

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013**

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ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

BOARD OF EDUCATION

(Before September, 2012 Election)

| | | |
|----------------|----------------|------|
| Jim Boyer | President | 2013 |
| Jen VonBank | Vice President | 2013 |
| Kevin Thackery | Board Member | 2013 |
| George Walker | Board Member | 2015 |
| Wayne Mathine | Board Member | 2015 |

(After September, 2012 Election)

| | | |
|----------------|----------------|------|
| Jim Boyer | President | 2013 |
| Jen VonBank | Vice President | 2013 |
| Karen Thackery | Board Member | 2013 |
| George Walker | Board Member | 2015 |
| Wayne Mathine | Board Member | 2015 |

SCHOOL OFFICIALS

| | |
|------------------|------------------------------|
| Matt Berninghaus | Superintendent |
| Erin Rogers | District Secretary/Treasurer |



Independent Auditors' Report

To the Board of Education of the
Armstrong-Ringsted Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong, 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 as 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 accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the 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 entity'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 entity'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 that 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 activity, each major fund, and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong, Iowa, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and pages 38 through 40 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Armstrong-Ringsted Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The combining nonmajor fund financial statements are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2014 on our consideration of the Armstrong-Ringsted Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Armstrong-Ringsted Community School District's internal control over financial reporting and compliance.

Williams + Company, P.C.
Certified Public Accountants

Spencer, Iowa
February 24, 2014

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

2013 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$4,183,695 in fiscal 2012 to \$4,450,882 in fiscal 2013, while General fund expenditures increased from \$3,797,856 in fiscal 2012 to \$4,279,762 in fiscal 2013. The District's General fund balance increased from \$1,600,449 at the end of fiscal 2012 to \$1,773,039 at the end of fiscal 2013, an 11% increase.

The increase in General fund revenues and expenditures was attributable primarily to the whole grade sharing agreement with the Sentral and North Kossuth community school districts. Tuition was received from the other two districts to educate all of the high school students in the Armstrong building. Expenses increased, as we paid tuition to have pre-kindergarten through eighth grade students educated by our partner districts. The General fund balance increase is the result of closing the Ringsted building and utilizing sharing opportunities, including whole grade sharing.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Armstrong-Ringsted 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 financials statements report Armstrong-Ringsted Community School District's operations in more detail than the government-wide statements provide information about the most significant funds. The remaining statements provide financial information about activities for which Armstrong-Ringsted Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

