell the stock, and invest in an investment within compliance of the District policy number 704.3, Chapter 12B and Chapter 12C of the Code of Iowa.

Response - The District does not wish to sell the stock at the current time because of the downturn in the stock prices. When the stock prices rebound, the District will consider selling the stock. None of the stock was purchased by the District.

Conclusion - Response acknowledged. The District's investments in stock are in violation of Code of Iowa Chapters 12B and 12C.

II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-12 Categorical Funding - No instance were noted of categorical funding being 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, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 725,413
Revenues:		
Sales tax revenues	\$ 487,031	
Other local revenues	<u>2,993</u>	<u>490,024</u>
		1,215,437
Expenditures/transfers out:		
Instruction	\$ 74,780	
School infrastructure construction	276,196	
Other	4,472	
Transfers to other funds:		
Debt service fund	<u>276,118</u>	<u>631,566</u>
Ending balance		<u>\$ 583,871</u>

For the year ended June 30, 2012, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Debt service levy	<u>\$ 0.67000</u>	<u>\$ 183,816</u>

II-M-12 Board Policies - We did note several board policies that have not been updated in the past 5 years. Board policies should be reviewed by the board at least once every 5 years.

Recommendation - The Board should review policies to ensure they are up to date.

Response - The Board is currently reviewing the board policies.

Conclusion - Response accepted.

II-N-12 Financial Condition - During our audit we noted that the District had one account in the Student Activity Fund with deficit unassigned balance of \$8,090.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from this account.

Response - The District will work on limiting purchases to ensure this account has a positive balance at the end of the next fiscal year.

Conclusion - Response accepted.