

ANDREW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Basic Financial Statements		27-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information – Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Capital Project Accounts:		
Combining Balance Sheet	3	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	47
Schedule of Changes in Student Activity Accounts	5	48
Schedule of Revenues by Source and Expenditures by Function – All Governmental Fund Types	6	49
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		50-51
Schedule of Findings		52-57

Andrew Community School District

Officials

<u>Name</u>	<u>Title</u>	Term Expires
Charlie Peters	President	2013
Randy Ernst	Vice President	2013
Allan W. Till	Board Member	2015
Yvonne Weimerskirch	Board Member	2015
Eric Strathman	Board Member	2015

School Officials

Andy Crozier	Superintendent	2013
Karen Kilburg	District Secretary	2013
Lane and Waterman	Attorney	2013

ANDREW 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 Andrew 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 Andrew Community School District, Andrew, 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 Andrew Community School District as of June 30, 2013, and the respective changes in financial position and, when 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 Retiree Health Plan on pages 7 through 15 and 40 through 42 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 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 Andrew 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 6, 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 March 20, 2014, on our consideration so Andrew 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, 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 Andrew Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,875,422 in fiscal 2012 to \$2,987,320 in fiscal 2013 and General Fund expenditures increased from \$2,797,941 in fiscal 2012 to \$2,875,182 in fiscal 2013. The District's General Fund balance increased from \$256,518 in fiscal 2012 to a balance of \$368,656 in fiscal 2013, a 43.72% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal source revenues in fiscal 2013. The increase in expenditures was due primarily to an increase in expenditures for the special instruction functional area. The increase in fund balance can also be attributed to the concerted effort by the Board to improve the District's fund balance and solvency ratio.

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 the Statement of Net Position and the Statement of Activities. These provide information about the activities of Andrew 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 Andrew 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 Andrew Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

Figure A-1
Andrew Community School District Annual Financial Report

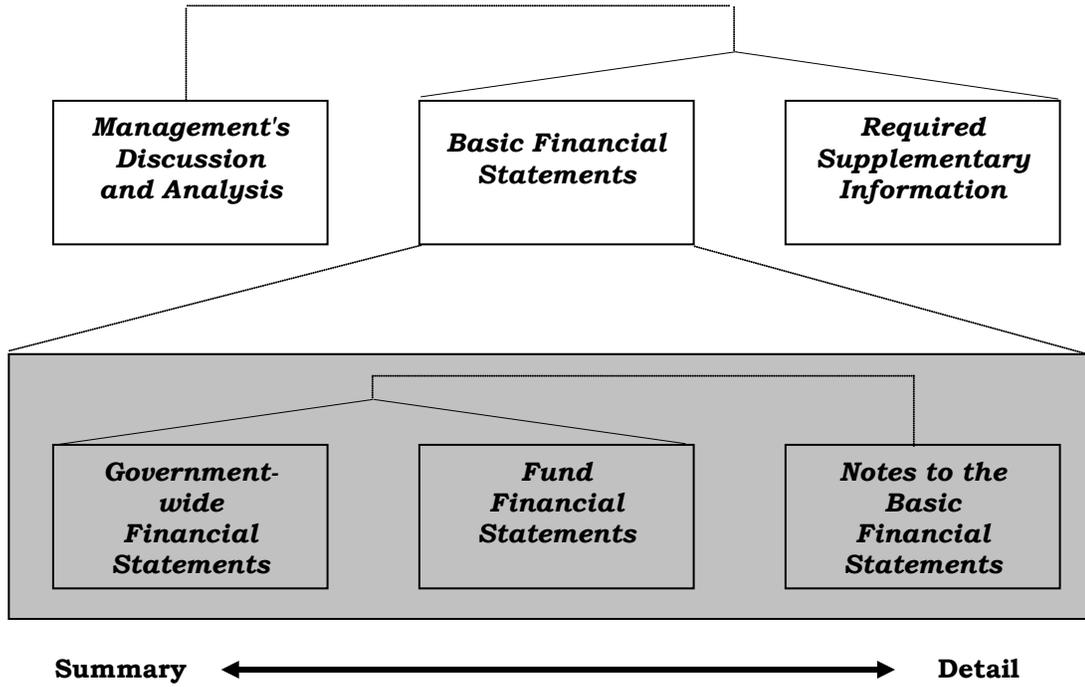


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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: food services and adult education
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
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
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
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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 2,971,508	2,602,849	18,197	22,045	2,989,705	2,624,894	13.90%
Capital assets	908,725	862,745	21,157	23,918	929,882	886,663	4.87%
Total assets	<u>3,880,233</u>	<u>3,465,594</u>	<u>39,354</u>	<u>45,963</u>	<u>3,919,587</u>	<u>3,511,557</u>	<u>11.62%</u>
Long-term liabilities	133,954	140,965	2,593	1,903	136,547	142,868	-4.42%
Other liabilities	1,702,646	1,463,607	807	1,963	1,703,453	1,465,570	16.23%
Total liabilities	<u>1,836,600</u>	<u>1,604,572</u>	<u>3,400</u>	<u>3,866</u>	<u>1,840,000</u>	<u>1,608,438</u>	<u>14.40%</u>
Net position							
Invested in capital assets, net of related debt	908,725	862,745	21,157	23,918	929,882	886,663	4.87%
Restricted	874,201	801,903	0	0	874,201	801,903	9.02%
Unrestricted	260,707	196,374	14,797	18,179	275,504	214,553	28.41%
Total net position	<u>\$ 2,043,633</u>	<u>1,861,022</u>	<u>35,954</u>	<u>42,097</u>	<u>2,079,587</u>	<u>1,903,119</u>	<u>9.27%</u>

The District's combined net position increased by 9.27%, or \$176,468, over the prior year. The largest portion of the District's net position is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$72,298, or 9.02% over the prior year. The increase was primarily a result of an increase in the Capital Projects: Physical Plant and Equipment Levy account balance.

