

AMES COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

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Ames Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Dan Woodin	President	2015
Luke Deardorff	Vice President	2015
Mike Espeset	Board Member	2013
Teresa Simpson	Board Member	2015
Rodney Briggs	Board Member	2015
Willian Talbot	Board Member	2013
David Putz	Board Member	2013
School Officials		
Dr. Tim Taylor	Superintendent	2013
Karen Shimp	District Secretary/Treasurer and Chief Financial Officer	2013
Ahlers & Cooney, P.C.	Attorney	2013

AMES 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 Ames Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ames Community School District, Ames, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ames Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and the financial statements for the discretely presented component unit on pages 7 through 16 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ames Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2014 on our consideration of Ames Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ames Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 22, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Ames Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Fiscal 2013 General Fund expenditures exceeded revenues by approximately \$1.55 million resulting in a decrease in the fund balance from \$15.95 million to \$14.40 million. Revenues were \$43.94 million vs. \$51.66 million in fiscal 2012, and expenditures were \$45.49 million vs. \$45.95 million in fiscal 2012.
- The decrease in General Fund revenues occurred mainly in local sources received. The minimal decrease in expenditures occurred in the instruction and support services functional areas.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Ames 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 Ames 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 Ames Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

The Supplementary Information provides detailed information about the nonmajor governmental funds and the Capital Projects Accounts. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

Figure A-1
Ames Community School District Annual Financial Report

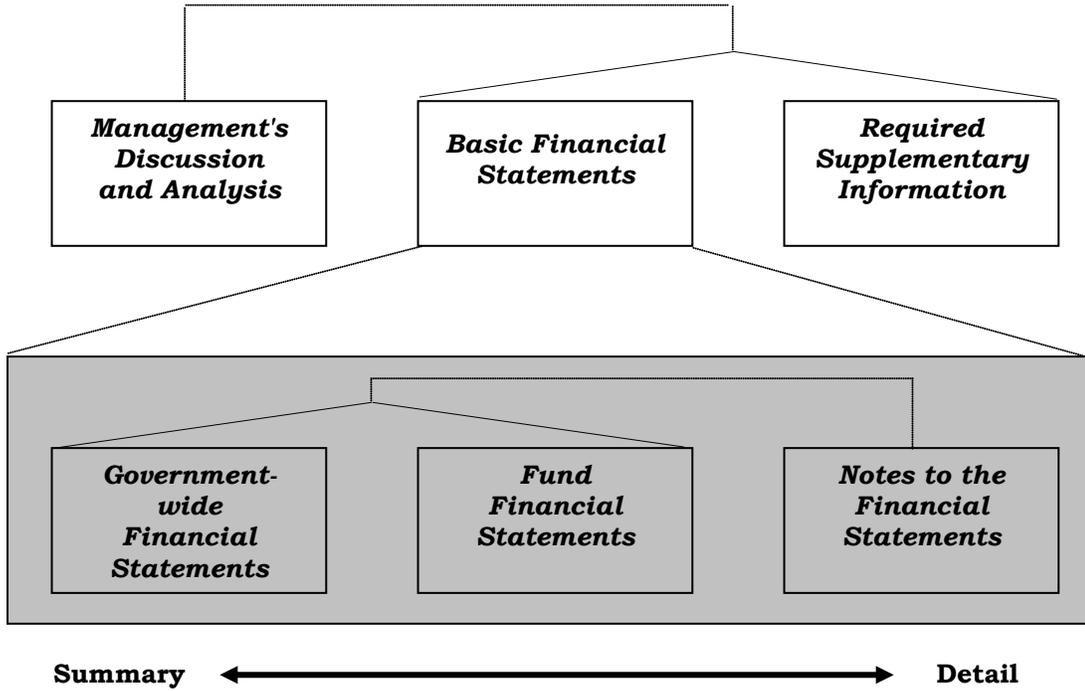


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

- Agency Funds – These are funds through which the District administers and accounts for certain outside groups.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3							
Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 105,953,959	70,890,504	392,137	349,486	106,346,096	71,239,990	49.28%
Capital assets	56,651,780	57,031,846	384,708	404,510	57,036,488	57,436,356	-0.70%
Total assets	162,605,739	127,922,350	776,845	753,996	163,382,584	128,676,346	26.97%
Long-term liabilities	29,859,963	8,048,044	-	1,719	29,859,963	8,049,763	270.94%
Other liabilities	39,929,450	38,272,399	52,035	52,982	39,981,485	38,325,381	4.32%
Total liabilities	69,789,413	46,320,443	52,035	54,701	69,841,448	46,375,144	50.60%
Net position:							
Invested in capital assets, net of related debt	56,562,110	50,782,310	384,708	404,510	56,946,818	51,186,820	11.25%
Restricted	17,707,364	11,467,992	-	-	17,707,364	11,467,992	54.41%
Unrestricted	18,546,852	19,351,605	340,102	294,785	18,886,954	19,646,390	-3.87%
Total net position	\$ 92,816,326	81,601,907	724,810	699,295	93,541,136	82,301,202	13.66%

The District's total net position increased by 13.66%, or \$11,239,934, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$6,239,372, or 54.41% over the prior year. The increase was primarily a result the improvement in Management Levy Fund and Capital Projects: Statewide Sales, Services and Use Tax Fund balances.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$759,436, or 3.87%. This decrease is due to the decrease in unassigned fund balance of the General Fund.

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

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and transfers:							
Program revenues:							
Charges for service	\$ 4,285,005	3,868,577	768,322	791,637	5,053,327	4,660,214	8.44%
Operating grants, contributions and restricted interest	3,964,640	4,428,920	727,843	703,045	4,692,483	5,131,965	-8.56%
Capital grants, contributions and restricted interest	23,700	28,722	-	25,747	23,700	54,469	-56.49%
General revenues:							
Property tax	30,338,260	29,700,803	-	-	30,338,260	29,700,803	2.15%
Income surtax	2,125,379	1,998,713	-	-	2,125,379	1,998,713	6.34%
Statewide sales, services and use tax	4,707,759	4,798,885	-	-	4,707,759	4,798,885	-1.90%
Unrestricted state grants	15,730,907	16,230,245	-	-	15,730,907	16,230,245	-3.08%
Nonspecific program federal grants	-	808,557	-	-	-	808,557	-100.00%
Unrestricted investment earnings	69,743	59,234	600	510	70,343	59,744	17.74%
Other	483,015	519,253	-	11,581	483,015	530,834	-9.01%
Gain on sale of real property(Note 14)	191,720	-	-	-	191,720	-	100.00%
Transfer	(63,230)	-	63,230	-	-	-	0.00%
Total revenues and transfers	<u>61,856,898</u>	<u>62,441,909</u>	<u>1,559,995</u>	<u>1,532,520</u>	<u>63,416,893</u>	<u>63,974,429</u>	<u>-0.87%</u>
Program expenses:							
Instruction	35,665,210	33,859,798	-	-	35,665,210	33,859,798	5.33%
Support services	11,273,697	14,500,932	77,302	80,250	11,350,999	14,581,182	-22.15%
Non-instructional programs	5,202	4,120	1,457,178	1,432,736	1,462,380	1,436,856	1.78%
Other expenses	3,698,370	3,591,870	-	-	3,698,370	3,591,870	2.97%
Total expenses	<u>50,642,479</u>	<u>51,956,720</u>	<u>1,534,480</u>	<u>1,512,986</u>	<u>52,176,959</u>	<u>53,469,706</u>	<u>-2.42%</u>
Changes in net position	11,214,419	10,485,189	25,515	19,534	11,239,934	10,504,723	7.00%
Net position beginning of year	<u>81,601,907</u>	<u>71,116,718</u>	<u>699,295</u>	<u>679,761</u>	<u>82,301,202</u>	<u>71,796,479</u>	<u>14.63%</u>
Net position end of year	<u>\$ 92,816,326</u>	<u>81,601,907</u>	<u>724,810</u>	<u>699,295</u>	<u>93,541,136</u>	<u>82,301,202</u>	<u>13.66%</u>