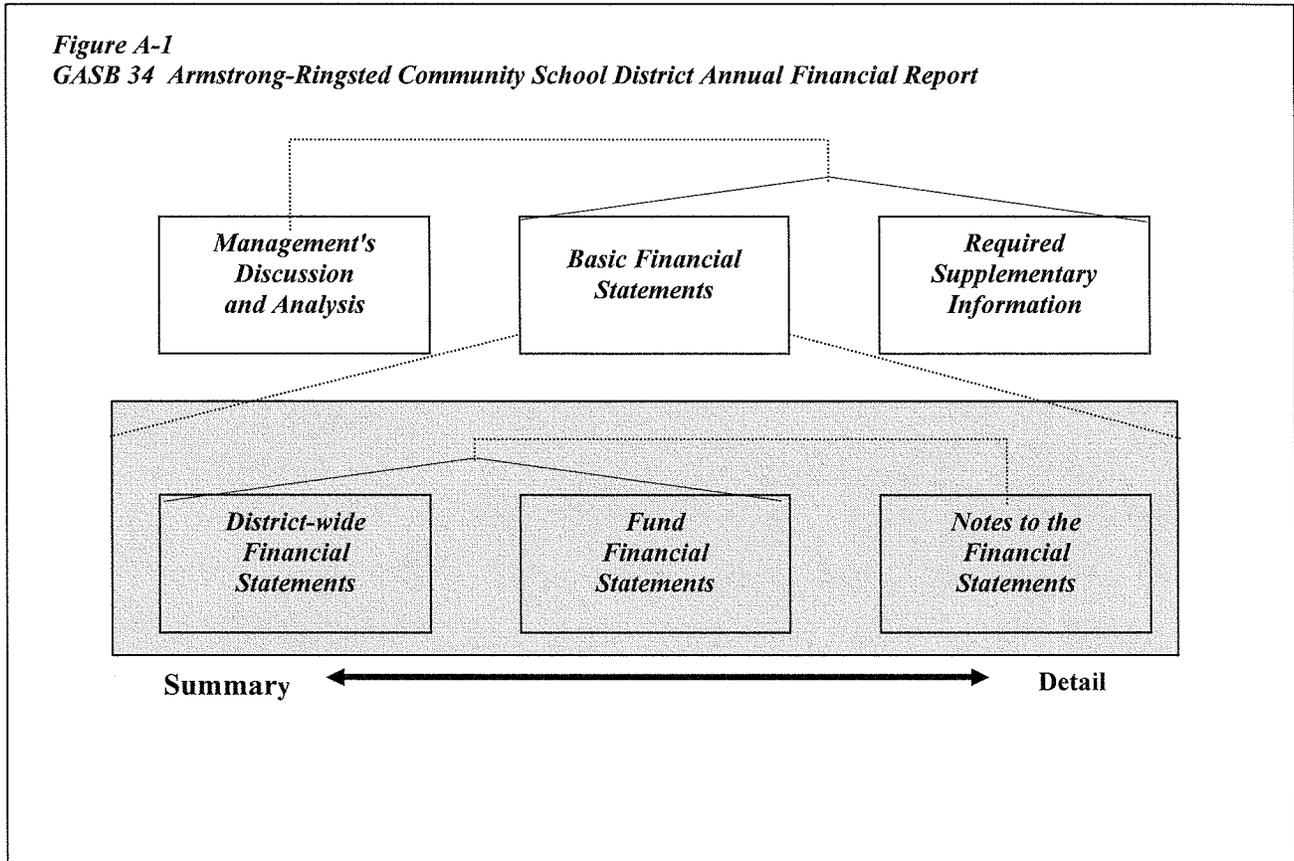


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| <i>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</i> | | | |
|---|--|--|--|
| | Government-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, 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 financial 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 Statement

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

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

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary fund includes an agency fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

| | Governmental Activities | | Business-Type Activity | | Total District | | Total Change |
|---------------------------|----------------------------|---------------------|---------------------------|------------------|---------------------|---------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2012-2013 |
| Current and Other Assets | \$ 7,115,368 | \$ 5,631,765 | \$ (4,961) | \$ 16,349 | \$ 7,110,407 | \$ 5,648,114 | 25.9% |
| Capital Assets | 3,933,933 | 4,029,244 | - | 261 | 3,933,933 | 4,029,505 | -2.4% |
| Total Assets | 11,049,301 | 9,661,009 | (4,961) | 16,610 | 11,044,340 | 9,677,619 | 14.1% |
| Current Liabilities | 3,564,508 | 2,436,034 | 1,719 | 1,873 | 3,566,227 | 2,437,907 | 46.3% |
| Non-Current Liabilities | 1,945,609 | 2,046,939 | - | - | 1,945,609 | 2,046,939 | -5.0% |
| Total Liabilities | 5,510,117 | 4,482,973 | 1,719 | 1,873 | 5,511,836 | 4,484,846 | 22.9% |
| Net Position: | | | | | | | |
| Net Investment in | | | | | | | |
| Capital Assets | 1,929,925 | 1,922,705 | - | 261 | 1,929,925 | 1,922,966 | 0.4% |
| Restricted | 1,909,923 | 1,511,701 | - | - | 1,909,923 | 1,511,701 | 26.3% |
| Unrestricted | 1,699,336 | 1,743,630 | (6,680) | 14,476 | 1,692,656 | 1,758,106 | -3.7% |
| Total Net Position | \$ 5,539,184 | \$ 5,178,036 | \$ (6,680) | \$ 14,737 | \$ 5,532,504 | \$ 5,192,773 | 6.5% |

The District's combined net position increased 6.5% or approximately \$340,000, from the prior year. The largest portion of the District's net position is the net investment in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment). The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$398,000 or 26.3%, over the prior year. The increase was primarily a result of an increase in the management fund balance due to less early retirement expenses and the PPEL fund balance due to less capital expenses.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints, established debt covenants, enabling legislation or other legal requirements – decreased approximately \$65,000, or 3.7%. This decrease of unrestricted net position can be attributed to the use of fund balance to finance the Ringsted Asbestos project. The school budget review committee granted the district the authority back for this project, allowing the district to save its PPEL funds.