Unrestricted net position is 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 - increased \$60,951, or 28.41%. This increase in unrestricted net position was primarily due to the increase in fund balance of the General Fund.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for service	\$ 165,621	153,975	26,970	29,286	192,591	183,261	5.09%
Operating grants, contributions and restricted interest	267,853	216,974	63,184	58,225	331,037	275,199	20.29%
General revenues:							
Property tax	1,117,024	1,064,437	0	0	1,117,024	1,064,437	4.94%
Income surtax	124,584	123,577	0	0	124,584	123,577	0.81%
Statewide sales, services and use tax	233,535	208,625	0	0	233,535	208,625	11.94%
Unrestricted state grants	1,512,906	1,416,610	0	0	1,512,906	1,416,610	6.80%
Nonspecific program federal grants	0	888	0	0	0	888	-100.00%
Unrestricted investment earnings	562	546	7	279	569	825	-31.03%
Other general revenues	17,538	56,876	2,600	0	20,138	56,876	-64.59%
Total revenues	3,439,623	3,242,508	92,761	87,790	3,532,384	3,330,298	6.07%
Program expenses:							
Governmental activities:							
Instructional	2,281,248	2,101,908	0	0	2,281,248	2,101,908	8.53%
Support services	808,703	796,545	470	1,023	809,173	797,568	1.46%
Non-instructional programs	0	0	98,434	97,419	98,434	97,419	1.04%
Other expenses	167,061	164,350	0	0	167,061	164,350	1.65%
Total expenses	3,257,012	3,062,803	98,904	98,442	3,355,916	3,161,245	6.16%
Change in net position	182,611	179,705	(6,143)	(10,652)	176,468	169,053	4.39%
Net position beginning of year	1,861,022	1,681,317	42,097	52,749	1,903,119	1,734,066	9.75%
Net position end of year	\$ 2,043,633	1,861,022	35,954	42,097	2,079,587	1,903,119	9.27%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 86.87% of the revenues from governmental activities while charges for service and operating grants, contributions and restricted interest account for 97.19% of the revenues in the business type activities.

The District's total revenues were approximately \$3.53 million of which approximately \$3.44 million was for governmental activities and approximately \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.07% increase in revenues and a 6.16% increase in expenses. The increase in expenses was related to an increase in expenditures for capital outlays, this was due to the District completing the remodel on the District's business office in fiscal year 2013.

Governmental Activities

Revenues for governmental activities were \$3,439,623 and expenses were \$3,257,012.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change	2013	2012	Change
			2012-13			2012-13
Instruction	\$ 2,281,248	2,101,908	8.53%	1,960,033	1,846,063	6.17%
Support services	808,703	796,545	1.53%	808,223	792,400	2.00%
Other expenses	167,061	164,350	1.65%	55,282	53,391	3.54%
Totals	\$ 3,257,012	3,062,803	6.34%	2,823,538	2,691,854	4.89%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$165,621.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$267,853.
- The net cost of governmental activities was financed with \$1,117,024 in property tax, \$124,584 in income surtax, \$233,535 in statewide sales, services and use tax, \$1,512,906 in unrestricted state grants, \$562 in unrestricted investment earnings and \$17,538 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$92,761 and expenses were \$98,904. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other miscellaneous revenue.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Andrew 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 \$1,092,177, above last year's ending fund balances of a \$948,435. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in the General Fund and Capital Projects Fund balances.

Governmental Fund Highlights

- The District's General Fund financial position increased from a fund balance of \$256,518 in fiscal year 2012 to \$368,656 in fiscal year 2013, this represents an increase of 43.72%. Revenues increased by \$111,898 or 3.89% while expenditures increased by \$77,337 or 2.76%. The increase in revenues can be attributed to an increase in state source revenues and the increase in expenditures can be attributed to an increase in expenditures for the special instruction functional area.

- The Capital Projects Fund balance increased from a balance of \$549,253 at the beginning of the fiscal year 2013 to \$582,978 at June 30, 2013. This increase was a result of an increase in property tax revenues in the Capital Projects: Physical Plant and Equipment Levy account.

Proprietary Fund Highlights

- The School Nutrition Fund net position decreased from \$42,097 at June 30, 2012 to \$35,954 at June 30, 2013, representing a decrease of \$6,143 or 14.59%.

BUDGETARY HIGHLIGHTS

The District’s receipts were \$96,426 more than budgeted receipts, a variance of 2.80%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due 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.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$929,882, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 4.87% over last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$101,236.

The original cost of the District’s capital assets was \$3,803,541. Governmental funds account for \$3,717,042 with the remainder of \$86,499 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 \$30,020 at June 30, 2012, compared to \$0 reported at June 30, 2013. This decrease resulted from the completion of remodeling work done on the District’s business office in fiscal year 2013.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 7,201	7,201	0	0	7,201	7,201	0.00%
Construction in progress	0	30,020	0	0	0	30,020	-100.00%
Buildings	752,981	633,905	0	0	752,981	633,905	18.78%
Land improvements	30,439	34,042	0	0	30,439	34,042	-10.58%
Machinery and equipment	118,104	157,577	21,157	23,918	139,261	181,495	-23.27%
Total	\$ 908,725	862,745	21,157	23,918	929,882	886,663	4.87%

Long Term Debt

At June 30, 2013, the District had long-term debt payable of \$136,547. This represents a decrease of 4.42% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statement.