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 85.52% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 95.91% of the revenue from business type activities.

The District's total revenues were approximately \$63.42 million, of which approximately \$61.86 million was for governmental activities and approximately \$1.56 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.87% decrease in revenues and a 2.42% decrease in expenses. The decrease in expenses resulted from reduced spending in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$61,856,898 and expenses were \$50,642,479 for the year ended June 30, 2013.

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 for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Service		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 35,665,210	33,859,798	5.33%	29,134,837	27,276,717	6.81%
Support services	11,273,697	14,500,932	-22.26%	11,054,876	14,278,397	-22.58%
Non-instructional programs	5,202	4,120	26.26%	-	-	0.00%
Other expenses	3,698,370	3,591,870	2.97%	2,179,421	2,075,387	5.01%
Totals	<u>\$ 50,642,479</u>	<u>51,956,720</u>	<u>-2.53%</u>	<u>42,369,134</u>	<u>43,630,501</u>	<u>-2.89%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$4,285,005.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,988,340.
- The net cost of governmental activities was financed with \$32,463,639 in local tax, \$4,707,759 in statewide sales, services and use tax, \$15,730,907 in unrestricted state grants, \$69,743 in unrestricted investment earnings, \$483,015 in other general revenues and \$191,720 of gain on the sale of real property.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2013 were \$1,559,995 and expenses were \$1,534,480. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Ames 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 \$59,577,870, above last year's ending fund balances of \$25,799,524. The increase in the combined fund balances is primarily due to the \$27,989,352 of unexpended general obligation bond proceeds received in fiscal year 2013.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Reduced revenue from local sources was the biggest reason for the decrease in revenues. Although the District was able to reduce expenditures when compared to the prior year, that reduction was outpaced by the decline in revenues resulting in a decrease in fund balance from \$15,953,720 to \$14,401,586.
- The Capital Projects Fund balance increased from \$2,392,066 to \$36,529,140 primarily resulting from unexpended bond proceeds received during the year which will be expended as work on the various infrastructure projects is completed.
- The Debt Service Fund balance decreased from \$4,462,861 to \$2,884,996. This was due to repayments on the District's long-term debt obligations exceeding property taxes and transfers in from the Capital Projects Fund.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$699,295 at June 30, 2012 to \$724,810 at June 30, 2013, representing a 3.65% increase.

BUDGETARY HIGHLIGHTS

Over the course of the year, Ames Community School District amended its budget one time to reflect additional debt service expenditures and construction costs anticipated.

The District's revenues were \$104,578 more than budgeted revenues, a variance of 0.17%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$57.04 million, 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 decrease of 0.70% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$2,051,459.

The original cost of the District's capital assets was \$85,026,185. Governmental funds account for \$83,895,574 with the remainder of \$1,130,611 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$3,803,942 at June 30, 2013, compared to \$270,481 reported at June 30, 2012. This increase resulted from starting various construction projects which were not yet completed at year end.

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,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 3,489,642	4,968,991	-	-	3,489,642	4,968,991	-29.77%
Construction in progress	3,803,942	270,481	-	-	3,803,942	270,481	1306.36%
Buildings	40,370,727	42,328,926	-	-	40,370,727	42,328,926	-4.63%
Land improvements	4,299,528	4,654,655	-	-	4,299,528	4,654,655	-7.63%
Machinery and equipment	4,687,941	4,808,793	384,708	404,510	5,072,649	5,213,303	-2.70%
Total	\$ 56,651,780	57,031,846	384,708	404,510	57,036,488	57,436,356	-0.70%

Long-Term Debt

At June 30, 2013, the District had \$29,859,963 in total long-term debt outstanding. This represents an increase of 270.94% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$25,595,000 at June 30, 2013.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$2,484,022 at June 30, 2013.

The District had outstanding computer lease payable from the Capital Projects Fund of \$203,654 at June 30, 2013.

The District had outstanding compensated absences payable from the General Fund of \$405,287 at June 30, 2013.

The District had total net OPEB liability of \$1,172,000 at June 30, 2013.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 25,595,000	220,000	-	-	25,595,000	220,000	11534.09%
Revenue bonds	2,484,022	6,029,536	-	-	2,484,022	6,029,536	-58.80%
Computer lease	203,654	401,858	-	-	203,654	401,858	-49.32%
Other termination benefits	-	4,335	-	-	-	4,335	-100.00%
Compensated absences	405,287	400,183	-	-	405,287	400,183	1.28%
Net OPEB liability	1,172,000	992,132	-	1,719	1,172,000	993,851	17.93%
Total	\$ 29,859,963	8,048,044	-	1,719	29,859,963	8,049,763	270.94%

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:

- On July 1, 2013, the IPERS increase to 8.93% will increase the Ames Community Schools employer benefit costs during fiscal 2014.

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 Karen Shimp, District Secretary/Treasurer and Chief Financial Officer, Ames Community School District, 415 Stanton Avenue, Ames, Iowa, 50014-7331.