Figure A-4 shows the changes in net position.

Figure A-4

Changes in Net Position from Operations

| | Governmental Activities | | Business-Type Activity | | Total District | | Total % Change |
|------------------------------------|-------------------------|-------------------|------------------------|-------------------|-------------------|-------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | |
| Revenue: | | | | | | | |
| Program Revenue: | | | | | | | |
| Charges for Services | \$ 1,392,845 | \$ 571,807 | \$ 69,725 | \$ 89,622 | \$ 1,462,570 | \$ 661,429 | 121.12% |
| Operating Grants and Contributions | 582,326 | 614,343 | 48,429 | 78,905 | 630,755 | 693,248 | -9.01% |
| General Revenues: | | | | | | | |
| Property Tax | 2,188,552 | 2,378,610 | - | - | 2,188,552 | 2,378,610 | -7.99% |
| Income Surtax | 69,032 | 219,864 | - | - | 69,032 | 219,864 | |
| SSSU Tax | 252,187 | 230,527 | - | - | 252,187 | 230,527 | 9.40% |
| State Grants | 1,040,276 | 1,061,171 | - | - | 1,040,276 | 1,061,171 | -1.97% |
| Interest Income | 19,690 | 26,980 | - | - | 19,690 | 26,980 | -27.02% |
| Miscellaneous | 23,576 | 80,324 | - | - | 23,576 | 80,324 | -70.65% |
| Total Revenues | 5,568,484 | 5,183,626 | 118,154 | 168,527 | 5,686,638 | 5,352,153 | 6.25% |
| Expenses: | | | | | | | |
| Instruction | 3,371,030 | 2,652,725 | - | - | 3,371,030 | 2,652,725 | 27.08% |
| Support Services | 1,331,783 | 1,280,821 | - | - | 1,331,783 | 1,280,821 | 3.98% |
| Non-Instructional | - | - | 139,571 | 174,717 | 139,571 | 174,717 | -20.12% |
| Other Expenses | 504,523 | 464,144 | - | - | 504,523 | 464,144 | 8.70% |
| Total Expenses | 5,207,336 | 4,397,690 | 139,571 | 174,717 | 5,346,907 | 4,572,407 | 16.94% |
| Change in Net Position | \$ 361,148 | \$ 785,936 | \$ (21,417) | \$ (6,190) | \$ 339,731 | \$ 779,746 | -56.43% |

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

The District's total revenues were approximately \$5.68 million, of which \$5.56 million was for governmental activities and \$118 thousand was for business type activities.

As show in Figure A-4, the district as a whole experienced a 6.25% increase in revenues and a 16.94% increase in expenses. The increase in Governmental Activities revenues was due to the tuition received through the whole grade sharing arrangement. Instructional expenditures increased as a result of the whole grade sharing agreement.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2013 were \$5,568,484 and expenses were \$5,207,336.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5 - Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|------------------|------------------------|---------------------|---------------|----------------------|---------------------|--------------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Instruction | \$ 3,371,030 | \$ 2,652,725 | 27.08% | \$ 1,520,945 | \$ 1,590,349 | -4.36% |
| Support Services | 1,331,783 | 1,280,821 | 3.98% | 1,331,783 | 1,280,821 | 3.98% |
| Other Expenses | 504,523 | 464,144 | 8.70% | 379,437 | 340,370 | 11.48% |
| Total | \$ 5,207,336 | \$ 4,397,690 | 18.41% | \$ 3,232,165 | \$ 3,211,540 | 0.64% |

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$1,392,845 in 2013.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$582,326 in 2013.
- The net cost of governmental activities was financed with \$2,509,771 in property taxes and other taxes and \$1,040,276 in unrestricted state grants.