	Governmental Activities June 30,		Business Type Activities June 30,		Total School District June 30,		Total Change June 30, 2012-13
	2013	2012	2013	2012	2013	2012	
Computer leases	38,528	62,496	0	0	38,528	62,496	-38.35%
Termination benefits	31,701	31,701	0	0	31,701	31,701	0.00%
Net OPEB obligation	63,725	46,768	2,593	1,903	66,318	48,671	36.26%
Total	\$ 133,954	140,965	2,593	1,903	136,547	142,868	-4.42%

- The District had outstanding computer leases payable from the General Fund of \$11,877 and a computer lease payable from the Capital Projects: Statewide Sales, Services and Use Tax account of \$26,651 at June 30, 2013.
- The District had outstanding termination benefits(early retirement) payable from the Special Revenue: Management Levy Fund of \$31,701 at June 30, 2013.
- The District had a net OPEB liability of \$66,318 at June 30, 2013, \$63,725 is attributable to the governmental activities and \$2,593 is attributable to business type activities.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Continued patterns of declining enrollment are creating a stagnant revenue stream from the state. The stagnant funding and rising costs are making it difficult for the District to manage the budget. The District will continue to look for alternative revenue streams to deal with these challenges.
- On July 1, 2013, the IPERS employer contribution increase to 8.93% will increase the Andrew Community School District's 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 Adam Crigger, Business Manager, Andrew Community School District, 13 S. Marion St, P.O. Box 230, Andrew, Iowa, 52030.

ANDREW COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,449,898	7,438	1,457,336
Receivables			
Property tax:			
Delinquent	11,379	-	11,379
Succeeding year	1,203,375	-	1,203,375
Income surtax	121,642	-	121,642
Accounts	-	1,487	1,487
Due from other governments	185,214	5,584	190,798
Inventories	-	3,688	3,688
Capital assets, net of accumulated depreciation	908,725	21,157	929,882
TOTAL ASSETS	3,880,233	39,354	3,919,587
LIABILITIES			
Accounts payable	339,029	807	339,836
Salaries and benefits payable	159,127	-	159,127
Accrued interest payable	1,115	-	1,115
Deferred revenue:			
Succeeding year property tax	1,203,375	-	1,203,375
Long-term liabilities:			
Portion due within one year:			
Computer lease payable	24,893	-	24,893
Termination benefits payable	31,701	-	31,701
Portion due after one year:			
Computer lease payable	13,635	-	13,635
Net OPEB liability	63,725	2,593	66,318
TOTAL LIABILITIES	1,836,600	3,400	1,840,000
NET POSITION			
Invested in capital assets, net of related debt	908,725	21,157	929,882
Restricted for:			
Categorical funding	160,338	-	160,338
School infrastructure	454,517	-	454,517
Physical plant and equipment	128,461	-	128,461
Management levy purposes	57,810	-	57,810
Student activities	73,075	-	73,075
Unrestricted	260,707	14,797	275,504
TOTAL NET POSITION	\$ 2,043,633	35,954	2,079,587

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,512,992	129,001	55,932	(1,328,059)	-	(1,328,059)
Special	649,846	-	16,020	(633,826)	-	(633,826)
Other	118,410	36,140	84,122	1,852	-	1,852
	<u>2,281,248</u>	<u>165,141</u>	<u>156,074</u>	<u>(1,960,033)</u>	<u>-</u>	<u>(1,960,033)</u>
Support services:						
Student	65,129	-	-	(65,129)	-	(65,129)
Instructional staff	5,029	-	-	(5,029)	-	(5,029)
Administration	276,404	-	-	(276,404)	-	(276,404)
Operation and maintenance of plant	196,711	-	-	(196,711)	-	(196,711)
Transportation	265,430	480	-	(264,950)	-	(264,950)
	<u>808,703</u>	<u>480</u>	<u>-</u>	<u>(808,223)</u>	<u>-</u>	<u>(808,223)</u>
Long term Debt:						
Interest and fees	1,970	-	-	(1,970)	-	(1,970)
Other expenses:						
AEA flowthrough	111,779	-	111,779	-	-	-
Depreciation(unallocated)*	53,312	-	-	(53,312)	-	(53,312)
	<u>165,091</u>	<u>-</u>	<u>111,779</u>	<u>(53,312)</u>	<u>-</u>	<u>(53,312)</u>
Total governmental activities	3,257,012	165,621	267,853	(2,823,538)	-	(2,823,538)
Business Type activities:						
Support services:						
Operation and maintenance of plant	470	-	-	-	(470)	(470)
Non-instructional programs:						
Nutrition services	98,434	26,970	63,184	-	(8,280)	(8,280)
Total business type activities	<u>98,904</u>	<u>26,970</u>	<u>63,184</u>	<u>-</u>	<u>(8,750)</u>	<u>(8,750)</u>
Total	\$ 3,355,916	192,591	331,037	(2,823,538)	(8,750)	(2,832,288)
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,019,470	-	1,019,470
Capital outlay				97,554	-	97,554
Income surtax				124,584	-	124,584
Statewide sales, services and use tax				233,535	-	233,535
Unrestricted state grants				1,512,906	-	1,512,906
Unrestricted investment earnings				562	7	569
Other				17,538	2,600	20,138
Total general revenues				<u>3,006,149</u>	<u>2,607</u>	<u>3,008,756</u>
Change in net position				182,611	(6,143)	176,468
Net position beginning of year				<u>1,861,022</u>	<u>42,097</u>	<u>1,903,119</u>
Net position end of year				<u>\$ 2,043,633</u>	<u>35,954</u>	<u>2,079,587</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 712,279	541,785	139,676	1,393,740
Receivables:				
Property tax:				
Delinquent	9,518	994	867	11,379
Succeeding year	1,027,967	105,408	70,000	1,203,375
Income surtax	121,642	-	-	121,642
Due from other funds	2,091	-	-	2,091
Due from other governments	96,878	88,336	-	185,214
TOTAL ASSETS	\$ 1,970,375	736,523	210,543	2,917,441
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	2,091	-	2,091
Accounts payable	292,983	46,046	-	339,029
Salaries and benefits payable	159,127	-	-	159,127
Deferred revenue:				
Succeeding year property tax	1,027,967	105,408	70,000	1,203,375
Income surtax	121,642	-	-	121,642
Total liabilities	<u>1,601,719</u>	<u>151,454</u>	<u>70,000</u>	<u>1,823,173</u>
Fund balances:				
Restricted for:				
Categorical funding	160,338	-	-	160,338
School infrastructure	-	454,517	-	454,517
Physical plant and equipment	-	128,461	-	128,461
Management levy purposes	-	-	89,511	89,511
Student activities	-	-	73,075	73,075
Unassigned:				
General	208,318	-	-	208,318
Student activities	-	-	(22,043)	(22,043)
Total fund balances	<u>368,656</u>	<u>582,978</u>	<u>140,543</u>	<u>1,092,177</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,970,375	734,432	210,543	2,915,350