BASIC FINANCIAL STATEMENTS

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Athletic Booster Club
Assets				
Cash and pooled investments	\$ 70,225,312	213,388	70,438,700	110,248
Receivables:				
Property tax:				
Delinquent	96,612	-	96,612	-
Succeeding year	31,307,384	-	31,307,384	-
Income surtax	2,028,638	-	2,028,638	-
Accounts	74,318	156,892	231,210	-
Due from other governments	1,901,284	-	1,901,284	-
Inventories	23,129	21,857	44,986	-
Prepaid items	297,282	-	297,282	-
Capital assets, net of accumulated depreciation	56,651,780	384,708	57,036,488	-
Total assets	162,605,739	776,845	163,382,584	110,248
Liabilities				
Accounts payable	2,064,769	12,375	2,077,144	-
Salaries and benefits payable	5,367,267	900	5,368,167	-
Incurred but not reported claims	906,084	-	906,084	-
Accrued interest payable	76,278	-	76,278	-
Deferred revenue:				
Succeeding year property tax	31,307,384	-	31,307,384	-
Other	207,628	-	207,628	-
Unearned revenue	40	38,760	38,800	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	6,220,000	-	6,220,000	-
Revenue bonds	548,726	-	548,726	-
Computer lease	203,654	-	203,654	-
Compensated absences	405,287	-	405,287	-
Portion due after one year:				
General obligation bonds	19,375,000	-	19,375,000	-
Revenue bonds	1,935,296	-	1,935,296	-
Net OPEB liability	1,172,000	-	1,172,000	-
Total liabilities	69,789,413	52,035	69,841,448	-
Net Position				
Invested in capital assets, net of related debt	56,562,110	384,708	56,946,818	-
Restricted for:				
Categorical funding	805,965	-	805,965	-
Debt service	2,599,463	-	2,599,463	-
Management levy purposes	5,450,703	-	5,450,703	-
Student activities	311,445	-	311,445	-
School infrastructure	2,902,661	-	2,902,661	-
Physical plant and equipment	5,637,127	-	5,637,127	-
Unrestricted	18,546,852	340,102	18,886,954	110,248
Total net position	\$ 92,816,326	724,810	93,541,136	110,248

SEE NOTES TO FINANCIAL STATEMENTS.

**AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Athletic Booster Club
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total	
					Governmental Activities	Business Type Activities		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 22,239,695	1,985,249	271,889	-	(19,982,557)	-	(19,982,557)	-
Special	7,261,179	1,200,267	827,906	-	(5,233,006)	-	(5,233,006)	-
Other	6,164,336	915,366	1,329,696	-	(3,919,274)	-	(3,919,274)	-
	<u>35,665,210</u>	<u>4,100,882</u>	<u>2,429,491</u>	<u>-</u>	<u>(29,134,837)</u>	<u>-</u>	<u>(29,134,837)</u>	<u>-</u>
Support services:								
Student	1,287,910	-	-	-	(1,287,910)	-	(1,287,910)	-
Instructional staff	753,731	-	-	-	(753,731)	-	(753,731)	-
Administration	4,109,154	-	-	-	(4,109,154)	-	(4,109,154)	-
Operation and maintenance of plant	3,510,502	-	-	23,700	(3,486,802)	-	(3,486,802)	-
Transportation	1,612,400	184,123	10,998	-	(1,417,279)	-	(1,417,279)	-
	<u>11,273,697</u>	<u>184,123</u>	<u>10,998</u>	<u>23,700</u>	<u>(11,054,876)</u>	<u>-</u>	<u>(11,054,876)</u>	<u>-</u>
Non-instructional programs:								
Community service and education operations	5,202	-	5,202	-	-	-	-	-
Long-term debt interest and fiscal charges	464,467	-	-	-	(464,467)	-	(464,467)	-
Other expenses:								
AEA flowthrough	1,518,949	-	1,518,949	-	-	-	-	-
Depreciation(unallocated)*	1,714,954	-	-	-	(1,714,954)	-	(1,714,954)	-
	<u>3,233,903</u>	<u>-</u>	<u>1,518,949</u>	<u>-</u>	<u>(1,714,954)</u>	<u>-</u>	<u>(1,714,954)</u>	<u>-</u>
Total governmental activities	50,642,479	4,285,005	3,964,640	23,700	(42,369,134)	-	(42,369,134)	-
Business Type activities:								
Support services:								
Administration	63,002	-	-	-	-	(63,002)	(63,002)	-
Operation and maintenance of plant	14,300	-	-	-	-	(14,300)	(14,300)	-
	<u>77,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,302)</u>	<u>(77,302)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	1,457,178	768,322	727,843	-	-	38,987	38,987	-
Total business type activities	1,534,480	768,322	727,843	-	-	(38,315)	(38,315)	-
Total Primary Government	\$ 52,176,959	5,053,327	4,692,483	23,700	(42,369,134)	(38,315)	(42,407,449)	-
Total Component Unit	\$ 460,040	-	391,829	-	-	-	-	(68,211)
General Revenues and Transfers:								
General revenues:								
Property tax levied for:								
General purposes				\$ 22,038,443	-	22,038,443	-	
Debt service				4,799,067	-	4,799,067	-	
Capital outlay				3,500,750	-	3,500,750	-	
Income surtax				2,125,379	-	2,125,379	-	
Statewide sales, services and use tax				4,707,759	-	4,707,759	-	
Unrestricted state grants				15,730,907	-	15,730,907	-	
Unrestricted investment earnings				69,743	600	70,343	296	
Other				483,015	-	483,015	-	
Gain on sale of real property(Note 14)				191,720	-	191,720	-	
Transfers				(63,230)	63,230	-	-	
Total general revenues and transfers				<u>53,583,553</u>	<u>63,830</u>	<u>53,647,383</u>	<u>296</u>	
Change in net position				11,214,419	25,515	11,239,934	(67,915)	
Net position beginning of year				81,601,907	699,295	82,301,202	178,163	
Net position end of year				\$ 92,816,326	724,810	93,541,136	110,248	

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

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 19,166,945	37,136,041	2,660,458	5,772,687	64,736,131
Receivables:					
Property tax					
Delinquent	57,505	11,148	15,283	12,676	96,612
Succeeding year	17,780,068	3,644,171	7,028,145	2,855,000	31,307,384
Income surtax	2,028,638	-	-	-	2,028,638
Accounts	64,500	-	-	9,672	74,172
Due from other governments	1,140,849	760,435	-	-	1,901,284
Inventories	23,129	-	-	-	23,129
Prepaid items	88,027	-	209,255	-	297,282
Total assets	\$ 40,349,661	41,551,795	9,913,141	8,650,035	100,464,632
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 564,474	1,378,484	-	32,847	1,975,805
Salaries and benefits payable	5,367,267	-	-	-	5,367,267
Deferred revenue:					
Succeeding year property tax	17,780,068	3,644,171	7,028,145	2,855,000	31,307,384
Income surtax	2,028,638	-	-	-	2,028,638
Other	207,628	-	-	-	207,628
Unearned revenue	-	-	-	40	40
Total liabilities	25,948,075	5,022,655	7,028,145	2,887,887	40,886,762
Fund balances:					
Nonspendable	111,156	-	209,255	-	320,411
Restricted for:					
Categorical funding	805,965	-	-	-	805,965
Debt service	-	-	2,675,741	-	2,675,741
Management levy purposes	-	-	-	5,450,703	5,450,703
Student activities	-	-	-	311,445	311,445
School infrastructure	-	30,892,013	-	-	30,892,013
Physical plant and equipment	-	5,637,127	-	-	5,637,127
Unassigned	13,484,465	-	-	-	13,484,465
Total fund balances	14,401,586	36,529,140	2,884,996	5,762,148	59,577,870
Total liabilities and fund balances	\$ 40,349,661	41,551,795	9,913,141	8,650,035	100,464,632