Business-Type Activities

Revenues of the District’s business-type activities (school food and nutrition services) totaled \$118,138 representing an 30% decrease over the prior year, while expenses totaled \$139,571 a 20% decrease over the prior year. (Refer to Figure A-4.) The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

The number of students served breakfast and lunch decreased, resulting in lower revenues and expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, Armstrong-Ringsted 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 a combined fund balance of \$3,606,223, a nine percent increase over last year’s ending fund balances of \$3,057,932. The reason for the overall increase was due to maintaining revenues and lowering expenditures.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by sharing staff and cutting expenses from portions of the budget that were not already obligated, such as supplies, maintenance, and utility items.

The General Fund balance increased from \$1,600,449 to \$1,773,039 due, in part, to its cost containment measures. Numerous positions were shared with neighboring districts and other public entities, including the areas of transportation, maintenance, business services, and other support services positions.

The Debt Service Fund balance decreased from \$7,264 to \$6,379 due to the use of fund balance for debt related services.

The Capital Projects Fund, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$667,387 at the end of fiscal year 2012 to \$708,272 at the end of fiscal year 2013. This was due to fewer capital project expenses.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased from \$14,737 at the end of fiscal year 2012 to \$(6,680) at the end of fiscal year 2013. This was due to an increase in employee benefits paid, an increase food costs, and a decrease in program revenues.

Budgetary Highlights

The Armstrong-Ringsted Community School District did not amend its annual budget during the fiscal year ending June 30, 2013.

The District’s revenues were \$1,289,739 more than budgeted, primarily due to the increase of miscellaneous revenues associated with the whole grade sharing agreement.

Total expenditures were less than budgeted expenses primarily due to maintaining control over expenditures.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2013, the District had invested \$3.9 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net decrease of 0.4% from last year. More detailed information about the District’s capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$292,009.

The original cost of the District’s capital assets was \$7,400,650. Governmental funds account for \$7,390,090 with the remainder of \$10,560 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity was the disposal of a school building.

Figure A-6 - Capital Assets

| | Governmental Activities | | Business-Type Activity | | Total District | | Total % Change |
|---------------------------------|-------------------------|---------------------|------------------------|---------------|---------------------|---------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | |
| Land | \$ 20,000 | \$ 20,000 | \$ - | \$ - | \$ 20,000 | \$ 20,000 | 0.00% |
| Constuction in Progress | 30,923 | 40,971 | - | - | 30,923 | 40,971 | 0.00% |
| Buildings & Improvements | 3,470,354 | 3,488,397 | - | - | 3,470,354 | 3,488,397 | -0.52% |
| Equipment, Furniture & Vehicles | 412,656 | 479,876 | - | 261 | 412,656 | 480,137 | -14.05% |
| Total | \$ 3,933,933 | \$ 4,029,244 | \$ - | \$ 261 | \$ 3,933,933 | \$ 4,029,505 | -2.37% |

Long-Term Debt

At year-end, the District had \$2,048,514 of long-term debt outstanding. This represents a decrease of approximately 4.70% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7 - Long-Term Debt

| | Total District | | Total % Change |
|--------------------------|---------------------|---------------------|-------------------|
| | 2013 | 2012 | |
| Early Retirement | \$ 7,296 | \$ 21,917 | -66.71% |
| Leases Payable | 69,008 | 81,539 | -15.37% |
| Net OPEB liability | 37,210 | 21,014 | 77.07% |
| QZAB bonds | 1,000,000 | 1,000,000 | 0.00% |
| General Obligation Bonds | 935,000 | 1,025,000 | -8.78% |
| Total | \$ 2,048,514 | \$ 2,149,470 | -4.70% |

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The General Fund balance was used to pay for the Ringsted Asbestos project. Subsequently, the School Budget Review Committee granted the District modified allowable growth in the amount of \$57,457 to give back the spending authority for these expenses.
- The District will need to monitor payroll expenses as they account for the vast majority of the budget.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- Enrollment increases and decreases will play a large part in determining the District's finances on a year to year basis. The legislature needs to ensure adequate state percent of growth to properly fund education.
- The District continues operational sharing with neighboring districts.
- The District, along with the Sentral Community School District, passed a consolidation vote, forming North Union Community School District, effective July 1, 2014.
- A whole grade sharing agreement between the North Union and North Kossuth school districts will begin July 1, 2014. The sports sharing agreement is also being updated.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Erin Rogers, Business Manager, Armstrong-Ringsted Community School District, PO Box 75, Armstrong, IA 50514-0075.