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW 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)	\$	1,092,177
 <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 the governmental funds.		908,725
The income surtax accounts receivable, is not yet available to finance expenditures of the current fiscal period.		121,642
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		56,158
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(1,115)
Long-term liabilities, including computer leases payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		<u>(133,954)</u>
Net position of governmental activities(page 18)	\$	<u>2,043,633</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,060,940	331,089	85,049	1,477,078
Tuition	97,070	-	-	97,070
Other	66,595	15	38,285	104,895
State sources	1,667,627	-	-	1,667,627
Federal sources	94,888	-	-	94,888
Total revenues	2,987,120	331,104	123,334	3,441,558
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,379,566	-	51,573	1,431,139
Special	617,419	-	-	617,419
Other	76,675	-	33,341	110,016
	2,073,660	-	84,914	2,158,574
Support services:				
Student	61,958	-	-	61,958
Instructional staff	4,753	-	-	4,753
Administration	248,591	13,968	-	262,559
Operation and maintenance of plant	145,392	-	40,541	185,933
Transportation	216,857	-	-	216,857
	677,551	13,968	40,541	732,060
Capital outlay	-	269,129	-	269,129
Long-term debt:				
Principal	-	-	23,968	23,968
Interest and fees	-	-	2,506	2,506
	-	-	26,474	26,474
Other expenditure:				
AEA flowthrough	111,779	-	-	111,779
Total expenditures	2,862,990	283,097	151,929	3,298,016
Excess(Deficiency) of revenues over(under) expenditures	124,130	48,007	(28,595)	143,542
Other financing sources(uses):				
Transfers in	-	-	26,474	26,474
Transfers out	(12,192)	(14,282)	-	(26,474)
Sale of equipment	200	-	-	200
Total other financing sources(uses)	(11,992)	(14,282)	26,474	200
Change in fund balances	112,138	33,725	(2,121)	143,742
Fund balances beginning of year	256,518	549,253	142,664	948,435
Fund balances end of year	\$ 368,656	582,978	140,543	1,092,177

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW 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)	\$	143,742
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal in the year are as follows:		
Capital outlays	\$ 141,470	
Depreciation expense	<u>(95,490)</u>	45,980
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		 (1,935)
 Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		 (12,723)
 Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		 23,968
 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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		 536
 Other postemployment benefits 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.		 <u>(16,957)</u>
 Changes in net position of governmental activities(page 19)	 \$	 <u><u>182,611</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
ASSETS		
Cash and pooled investments	\$ 7,438	56,158
Accounts receivable	1,487	-
Due from other governments	5,584	-
Inventories	3,688	-
Capital assets, net of accumulated depreciation	21,157	-
TOTAL ASSETS	39,354	56,158
LIABILITIES		
Accounts payable	807	-
Net OPEB liability	2,593	-
TOTAL LIABILITIES	3,400	-
NET POSITION		
Invested in capital assets	21,157	-
Unrestricted	14,797	56,158
TOTAL NET POSITION	\$ 35,954	56,158

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 26,970	8,355
Miscellaneous	2,600	-
TOTAL OPERATING REVENUE	29,570	8,355
OPERATING EXPENSES:		
Support services:		
Administration		
Benefits	-	21,078
Operation and maintenance of plant		
Services	470	-
	470	21,078
Non-instructional programs:		
Food service operations:		
Salaries	32,995	-
Benefits	15,069	-
Services	1,043	-
Supplies	43,581	-
Depreciation	5,746	-
	98,434	-
TOTAL OPERATING EXPENSES	98,904	21,078
OPERATING LOSS	(69,334)	(12,723)
NON-OPERATING REVENUES:		
State sources	878	-
Federal sources	62,306	-
Interest income	7	-
TOTAL NON-OPERATING REVENUES	63,191	-
Change in net position	(6,143)	(12,723)
Net position beginning of year	42,097	68,881
Net position end of year	\$ 35,954	56,158

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 23,520	-
Cash received from miscellaneous operating activities	2,600	8,355
Cash payments to employees for services	(47,374)	-
Cash payments to suppliers for goods or services	(40,765)	(21,078)
Net cash used in operating activities	<u>(62,019)</u>	<u>(12,723)</u>
Cash flows from non-capital financing activities:		
State grants received	878	-
Federal grants received	49,923	-
Net cash provided by non-capital financing activities	<u>50,801</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,985)	-
Cash flows from investing activities:		
Interest on investments	7	-
Decrease in cash and cash equivalents	(14,196)	(12,723)
Cash and cash equivalents at beginning of year	21,634	68,881
Cash and cash equivalents at end of year	<u>\$ 7,438</u>	<u>56,158</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (69,334)	(12,723)
Adjustments to reconcile operating loss to net used in operating activities:		
Commodities consumed	6,799	-
Depreciation	5,746	-
Increase in inventories	(3,277)	-
Increase in accounts receivable	(1,487)	-
Increase in accounts payable	807	-
Decrease in unearned revenue	(1,963)	-
Increase in other postemployment benefits	690	-
Net cash used in operating activities	<u>\$ (62,019)</u>	<u>(12,723)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received federal commodities valued at \$6,799.