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	59,577,870
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		56,651,780
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		2,028,638
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		4,494,279
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.		(76,278)
Long-term liabilities, including bonds payable, lease payable, compensated absences, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in governmental funds.		(29,859,963)
		(29,859,963)
Net position of governmental activities(page 18)	\$	92,816,326
		92,816,326

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 20,159,300	8,208,509	4,799,067	3,980,443	37,147,319
Tuition	2,979,748	-	-	-	2,979,748
Other	1,134,544	57,354	15,954	697,293	1,905,145
State sources	17,968,423	880	1,206	1,001	17,971,510
Federal sources	1,700,607	-	-	-	1,700,607
Total revenues	43,942,622	8,266,743	4,816,227	4,678,737	61,704,329
Expenditures:					
Current:					
Instruction:					
Regular	20,509,733	-	-	827,333	21,337,066
Special	6,992,967	-	-	-	6,992,967
Other	5,115,099	-	-	650,058	5,765,157
	32,617,799	-	-	1,477,391	34,095,190
Support services:					
Student	1,228,088	-	-	-	1,228,088
Instructional staff	769,764	-	-	-	769,764
Administration	4,723,521	70,536	-	29,105	4,823,162
Operation and maintenance of plant	3,139,672	-	-	353,574	3,493,246
Transportation	1,491,761	-	-	47,396	1,539,157
	11,352,806	70,536	-	430,075	11,853,417
Non-instructional programs:					
Community service operations	5,202	-	-	-	5,202
Capital outlay	-	5,450,113	-	-	5,450,113
Long-term debt:					
Principal	-	-	8,368,718	-	8,368,718
Interest and fiscal charges	-	-	423,053	-	423,053
	-	-	8,791,771	-	8,791,771
Other expenditures:					
AEA flowthrough	1,518,949	-	-	-	1,518,949
	1,518,949	-	-	-	1,518,949
Total expenditures	45,494,756	5,520,649	8,791,771	1,907,466	61,714,642
Excess(deficiency)of revenues over(under) expenditures	(1,552,134)	2,746,094	(3,975,544)	2,771,271	(10,313)
Other financing sources(uses):					
Transfer in	-	-	2,397,679	-	2,397,679
Transfer out	-	(2,397,679)	-	-	(2,397,679)
Proceeds from the issuance of general obligation bonds	-	30,000,000	-	-	30,000,000
Premium on issuance of general obligation bonds	-	1,122,384	-	-	1,122,384
Discount on issuance of general obligation bonds	-	(240,738)	-	-	(240,738)
Total other financing sources(uses)	-	28,483,967	2,397,679	-	30,881,646
Net change in fund balances before special item	(1,552,134)	31,230,061	(1,577,865)	2,771,271	30,871,333
Special item:					
Proceeds from sale of real property(Note 14)	-	2,907,013	-	-	2,907,013
Net change in fund balances	(1,552,134)	34,137,074	(1,577,865)	2,771,271	33,778,346
Fund balances beginning of year	15,953,720	2,392,066	4,462,861	2,990,877	25,799,524
Fund balances end of year	\$ 14,401,586	36,529,140	2,884,996	5,762,148	59,577,870

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ 33,778,346

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 cost are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal of equipment in the current year are as follows:

Expenditures for capital assets	\$ 4,409,342	
Depreciation expense	(1,967,920)	
Loss on disposal of equipment	<u>(106,195)</u>	2,335,227

The proceeds from the sale of real property (\$2,907,013) are reported as revenue in the governmental funds. However, the cost of the real property as well as the corresponding depreciation (\$2,715,293) is removed from the capital assets account in the Statement of Net Position and offset against the sale proceeds resulting in a "gain on sale of real property" which is reported in the government-type revenues. Thus, more revenue is reported in the governmental funds than on the Statement of Activities. (2,715,293)

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

Issued	(30,000,000)	
Repaid	<u>8,368,718</u>	(21,631,282)

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. (41,414)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 24,079

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

Other Termination Benefit	4,335	
Compensated Absences	(5,104)	
Other postemployment benefits	<u>(179,868)</u>	(180,637)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (354,607)

Change in net position of governmental activities(page 19) \$ 11,214,419

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2013

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Assets		
Cash and pooled investments	\$ 213,388	5,489,181
Accounts receivable	156,892	146
Inventories	21,857	-
Capital assets, net of accumulated depreciation	384,708	-
Total assets	776,845	5,489,327
Liabilities		
Accounts payable	12,375	88,964
Salaries and benefits payable	900	-
Incurred but not reported claims	-	906,084
Unearned revenues	38,760	-
Total liabilities	52,035	995,048
Net Position		
Invested in capital assets	384,708	-
Unrestricted	340,102	4,494,279
Total net position	\$ 724,810	4,494,279

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 768,322	7,002,067
Operating expenses:		
Support services:		
Administration:		
Services	2,125	-
Other	60,877	-
Operation and maintenance of plant:		
Services	14,300	-
	<u>77,302</u>	<u>-</u>
Non-instructional programs:		
Salaries	5,654	-
Benefits	-	7,327,751
Services	681,832	-
Supplies	686,153	28,923
Depreciation	83,539	-
	<u>1,457,178</u>	<u>7,356,674</u>
Total operating expenses	<u>1,534,480</u>	<u>7,356,674</u>
Operating loss	<u>(766,158)</u>	<u>(354,607)</u>
Non-operating revenues:		
State sources	11,474	-
Federal sources	716,369	-
Interest income	600	-
Total non-operating revenues	<u>728,443</u>	<u>-</u>
Changes in net position before capital contributions	(37,715)	(354,607)
Capital contributions	<u>63,230</u>	<u>-</u>
Change in net position	25,515	(354,607)
Net position beginning of year	<u>699,295</u>	<u>4,848,886</u>
Net position end of year	<u>\$ 724,810</u>	<u>4,494,279</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 673,466	-
Cash received from miscellaneous operating activities	-	7,008,282
Cash payments to employees for services	(6,473)	(7,197,721)
Cash payments to suppliers for goods or services	(1,347,909)	-
Net cash used in operating activities	<u>(680,916)</u>	<u>(189,439)</u>
Cash flows from non-capital financing activities:		
State grants received	11,474	-
Federal grants received	625,327	-
Net cash provided by non-capital financing activities	<u>636,801</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(507)	-
Cash flows from investing activities:		
Interest on investments	600	-
Net decrease in cash and cash equivalents	(44,022)	(189,439)
Cash and cash equivalents at beginning of year	257,410	5,678,620
Cash and cash equivalents at end of year	<u>\$ 213,388</u>	<u>5,489,181</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (766,158)	(354,607)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	91,042	-
Depreciation	83,539	-
Decrease in inventories	9,958	-
Decrease(Increase) in accounts receivable	(96,631)	6,215
Increase(Decrease) in accounts payable	(3,622)	88,014
Increase in salaries and benefits payable	900	-
Increase in incurred but not reported claims	-	70,939
Increase in unearned revenue	1,775	-
Decrease in other postemployment benefits payable	(1,719)	-
Net cash used in operating activities	<u>\$ (680,916)</u>	<u>(189,439)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$91,042 of federal commodities.