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The Andrew Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through sixth. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Andrew, Iowa, and the predominate agricultural territory in Jackson County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jackson 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and Statement of Activities. This chargeback is based upon a percentage of total employees by the participants' various functional areas.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted 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 which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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	20-50
Land improvements	20
Intangibles	2 or more
Machinery and equipment	5-20

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

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

Deferred revenue on the Statement of Net 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 lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide statement of net position, net position are 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 Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$23,033 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa School Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General Fund	\$ 12,192
Debt Service	Capital Projects: Physical Plant & Equipment Levy	14,282
Total		<u>\$ 26,474</u>

The General Fund transferred monies to the Debt Service Fund for the payment of principle and interest for a computer lease.

The Capital Projects: Physical Plant and Equipment Levy account transferred monies to the Debt Service Fund that was used to pay the principle and interest for a computer lease. The principle and interest should have been paid from the Capital Projects: Statewide Sales, Services and Use Tax account, an interfund payable and receivable have been booked to account for this transfer.

(4) Due From and Due To Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects: Physical Plant & Equipment Levy	Capital Projects: Statewide Sales, Services and Use Tax	\$ 14,282
General	Capital Projects: Statewide Sales, Services and Use Tax	2,091
Total		<u>\$ 16,373</u>

The Capital Projects: Statewide Sales, Services and Use Tax account is repaying the Capital Projects: Physical Plant & Equipment Levy account for a computer lease paid from the wrong account.

The Capital Projects: Statewide Sales, Services and Use Tax account is repaying the General Fund for expenses incorrectly paid from the General Fund.

(5) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning of</u>			<u>End</u>
	<u>Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 83,514	2,985	-	86,499
Less accumulated depreciation	59,596	5,746	-	65,342
Business type activities capital assets, net	<u>\$ 23,918</u>	<u>(2,761)</u>	<u>-</u>	<u>21,157</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,201	-	-	7,201
Construction in progress	30,020	122,104	152,124	-
Total capital assets not being depreciated	<u>37,221</u>	<u>122,104</u>	<u>152,124</u>	<u>7,201</u>
Capital assets being depreciated:				
Buildings & Improvements	2,038,247	168,785	-	2,207,032
Land improvements	85,613	-	-	85,613
Machinery and equipment	1,414,491	2,705	-	1,417,196
Total capital assets being depreciated	<u>3,538,351</u>	<u>171,490</u>	<u>-</u>	<u>3,709,841</u>
Less accumulated depreciation for:				
Buildings	1,404,342	49,709	-	1,454,051
Land improvements	51,571	3,603	-	55,174
Machinery and equipment	1,256,914	42,178	-	1,299,092
Total accumulated depreciation	<u>2,712,827</u>	<u>95,490</u>	<u>-</u>	<u>2,808,317</u>
Total capital assets being depreciated, net	<u>825,524</u>	<u>76,000</u>	<u>-</u>	<u>901,524</u>
Governmental activities capital assets, net	<u>\$ 862,745</u>	<u>198,104</u>	<u>152,124</u>	<u>908,725</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,205
Other		1,602
Support services:		
Administration		1,346
Operation and maintenance of plant		1,281
Transportation		36,744
		<u>42,178</u>
Unallocated depreciation		<u>53,312</u>
Total governmental activities depreciation expense		<u>\$ 95,490</u>
Business type activities:		
Food services		<u>\$ 5,746</u>

(6) Long-Term Liabilities

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
Business type activities:					
Net OPEB liability	\$ 1,903	690	-	2,593	-

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 31,701	-	-	31,701	31,701
Computer lease (April 20, 2011)	23,419	-	11,542	11,877	11,877
Computer lease (August 20, 2011)	39,077	-	12,426	26,651	13,016
Net OPEB liability	46,768	16,957	-	63,725	-
Total	\$ 140,965	16,957	23,968	133,954	56,594

Computer Leases

On April 29, 2011, the District entered into a lease agreement with Apple Computer Inc. for computers for the District's One to One Initiative. Annual principal and interest will be paid from the General Fund.

Year Ending June 30,	Computer lease dated April 29, 2011			
	Interest Rates	Principal	Interest	Total
2014	4.70 %	\$ 11,877	315	12,192

On August 20, 2011, the District entered into a lease agreement with Apple Computer Inc. for computers for the District's One to One Initiative. Annual principal and interest will be paid from the Capital Projects: Local Option Statewide Sales, Services and Use Tax.

Year Ending June 30,	Computer lease dated August 20, 2011			
	Interest Rates	Principal	Interest	Total
2014	4.75 %	\$ 13,016	1,266	14,282
2015	4.75	13,635	648	14,283
Total		\$ 26,651	1,914	28,565

Termination Benefits

During the year ended June 30, 2010 the District offered a voluntary early retirement plan to its certified employees. Eligible employees had to be at least age fifty-five and must have completed ten years of service as a full-time employee. Employees were required to complete an application, which was subject to approval by the Board of Education. Early retirement incentives for each eligible employee was based on the employee salary schedule in effect the last year of the employee's employment with the District. The employee will receive 50 percent of the current year's salary less phase money, supplemental pay or extended contract pay.

(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 contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$95,858, \$95,582 and \$105,621 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

Plan Description - The District operates a single-employer employee health benefit plan, which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 28 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$	24,386
Interest on net OPEB obligation		1,217
Adjustment to annual required contribution		(3,735)
Annual OPEB cost		<u>21,868</u>
Contributions made		(4,221)
Increase in net OPEB obligation		<u>17,647</u>
Net OPEB obligation beginning of year		<u>48,671</u>
Net OPEB obligation end of year	\$	<u><u>66,318</u></u>

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 16,600	6.32%	\$ 31,090
2012	20,689	15.02%	48,671
2013	21,868	19.30%	66,318

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$151,374, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$151,374. The covered payroll (annual payroll of active employees covered by the plan) was \$949,478, and the ratio of the UAAL to covered payroll was 15.9%. As of June 30, 2013 there were no trust fund assets.