During the year ended June 30, 2013, the School Nutrition Fund received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund of \$63,230.

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 14,444
Due from other groups	<u>24,346</u>
Total assets	<u><u>\$ 38,790</u></u>
Liabilities	
Excess of warrants issued over bank balance	\$ 24,346
Due to other groups	<u>14,444</u>
Total liabilities	<u><u>\$ 38,790</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Ames Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served primarily includes the City of Ames, Iowa. 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, Ames 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 Ames Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Discretely Presented Component Unit - The Ames Athletic Booster Club is a legally separate not-for-profit foundation. The Booster Club was established for the purpose of giving financial assistance to the Ames Community School District's Student Activity Fund.

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following 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 attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

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 and the collection and use of the statewide sales and services tax.

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Health Insurance Fund. The Nutrition Fund is used to account for the food service operations of the District. The Health Insurance Fund is used to account for the self-funded health insurance operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible

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

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

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

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

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

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

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

D. Assets, Liabilities 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 and IPASeducation which are 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

Inventories - 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.

Prepaid Items - The District prepaid items from the General Fund and the Debt Service Fund.

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangible assets	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements

represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund. The student fees are fees for the next year. The student fee balances are reflected on the balance sheet in the General Fund and Special Revenue Fund, Student Activity Fund.

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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

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

E. Budgeting and Budgetary Control

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

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers

acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$29,985,993 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Services.

At June 30, 2013, the District had investments in the IPASeducation which are valued at an amortized cost of \$14,962,090 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the IPASeducation are registered and not subject to rating.

Note 3. Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 209,255
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>2,188,424</u>
Total		<u>\$ 2,397,679</u>

The transfer from the Capital Projects: Statewide Sales, and Services and Use Tax and Capital Projects: Physical Plant and Equipment Levy funds to the Debt Service fund were for annual revenue bond and computer lease payments.

Note 4. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 220,000	30,000,000	4,625,000	25,595,000	6,220,000
Revenue Bonds	6,029,536	-	3,545,514	2,484,022	548,726
Computer lease	401,858	-	198,204	203,654	203,654
Other Termination Benefit	4,335	-	4,335	-	-
Compensated Absences	400,183	405,287	400,183	405,287	405,287
Net OPEB liability	992,132	179,868	-	1,172,000	-
Total	<u>\$ 8,048,044</u>	<u>30,585,155</u>	<u>8,773,236</u>	<u>29,859,963</u>	<u>7,377,667</u>
Business type activities:					
Net OPEB liability	\$ 1,719	-	1,719	-	-

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 2, 2012			Bond issue of June 4, 2013			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	2.000%	\$ 2,670,000	116,900	4.00%	\$ 3,550,000	686,890	6,220,000	803,790	7,023,790
2015	2.000	870,000	63,500	4.00	620,000	550,663	1,490,000	614,163	2,104,163
2016	2.000	100,000	46,100	4.00	645,000	525,862	745,000	571,962	1,316,962
2017	2.000	100,000	44,100	4.00	670,000	500,063	770,000	544,163	1,314,163
2018	2.000	105,000	42,100	4.00	695,000	473,262	800,000	515,362	1,315,362
2019-2023	2.000	575,000	177,600	4.00-3.00	3,920,000	1,933,463	4,495,000	2,111,063	6,606,063
2024-2028	2.250-2.375	615,000	115,006	3.00	4,585,000	1,258,912	5,200,000	1,373,918	6,573,918
2029-2033	2.375-2.625	560,000	36,400	3.00-3.25	5,315,000	521,125	5,875,000	557,525	6,432,525
Total		\$ 5,595,000	641,706		\$ 20,000,000	6,450,240	25,595,000	7,091,946	32,686,946

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	2006 Series A		2006 Series B	
		Principal	Interest	Principal	Interest
2014	4.65%	\$ 140,581	545	140,580	545

Year Ending June 30,	Bond issue of January 14, 2009			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	4.80%	\$ 267,565	99,902	548,726	100,992	649,718
2015	4.80	280,694	86,772	280,694	86,772	367,466
2016	4.80	294,467	72,999	294,467	72,999	367,466
2017	4.80	308,917	58,549	308,917	58,549	367,466
2018	4.80	324,076	43,390	324,076	43,390	367,466
2019-2021	4.80	727,142	38,416	727,142	38,416	765,558
Total		\$ 2,202,861	400,028	2,484,022	401,118	2,885,140

The District has pledged future statewide sales, services and use tax revenues to repay the \$20,000,000 bonds issued in March 2006 and the \$3,225,000 bonds issued in January 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure and are payable through 2014 and 2021 respectively. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 13.8 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,885,140. For the current year, \$3,545,514 in principal and \$208,957 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$4,707,759.

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

All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

In each month commencing October 1, 2007 receipts of the local option (statewide) sales, services and use tax revenue after deposits to the sinking fund shall be deposited in the reserve fund until there is on deposit in the reserve fund the amount of \$1,000,000.

Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease

During the year ended June 30, 2011, the District entered into a capital lease agreement with Apple, Inc. for the purchase of computers for the District's 1:1 initiative. Annual principal and interest payments will be made from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2013 computer lease indebtedness are as follows:

Year Ending June 30,	Computer lease dated June 15, 2011			
	Interest Rates	Principal	Interest	Total
2014	2.75%	\$ 203,654	5,601	209,255

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,968,991	-	1,479,349	3,489,642
Construction in progress	270,481	3,861,960	328,499	3,803,942
Total capital assets not being depreciated	5,239,472	3,861,960	1,807,848	7,293,584
Capital assets being depreciated:				
Buildings	64,880,639	400,131	4,652,600	60,628,170
Land improvements	8,248,984	7,386	-	8,256,370
Machinery and equipment	7,447,185	468,364	198,099	7,717,450
Total capital assets being depreciated	80,576,808	875,881	4,850,699	76,601,990
Less accumulated depreciation for:				
Buildings	22,551,713	1,122,386	3,416,656	20,257,443
Land improvements	3,594,329	362,513	-	3,956,842
Machinery and equipment	2,638,392	483,021	91,904	3,029,509
Total accumulated depreciation	28,784,434	1,967,920	3,508,560	27,243,794
Total capital assets being depreciated, net	51,792,374	(1,092,039)	1,342,139	49,358,196
Governmental activities capital assets, net	\$ 57,031,846	2,769,921	3,149,987	56,651,780
Business type activities:				
Machinery and equipment	\$ 1,066,874	63,737	-	1,130,611
Less accumulated depreciation	662,364	83,539	-	745,903
Business type activities capital assets, net	\$ 404,510	(19,802)	-	384,708

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 20,033
Support services:	
Instructional staff	120,622
Operation and maintenance of plant	40,286
Transportation	72,025
	<hr/>
	252,966
Unallocated depreciation	1,714,954
	<hr/>
Total governmental activities depreciation expense	\$ 1,967,920
	<hr/> <hr/>
Business type activities:	
Food service operations	\$ 83,539
	<hr/> <hr/>

Note 6. Termination Benefits

The District offered a special termination benefit for an employee that resigned during the year ended June 30, 2007. The District agreed to pay a fixed amount per month for single medical insurance coverage until the employee reaches age 65. Premiums were paid through April 2013 at the rate of \$433.54 per month.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$2,480,614, \$2,309,963 and \$1,963,715 respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 535 active and 71 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 877,000
Interest on net OPEB obligation	45,000
Adjustment to annual required contribution	<u>(37,851)</u>
Annual OPEB cost	884,149
Contributions made	<u>(706,000)</u>
Increase in net OPEB obligation	178,149
Net OPEB obligation beginning of year	<u>993,851</u>
Net OPEB obligation end of year	<u><u>\$ 1,172,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$706,000 to the medical plan. Plan members eligible for benefits contributed \$561,000, or 44.28% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 739,017	76.45%	\$ 998,000
2012	740,851	100.56	993,851
2013	884,149	79.85	1,172,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$8,422,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,422,000. The covered payroll (annual payroll of active employees covered by the plan) was \$25,728,827, and the ratio of the UAAL to covered payroll was 32.73%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation as of June 30, 2012 and applying termination factors used in the IPERS Actuarial Valuation as of June 30, 2012.

Projected claim costs of the medical plan for retirees less than age 65 are \$748 per month. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$75,000 in insured claims for any one covered individual. Settled aggregate stop-loss claims have not exceeded the commercial coverage in any of the past two years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$4,147,775 at April 30, 2013, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$906,084 reported in the plan at April 30, 2013, is based on the requirements of GASB Statement Number 10, is included as a liability on the Statement of Net Position.

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,518,949 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitment

The District has entered into contracts for a variety of school infrastructure projects including stadium expansion project and remodel/addition projects at Miller, Meeker and Mitchell Elementary buildings. As of June 30, 2013, costs of \$3,803,942 had been incurred against the contracts. The balance remaining on these contracts at June 30, 2013 will be paid as work on the project progresses and will be capitalized upon completion.

Note 12. Commercial Lease

During the year ended June 30, 2013, the District entered into a commercial lease of a property to be used by the District's transportation services. The lease covers a period of two years and may be extended for two additional one year periods with mutual agreement of both parties. The base rent is \$60,000 per year payable in \$5,000 monthly installments.

Note 13. Operating Lease

During the year ended June 30, 2013, the District entered into an operating lease with IKON for the use of 28 copiers. Terms of the lease include a minimum 36 month period and a minimum monthly payment of \$5,227.25.

Note 14. Sale of Real Property

During the year ended June 30, 2013, the District sold four properties. Amounts for each sale, capital asset deletions and the resulting gain on sale of real property are summarized as follows:

<u>Proceeds from Sales of Real Property</u>		<u>Capital asset deletions:</u>	
GW Carver Elementary	\$ 425,000	Land	\$ 1,479,349
Old Ames Middle School	2,297,695	Buildings	4,652,600
Roosevelt Elementary	14,914	Accumulated depreciation	<u>(3,416,656)</u>
Wilson Beardshear Elementary	<u>169,404</u>	Book value of deleted land and buildings	2,715,293
Total proceeds from sale of real property	<u>\$ 2,907,013</u>	Proceeds from sale of real property	<u>2,907,013</u>
		Gain on sale	<u>\$ 191,720</u>

Note 15. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Four-year-old Preschool State Aid	\$ 181,903
Beginning Teacher Mentoring and Induction Program	5,043
Teacher Salary Supplement	220,223
Market Factor	30,437
State Decategorization Grant	16,994
Child Development	21,631
At Risk 4-year-olds	41,455
Early Childhood Programs Grant	21,933
Professional Development for Model Core Curriculum	151,523
Professional Development	86,923
Market Factor Incentives	27,900
Total	<u>\$ 805,965</u>

AMES COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 42,032,212	768,922	42,801,134	42,181,096	42,181,096	620,038
State sources	17,971,510	11,474	17,982,984	18,015,420	18,015,420	(32,436)
Federal sources	1,700,607	716,369	2,416,976	2,900,000	2,900,000	(483,024)
Total revenues	61,704,329	1,496,765	63,201,094	63,096,516	63,096,516	104,578
Expenditures/Expenses:						
Instruction	34,095,190	-	34,095,190	42,850,000	42,850,000	8,754,810
Support services	11,853,417	77,302	11,930,719	13,327,000	13,327,000	1,396,281
Non-instructional programs	5,202	1,457,178	1,462,380	1,700,000	1,700,000	237,620
Other expenditures	15,760,833	-	15,760,833	17,258,292	18,665,900	2,905,067
Total expenditures	61,714,642	1,534,480	63,249,122	75,135,292	76,542,900	13,293,778
Excess(deficiency) of revenues over(under) expenditures/expenses	(10,313)	(37,715)	(48,028)	(12,038,776)	(13,446,384)	13,398,356
Other financing sources, net	33,788,659	63,230	33,851,889	-	-	33,851,889
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses	33,778,346	25,515	33,803,861	(12,038,776)	(13,446,384)	47,250,245
Balances beginning of year	25,799,524	699,295	26,498,819	24,060,684	24,060,684	(2,438,135)
Balances end of year	\$ 59,577,870	724,810	60,302,680	12,021,908	10,614,300	44,812,110

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with 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. 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 expenditures by \$1,407,608.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 10,919,000	10,919,000	0.00%	\$ 27,365,886	39.90%
2010	July 1, 2008	-	10,919,000	10,919,000	0.00	29,361,984	37.19
2011	July 1, 2010	-	7,080,000	7,080,000	0.00	14,234,205	49.74
2012	July 1, 2010	-	7,080,000	7,080,000	0.00	20,779,923	34.07
2013	July 1, 2012	-	8,422,000	8,422,000	0.00	25,728,827	32.73

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION – CASH BASIS
COMPONENT UNIT
JUNE 30, 2013

	Ames Athletic Boosters Club
Assets	
Cash and cash equivalents	\$ 110,248
Liabilities	\$ -
Net Position	
Unrestricted	\$ 110,248

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SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET POSITION – CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2013