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

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

As of July 1, 2011 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 Society of Actuaries Study, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the 2006 Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability. The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$208,566. Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$111,779 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.

(11) Deficit Fund Balance

At June 30, 2013, the Special Revenue: Student Activity Fund had 14 negative accounts with a deficit unassigned fund balance of \$22,043.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional level. During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the amounts budgeted.

(13) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 48,254
Dropout and dropout prevention	58,312
Beginning teacher mentoring	1,462
Four-year-old preschool state aid	41,431
Model core curriculum	9,308
Professional development	1,571
Total	<u>\$ 160,338</u>

(14) Reconciliation of Governmental fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 89,511	186,275
Internal Service Fund	-	56,158
Income Surtax	-	121,642
Termination benefits	(31,701)	-
Computer lease payable	-	(38,528)
Accrued interest payable	-	(1,115)
Net OPEB liability	-	(63,725)
Nonspendable fund balance	-	-
Net position (Exhibit A)	<u>\$ 57,810</u>	<u>260,707</u>

ANDREW COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,679,043	29,577	1,708,620	1,633,173	1,633,173	75,447
State sources	1,667,627	878	1,668,505	1,678,720	1,678,720	(10,215)
Federal sources	94,888	62,306	157,194	126,000	126,000	31,194
Total revenues	<u>3,441,558</u>	<u>92,761</u>	<u>3,534,319</u>	<u>3,437,893</u>	<u>3,437,893</u>	<u>96,426</u>
Expenditures/expenses:						
Instruction	2,158,574	-	2,158,574	2,215,000	2,215,000	56,426
Support services	732,060	470	732,530	834,645	834,645	102,115
Non-instructional programs	-	98,434	98,434	112,200	112,200	13,766
Other expenditures	407,382	-	407,382	389,027	389,027	(18,355)
Total expenditures/expenses	<u>3,298,016</u>	<u>98,904</u>	<u>3,396,920</u>	<u>3,550,872</u>	<u>3,550,872</u>	<u>153,952</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	143,542	(6,143)	137,399	(112,979)	(112,979)	250,378
Other financing sources, net	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing sources	143,742	(6,143)	137,599	(112,979)	(112,979)	250,578
Balance beginning of year	<u>948,435</u>	<u>42,097</u>	<u>990,532</u>	<u>628,312</u>	<u>628,312</u>	<u>362,220</u>
Balance end of year	<u>\$ 1,092,177</u>	<u>35,954</u>	<u>1,128,131</u>	<u>515,333</u>	<u>515,333</u>	<u>612,798</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 ended June 30, 2013, expenditures in the other expenditures functional area exceeded the amounts budgeted.

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	\$ -	\$ 162,913	\$ 162,913	-	\$ 1,607,960	10.1%
2011	7/1/2009	-	162,913	162,913	-	1,563,459	10.4%
2012	7/1/2011	-	166,253	166,253	-	1,056,840	15.7%
2013	7/1/2011	-	151,374	151,374	-	949,478	15.9%

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

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 88,644	51,032	139,676
Receivables:			
Property tax:			
Delinquent	867	-	867
Succeeding year	70,000	-	70,000
TOTAL ASSETS	\$ 159,511	51,032	210,543
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 70,000	-	70,000
Fund balances:			
Restricted for:			
Management levy purposes	89,511	-	89,511
Student activities	-	73,075	73,075
Unassigned	-	(22,043)	(22,043)
Total fund balances	89,511	51,032	140,543
TOTAL LIABILITIES AND FUND BALANCES	\$ 159,511	51,032	210,543

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue			Debt Service	Other Nonmajor Governmental Funds
	Management Levy	Student Activity	Total Special Revenue		
REVENUES:					
Local sources:					
Local tax	\$ 85,049	-	85,049	-	85,049
Other	2,111	36,174	38,285	-	38,285
TOTAL REVENUES	87,160	36,174	123,334	-	123,334
EXPENDITURES:					
Current:					
Instruction:					
Regular	51,573	-	51,573	-	51,573
Other	-	33,341	33,341	-	33,341
Support services:					
Operation and maintenance of plant	40,541	-	40,541	-	40,541
Long-term debt:					
Principal	-	-	-	23,968	23,968
Interest and fees	-	-	-	2,506	2,506
TOTAL EXPENDITURES	92,114	33,341	125,455	26,474	151,929
Excess(deficiency) of revenues over(under) expenditures	(4,954)	2,833	(2,121)	(26,474)	(28,595)
Other financing sources:					
Transfers in	-	-	-	26,474	26,474
Change in fund balances	(4,954)	2,833	(2,121)	-	(2,121)
Fund balances beginning of year	94,465	48,199	142,664	-	142,664
Fund balances end of year	\$ 89,511	51,032	140,543	-	140,543

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 428,600	113,185	541,785
Receivables:			
Property tax:			
Delinquent	-	994	994
Succeeding year	-	105,408	105,408
Due from other funds	-	14,282	14,282
Due from other governments	88,336	-	88,336
TOTAL ASSETS	\$ 516,936	233,869	750,805
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 16,373	-	16,373
Accounts payable	46,046	-	46,046
Deferred revenue:			
Succeeding year property tax	-	105,408	105,408
Total liabilities	62,419	105,408	151,454
Fund balances:			
Restricted for:			
School infrastructure	454,517	-	454,517
Physical plant and equipment	-	128,461	128,461
Total fund balances	454,517	128,461	582,978
TOTAL LIABILITIES AND FUND BALANCES	\$ 516,936	233,869	734,432