	Ames Athletic Booster Club
Support and Revenue:	
Interest	\$ 296
Business membership/advertising income	32,950
Camp fee	32,351
Clothing sales	15,173
Club fees	13,789
Donations	20,735
Membership dues	37,605
Special events	59,923
Team banquet	3,236
Team fees/donations	176,067
Total support and revenue	392,125
Expenses:	
Awards, letters. Certificates	1,338
Business membership/ advertising	2,270
Camp	12,740
Clothing sales	16,343
Club	22,024
Fees, contracts for sports programs	1,500
Hall of Fame/Wall of Fame	501
Insurance	200
Legal and professional fees	395
Misc expenses	124
Office, newsletter, misc.	569
Recognition events	180
Return deposit item	1,236
Scholarships	2,000
Special events	8,146
Subsidies	74,506
Team banquet	7,620
Team	307,068
Treasurer's assist, web	1,280
Total expenses	460,040
Change in net position	(67,915)
Net position beginning of year	178,163
Net position end of year	\$ 110,248

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 5,446,802	325,885	5,772,687
Receivables:			
Property tax:			
Delinquent	12,676	-	12,676
Succeeding year	2,855,000	-	2,855,000
Accounts	-	9,672	9,672
Total assets	\$ 8,314,478	335,557	8,650,035
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 8,775	24,072	32,847
Deferred revenue:			
Succeeding year property tax	2,855,000	-	2,855,000
Unearned revenue	-	40	40
Total liabilities	2,863,775	24,112	2,887,887
Fund balances:			
Restricted for:			
Management levy purposes	5,450,703	-	5,450,703
Student activities	-	311,445	311,445
Total fund balances	5,450,703	311,445	5,762,148
Total liabilities and fund balances	\$ 8,314,478	335,557	8,650,035

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	3,980,443	-	3,980,443
Other	\$ 20,135	677,158	697,293
State sources	1,001	-	1,001
Total revenues	<u>4,001,579</u>	<u>677,158</u>	<u>4,678,737</u>
Expenditures:			
Current:			
Instruction:			
Regular	827,333	-	827,333
Other	-	650,058	650,058
Support services:			
Administration	29,105	-	29,105
Operation and maintenance of plant	353,574	-	353,574
Transportation	-	47,396	47,396
Total expenditures	<u>1,210,012</u>	<u>697,454</u>	<u>1,907,466</u>
Net change in fund balances	2,791,567	(20,296)	2,771,271
Fund balances beginning or year	<u>2,659,136</u>	<u>331,741</u>	<u>2,990,877</u>
Fund balances end of year	<u>\$ 5,450,703</u>	<u>311,445</u>	<u>5,762,148</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Elementary Construction	Total
Assets				
Cash and pooled investments	\$ 2,151,711	5,945,358	29,038,972	37,136,041
Receivables:				
Property tax:				
Delinquent	-	11,148	-	11,148
Succeeding year	-	3,644,171	-	3,644,171
Due from other governments	750,983	9,452	-	760,435
Total assets	\$ 2,902,694	9,610,129	29,038,972	41,551,795
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 33	328,831	1,049,620	1,378,484
Deferred revenue:				
Succeeding year property tax	-	3,644,171	-	3,644,171
Total liabilities	33	3,973,002	1,049,620	5,022,655
Fund balances:				
Restricted for:				
School infrastructure	2,902,661	-	27,989,352	30,892,013
Physical plant and equipment	-	5,637,127	-	5,637,127
Total fund balances	2,902,661	5,637,127	27,989,352	36,529,140
Total liabilities and fund balances	\$ 2,902,694	9,610,129	29,038,972	41,551,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Elementary Construction	
Revenues:				
Local sources:				
Local tax	\$ 4,707,759	3,500,750	-	8,208,509
Other	-	57,210	144	57,354
State sources	-	880	-	880
Total revenues	<u>4,707,759</u>	<u>3,558,840</u>	<u>144</u>	<u>8,266,743</u>
Expenditures:				
Current:				
Support services:				
Administration	-	311	70,225	70,536
Capital outlay	-	2,627,900	2,822,213	5,450,113
Total expenditures	<u>-</u>	<u>2,628,211</u>	<u>2,892,438</u>	<u>5,520,649</u>
Excess(Deficiency) of revenues over(under) expenditures	4,707,759	930,629	(2,892,294)	2,746,094
Other financing sources(uses)				
Transfers out	(2,188,424)	(209,255)	-	(2,397,679)
Proceeds from issuance of general obligation bonds	-	-	30,000,000	30,000,000
Premium on issuance of general obligation bonds	-	-	1,122,384	1,122,384
Discount on issuance of general obligation bonds	-	-	(240,738)	(240,738)
Total other financing sources(uses)	<u>(2,188,424)</u>	<u>(209,255)</u>	<u>30,881,646</u>	<u>28,483,967</u>
Net change in fund balances before special item	2,519,335	721,374	27,989,352	31,230,061
Special item:				
Proceeds from sale of real property(Note 14)	-	2,907,013	-	2,907,013
Net change in fund balances	2,519,335	3,628,387	27,989,352	34,137,074
Fund balances beginning of year	<u>383,326</u>	<u>2,008,740</u>	<u>-</u>	<u>2,392,066</u>
Fund balances end of year	<u>\$ 2,902,661</u>	<u>5,637,127</u>	<u>27,989,352</u>	<u>36,529,140</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Edwards	\$ 3	3	-	6
Fellows	576	288	-	864
Meeker	2,169	5	-	2,174
Mitchell	671	2	-	673
Sawyer	3,278	276	273	3,281
Northwood	2,561	10	-	2,571
Middle School	184,170	99,808	101,776	182,202
High School	138,313	576,766	595,405	119,674
Total	<u>\$ 331,741</u>	<u>677,158</u>	<u>697,454</u>	<u>311,445</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>AMES EDUCATION FOUNDATION</u>				
Assets				
Due from other groups	\$ 71,345	41,530	111,437	1,438
Liabilities				
Excess of warrants issued over bank balance	\$ 71,345	41,530	111,437	1,438
<u>VOCATIONAL CONSORTIUM</u>				
Assets				
Due from other groups	\$ 22,912	331,041	331,045	22,908
Liabilities				
Excess of warrants issued over bank balance	\$ 22,912	331,041	331,045	22,908
<u>HS/MS/ELEMENTARY AGENCY</u>				
Assets				
Cash and pooled investments	\$ 40,235	25,398	51,189	14,444
Liabilities				
Due to other groups	\$ 40,235	25,398	51,189	14,444
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets				
Cash and pooled investments	\$ 40,235	25,398	51,189	14,444
Due from other groups	94,257	372,571	442,482	24,346
	\$ 134,492	397,969	493,671	38,790
Liabilities				
Excess of warrants issued over bank balance	\$ 94,257	372,571	442,482	24,346
Due to other groups	40,235	25,398	51,189	14,444
	\$ 134,492	397,969	493,671	38,790

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 37,147,319	36,527,289	35,872,989	32,415,975
Tuition	2,979,748	2,566,422	2,653,778	2,967,606
Other	1,905,145	1,901,014	2,463,605	2,435,051
Intermediate sources				
State sources	17,971,510	18,672,053	17,135,046	14,702,239
Federal sources	1,700,607	2,804,019	2,845,923	4,651,164
Total	\$ 61,704,329	62,470,797	60,971,341	57,172,035
Expenditures:				
Instruction:				
Regular	\$ 21,337,066	20,927,564	19,534,272	20,314,315
Special	6,992,967	7,542,752	7,987,500	7,982,672
Other	5,765,157	5,405,159	6,015,765	5,799,877
Support services:				
Student	1,228,088	1,093,585	1,067,736	1,105,029
Instructional staff	769,764	1,453,978	843,662	881,864
Administration	4,823,162	5,051,246	4,981,486	5,249,525
Operation and maintenance of plant	3,493,246	3,510,248	3,697,746	3,673,665
Transportation	1,539,157	1,782,067	1,678,751	1,589,557
Central support	-	-	-	-
Non-instructional programs	5,202	4,120	-	-
Capital outlay	5,450,113	3,940,891	2,712,080	2,972,443
Long-term debt:				
Principal	8,368,718	4,492,222	3,660,537	3,498,702
Interest and fiscal charges	423,053	398,593	798,757	960,066
Other expenditures:				
AEA flow-through	1,518,949	1,516,483	1,681,357	1,627,177
Total	\$ 61,714,642	57,118,908	54,659,649	55,654,892

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

2009	2008	2007	2006	2005	2004
31,983,458	30,691,122	31,123,168	29,817,748	29,875,333	28,146,387
3,082,361	3,238,431	3,432,356	2,881,124	2,674,002	2,084,827
2,696,854	2,558,348	2,720,224	2,648,452	1,830,736	1,540,697
-	-	38,904	-	-	-
17,541,260	16,307,190	14,731,416	14,017,998	14,134,624	13,937,110
2,044,097	1,393,518	1,101,449	1,182,298	1,455,320	966,725
57,348,030	54,188,609	53,147,517	50,547,620	49,970,015	46,675,746
21,849,730	19,410,797	17,926,058	16,760,663	17,174,548	17,607,918
9,528,999	7,956,259	7,275,595	6,915,251	6,378,855	7,348,660
2,360,789	4,792,984	4,539,801	4,528,819	3,909,347	2,234,282
994,130	939,490	824,229	745,104	797,409	1,745,654
777,760	784,867	812,896	781,440	1,365,352	1,398,942
5,266,640	5,356,752	4,814,437	5,552,988	3,647,865	2,486,807
3,827,315	3,855,316	3,791,228	3,569,330	3,258,440	3,113,517
1,571,046	1,473,055	1,387,985	1,387,587	1,170,207	795,050
-	-	-	-	-	289,631
-	-	-	-	-	2,400
5,254,515	3,242,708	2,975,650	13,249,013	25,733,717	9,000,261
4,699,283	5,459,028	5,028,550	905,000	865,000	1,170,000
1,013,940	1,113,059	1,265,962	550,218	512,918	222,796
1,483,016	1,382,303	1,296,411	1,221,693	1,217,993	1,235,782
58,627,163	55,766,618	51,938,802	56,167,106	66,031,651	48,651,700

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	105,636
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	610,733 *
			<u>716,369</u>
NATIONAL SCIENCE FOUNDATION:			
IOWA STATE UNIVERSITY:			
EDUCATION AND HUMAN RESOURCES (NATIONAL SCIENCE FOUNDATION PRESIDENT'S AWARD FOR EXCELLENCE IN MATH AND SCIENCE TEACHING)			
	47.076	FY 13	<u>8,388</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	<u>538,335</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013	FY 13	<u>46,567</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>47,020</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 13	<u>24,000</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 13	<u>23,160</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	<u>152,301</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	<u>32,930</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	<u>222,056</u>
TOTAL			<u>\$ 1,811,126</u>

* Includes \$91,042 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ames Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2014.

Internal Control Over Financial Reporting

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

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ames Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ames Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 22, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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**Independent Auditor's Report on Compliance for Each Major Federal Program,
on Internal Control over Compliance and on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

To the Board of Education of Ames Community School District:

Report on Compliance for Each Major Federal Program

We have audited Ames Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Ames Community School District's major federal programs for the year ended June 30, 2013. Ames Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ames Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ames Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify a certain deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a significant deficiency.

Ames Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Ames Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 22, 2014
Newton, Iowa

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.027 - Special Education - Grants to States(Part B)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ames Community School District qualified as a low-risk auditee.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Supporting Documentation - We noted payments made to credit cards which were paid from the credit card statement and did not have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel using the District credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - The District will review credit card usage policy and procedures with principals, department heads and secretaries annually. Additionally, Business Office staff will attend staff meetings to provide training to teachers and support staff annually. This additional training will supplement the written documentation provided to staff when the District credit card is requested to be used.

Conclusion - Response accepted.

II-B-13 Commodity Pricing - We noted during the audit that commodity food items were not priced out using commodity values provided by the Department of Education and therefore the amount of inventory was overstated on the Balance Sheet.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will review pricing schedules for commodity food to ensure that the correct price is used to extend commodity inventory. Procedures will be modified to have a second staff member cross check the values for accuracy

Conclusion - Response accepted.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education**

III-A-13 Title I Reporting - We noted during our audit that Title I reports submitted to the Iowa Department of Education were not reconciled to actual expenses reported in the general ledger. The lack of reconciliation resulted in reporting errors, thus creating a carryover allocation of \$59,193.

Recommendation - The District needs to reconcile Title I reports submitted to the Iowa Department of Education to actual expenses reported in the District's general ledger. Once this reconciliation is completed, the District should amend the Title I budget submitted to the Iowa Department of Education. The District should contact the Iowa Department of Education to amend the fiscal year 2013 Title I budget.

Response - The District will amend the Title I budget for 2013 and return \$59,193 to the Department of Education for the 2012-13 fiscal year. The 2013-14 Title I budget will be amended to recognize the total amount of expenditures which may be claimed including and up to the \$59,193 carried forward from the 2013 Title I budget. Procedures will be put in place to ensure the reconciliation of the Title I budget to the General Ledger is properly completed and accounted for.

Conclusion - Response accepted.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted in any of the functional areas.
- IV-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-13 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, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance	\$ 383,326
Revenues:	
Sales tax revenues	4,707,759
	<u>5,091,085</u>
Expenditures/transfers out:	
Transfers to other funds:	
Debt service fund	2,188,424
	<u>2,188,424</u>
Ending balance	<u><u>\$ 2,902,661</u></u>

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

IV-M-13 Student Activity Fund - During our audit issues arose about the properness of certain receipts collected by the Student Activity Fund. In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. We noted that Lifetouch commissions were recorded in the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa, all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund; therefore, Lifetouch commissions would be more appropriately received into the General Fund.

Response - District staff will review the proper accounting for revenues in the General Fund versus the Student Activity Fund in regard to Lifetouch Commissions with personnel responsible for recording revenue transactions.

Conclusion - Response accepted.

IV-N-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District will work with the Athletic Director and Principals to ensure hours are tracked for non-certified staff coaches. The hours worked will be reviewed for compliance with minimum wage and overtime requirements by Business Office staff.

Conclusion - Response accepted.