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 233,535	97,554	331,089
Other	5	10	15
TOTAL REVENUES	<u>233,540</u>	<u>97,564</u>	<u>331,104</u>
EXPENDITURES:			
Current:			
Support services:			
Administration	13,968	-	13,968
Capital outlay	229,357	39,772	269,129
TOTAL EXPENDITURES	<u>243,325</u>	<u>39,772</u>	<u>283,097</u>
Excess(Deficiency) of revenues over(under) expenditures	(9,785)	57,792	48,007
Other financing uses:			
Transfers out	-	(14,282)	(14,282)
Change in fund balances	(9,785)	43,510	33,725
Fund balances beginning of year	<u>464,302</u>	<u>84,951</u>	<u>549,253</u>
Fund balances end of year	<u>\$ 454,517</u>	<u>128,461</u>	<u>582,978</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW 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
<u>Athletics</u>				
General Athletics	\$ 4,190	4,771	2,202	6,759
Girls Fundraiser	1,175	-	-	1,175
Boys Fundraising	(91)	-	-	(91)
Uniforms	90	-	-	90
Football	182	125	125	182
Extra Curricular	21,311	15,279	10,657	25,933
Cross Country	(335)	-	-	(335)
Boys Basketball	(2,127)	-	54	(2,181)
Baseball	(2,591)	-	-	(2,591)
Boys Track	(137)	-	-	(137)
Girls Basketball	(713)	-	-	(713)
Volleyball	(1,870)	-	227	(2,097)
Golf	(430)	-	-	(430)
Softball	(9,113)	-	-	(9,113)
Girls Track	(1,002)	-	-	(1,002)
	<u>8,539</u>	<u>20,175</u>	<u>13,265</u>	<u>15,449</u>
<u>Music</u>				
General Music	4,285	391	739	3,937
Music Store	(1,730)	-	200	(1,930)
	<u>2,555</u>	<u>391</u>	<u>939</u>	<u>2,007</u>
<u>Clubs</u>				
Art Club	1,915	-	-	1,915
Yearbook	1,331	1,638	751	2,218
Concession Stand	1,615	-	26	1,589
Cheerleaders	(751)	-	-	(751)
Hawk Club	(342)	-	-	(342)
Student Council	23,180	8,273	10,950	20,503
Thespians	401	-	-	401
Foreign Language Travel	354	-	-	354
	<u>27,703</u>	<u>9,911</u>	<u>11,727</u>	<u>25,887</u>
<u>Graduating Classes</u>				
Class of 2010	10	-	-	10
Class of 2012	794	-	-	794
Class of 2014	515	-	-	515
	<u>1,319</u>	<u>-</u>	<u>-</u>	<u>1,319</u>
<u>Miscellaneous Accounts</u>				
After Prom	787	13	313	487
Courtesy Funds	472	506	684	294
General Activity	180	4,927	3,300	1,807
Media Center	-	-	330	(330)
Elementary Store	6,644	251	2,783	4,112
	<u>8,083</u>	<u>5,697</u>	<u>7,410</u>	<u>6,370</u>
Total	<u>\$ 48,199</u>	<u>36,174</u>	<u>33,341</u>	<u>51,032</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,477,078	1,401,063	1,359,466	1,273,686	1,283,580	1,262,113	1,233,121	1,150,990	1,094,923	1,119,831
Tuition	97,070	113,322	168,556	224,707	192,479	244,416	217,216	180,403	187,982	147,485
Other	104,895	98,432	140,070	142,758	168,849	189,702	252,106	205,904	129,851	148,565
State sources	1,667,627	1,564,195	1,603,462	1,413,679	1,711,917	1,761,428	1,653,670	1,488,919	1,470,942	1,418,215
Federal sources	94,888	69,920	199,542	279,971	127,568	100,404	104,795	100,566	115,315	105,804
Total	\$ 3,441,558	3,246,932	3,471,096	3,334,801	3,484,393	3,558,063	3,460,908	3,126,782	2,999,013	2,939,900
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,431,139	1,443,022	1,514,721	1,413,842	1,389,751	1,440,601	1,442,977	1,306,298	1,411,343	1,228,494
Special	617,419	460,705	466,998	470,935	512,417	564,583	432,742	435,917	479,930	472,931
Other	110,016	154,963	299,282	351,671	323,252	246,690	308,830	297,596	298,307	242,616
Support services:										
Student	61,958	54,527	52,054	26,377	62,423	61,352	56,213	53,293	81,796	91,044
Instructional	4,753	32,994	93,121	33,046	85,700	79,774	69,017	59,782	65,819	58,820
Administration	262,559	287,930	268,314	299,487	299,846	352,678	342,602	352,480	318,940	298,996
Operation and maintenance of plant	185,933	168,812	160,186	161,571	168,224	181,477	161,148	169,707	159,688	147,541
Transportation	216,857	285,793	224,862	222,280	262,324	208,781	264,822	234,984	177,090	196,699
Other support	-	-	-	-	-	-	-	-	-	795
Non-instructional programs	-	-	2,123	1,771	2,316	2,233	1,855	1,650	17,847	6,359
Capital outlay	269,129	110,704	73,813	206,948	104,699	319,672	103,170	158,218	286,517	61,310
Long-term debt:										
Principal	23,968	11,217	20,000	20,000	20,000	20,000	-	-	-	-
Interest and other charges	2,506	975	-	-	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	111,779	110,959	125,158	124,457	117,250	115,944	109,236	98,400	97,695	99,633
Total	\$ 3,298,016	3,122,601	3,300,632	3,332,385	3,348,202	3,593,785	3,292,612	3,168,325	3,394,972	2,905,238

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

We have audited 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Andrew 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 March 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Andrew Community School District's internal control over financial reporting to determine the auditing 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 Andrew Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Andrew Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance all deficiencies, significant material weaknesses or deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in part I of the accompanying Schedule of Findings as items I-D-13 thru I-H-13 to be significant deficiencies.

Compliance and Other Matters

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

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

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

Andrew Community School District's Responses to Findings

Andrew Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Andrew 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 of 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 Andrew Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handling petty cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - purchasing, handling, counting and maintaining inventory records.
- 4) Receipts - collecting, filling out deposit slip, depositing, recording, journalizing, posting and reconciling.
- 5) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) Payroll - approval of and payment of payroll taxes, distributing payroll checks and posting payroll.
- 7) Wire transfers - processing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - approval and posting.

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

Response - The District will continue to work on being as efficient as possible with the limited number of staff available.

Conclusion - Response accepted.

I-B-13 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing

the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. Necessary adjustments to be made for proper recognition of payables were not being completed. Transactions such as proper recognition of transfers from other funds to pay debt were not being recorded in the general ledger.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District continues to send data entry staff to year end training to better obtain knowledge of accounting entries.

Conclusion - Response accepted.

- I-C-13 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements of the Internal Service-Self Insurance Fund to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

Response - The District will reconcile all funds to ensure accurate reporting of the balance sheets.

Conclusion - Response accepted.

- I-D-13 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District will pursue collecting negative balances to recover negative accounts. The District hands out free/reduced forms for families that qualify.

Conclusion - Response accepted.

- I-E-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 under reported 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 make sure that proper price amounts are used for commodities in the future.

Conclusion - Response accepted.

I-F-13 Student Activity Invoices - We noted instances of a check being written to vendors without an invoice or statement for supporting documentation.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - The District will continue to require invoices and receipts for payments and will communicate the need for this with all employees.

Conclusion - Response accepted.

I-G-13 Credit Cards - We noted during our audit that the District currently uses purchase orders in the purchasing process, however, we noted that 6 of 8 credit card disbursements tested lacked an approved purchase order and 4 of 8 tested lacked invoices to support the purchases.

Recommendation - This procedure should be reviewed and necessary changes made so that all disbursements have a pre-numbered purchase order that is approved by the appropriate administrator before the purchase takes place and that proper documentation is provided to ensure that all bills are supported, approved, and paid from an invoice.

Response - The District will improve our credit card purchasing policies and make sure that all employees follow it.

Conclusion - Response accepted.

I-H-13 Non-Public Transportation - We noted during our audit, that it appeared the District failed to file their Non-Public Transportation reimbursement with the Iowa Department of Education. As a result, the District did not receive \$2,158.68 in funding for expenditures incurred by the District.

Recommendation - The District should contact the Iowa Department of Education to resolve this issue.

Response - The District will make sure that Non-Public Transportation is filed timely with the Department of Education.

Conclusion - Response accepted.

OTHER MATTERS:

I-I-13 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District continues to monitor board policies, this is an ongoing process of reviewing all policies.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded the amounts budgeted in the other expenditures functional area.

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

Response - The District will monitor the budget more closely and amend it if needed in the future.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - No business transactions between the District and District officials were noted.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes:

Closed Sessions - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted the minutes did not document the code section for a closed session as required by Iowa Code.

Recommendation - The vote of each board member on the question of holding the closed session and the reason for holding a closed session must be referenced by the specific exemption under Chapter 21.5(1) and announced publicly at the open session as well as entered into the minutes. A governmental body shall not discuss any business during the closed session which does not directly relate to the specific reason given as justification for the closed session.

Response - The minutes will document the proper Iowa Code Section for closed sessions in the future.

Conclusion - Response accepted.

Signing of Minutes - We noted that the board minutes were not signed by the Board Secretary or Board President.

Recommendation - The Board President and Board Secretary should sign all approved Board minutes as recommended in Chapter 3 of the Uniform Administrative Procedures for Iowa School Districts and AEA Officials.

Response - The Board President and Board Secretary will sign all minute of board meetings in the future.

Conclusion - Response accepted.

- II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-13 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Service and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance		\$ 464,302
Revenues:		
Sales tax revenues	\$ 233,535	
Other state revenues	5	233,540
		<u>697,842</u>
Expenditures:		
School infrastructure:		
Building	\$ 229,357	
Other improvements	13,968	243,325
		<u>243,325</u>
Ending Balance		<u>\$ 454,517</u>

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

- II-M-13 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The Board President will sign all officiating contracts.

Conclusion - Response accepted.

- II-N-13 Financial Condition - At June 30, 2013, the Special Revenue: Student Activity Fund had 14 negative accounts with a deficit unassigned fund balance of \$22,043.

Recommendation - The District should monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District recognizes the negative balances in the Student Activity Fund and will continue to monitor these accounts. The District will develop a plan to eliminate the negative balances.

Conclusion - Response accepted.

II-O-13 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. During our audit, we noted there were no electronic images or copies of the actual checks written for the Student Activity Fund from Maquoketa State Bank account available for audit.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - The District will retain images of front and backs of checks going forward.

Conclusion - Response accepted.

II-P-13 Student Activity Fund - In accordance with 298.8 of the Code of Iowa and the 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. A more specific example of these instances of questioned items and recommendations is as follows:

Box Tops for Education: We noted the District recorded revenue from Box Tops for Education in the Student Activity Fund. Donations to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment.

Recommendation - Since the items listed for purchase appear to be more instructional in nature, the most logical place to record these donations would be the General Fund.

Response - The District will record the revenues for Box Tops into the General Fund.

Conclusion - Response accepted.

We also noted during our audit that Target donations as well as Lifetouch Picture commissions were being receipted to the Student Activity Fund.

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 excepted for money required by law to be accounted for in another fund. Commissions and undesignated donations are not specifically identified as allowable revenue for the Student Activity Fund, therefore Lifetouch commissions and Target donations should be receipted into the General Fund.

Response - The District will now record Target donations and Lifetouch commissions into the General Fund.

Conclusion - Response accepted.