BASIC FINANCIAL STATEMENTS

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

| | Primary Government Governmental Activities | Business Type Activities | Total |
|--|--|--------------------------------|---------------------|
| Assets | | | |
| Cash and Pooled Investments: | \$ 3,977,044 | \$ 4,432 | \$ 3,981,476 |
| Receivables: | | | |
| Property Tax | 23,398 | - | 23,398 |
| Property Tax - Succeeding Year | 2,052,525 | - | 2,052,525 |
| Income Surtax | 50,738 | - | 50,738 |
| Accounts | 433 | - | 433 |
| Due from Other Governmental Agencies | 991,230 | - | 991,230 |
| Internal Balances | 20,000 | (20,000) | - |
| Inventories | - | 10,607 | 10,607 |
| Land | 20,000 | - | 20,000 |
| Construction in Progress | 30,923 | - | 30,923 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 3,883,010 | - | 3,883,010 |
| Total Assets | <u>11,049,301</u> | <u>(4,961)</u> | <u>11,044,340</u> |
| Liabilities | | | |
| Accounts Payable | 1,390,251 | - | 1,390,251 |
| Accrued Wages and Payroll Liabilities | 8,605 | - | 8,605 |
| Accrued Interest Payable | 3,196 | - | 3,196 |
| Deferred Revenue - Succeeding Year Taxes | 2,052,525 | - | 2,052,525 |
| Unearned Revenue | - | 1,719 | 1,719 |
| Long-Term Liabilities: | | | |
| Debt Due Within One Year: | | | |
| Bonds Payable | 90,000 | - | 90,000 |
| Lease Payable | 12,905 | - | 12,905 |
| Early Retirement Payable | 7,026 | - | 7,026 |
| Debt Due in More Than One Year: | | | |
| Bonds Payable | 845,000 | - | 845,000 |
| Lease Payable | 56,103 | - | 56,103 |
| Early Retirement Payable | 7,296 | - | 7,296 |
| QZAB Loan Payable | 1,000,000 | - | 1,000,000 |
| Net OPEB Liability | 37,210 | - | 37,210 |
| Total Liabilities | <u>5,510,117</u> | <u>1,719</u> | <u>5,511,836</u> |
| Net Assets | | | |
| Net Investment in Capital Assets | 1,929,925 | - | 1,929,925 |
| Restricted for: | | | |
| Physical Plant and Equipment Levy | 708,272 | - | 708,272 |
| Categorical Funding | 87,481 | - | 87,481 |
| Debt Service | 2,933 | - | 2,933 |
| Student Activities | 51,372 | - | 51,372 |
| School Infrastructure | 602,180 | - | 602,180 |
| Management Levy | 457,685 | - | 457,685 |
| Unrestricted | 1,699,336 | (6,680) | 1,692,656 |
| Total Net Position | <u>\$ 5,539,184</u> | <u>\$ (6,680)</u> | <u>\$ 5,532,504</u> |

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

| Functions/Programs | Expenses | Program Revenues | | |
|--|---------------------|---------------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular Instruction | \$ 1,933,488 | \$ 831,481 | \$ 328,715 | \$ - |
| Special Instruction | 778,625 | 319,577 | - | - |
| Other Instruction | 658,917 | 241,787 | 128,525 | - |
| Support Services: | | | | |
| Student Services | 43,672 | - | - | - |
| Instructional Staff Services | 105,395 | - | - | - |
| Administration Services | 385,993 | - | - | - |
| Operations and Maintenance | 557,159 | - | - | - |
| Transportation Services | 239,564 | - | - | - |
| Other Expenditures: | | | | |
| Facilities Acquisition | 19,896 | - | - | - |
| Loss on Disposal of Building | 52,763 | - | - | - |
| Long-term Debt Interest and Fiscal Charges | 37,457 | - | - | - |
| AEA Flow-Through | 125,086 | - | 125,086 | - |
| Unallocated Depreciation* | 269,321 | - | - | - |
| Total Governmental Activities | 5,207,336 | 1,392,845 | 582,326 | - |
| Business-Type Activities: | | | | |
| School Nutrition Fund | 139,571 | 69,725 | 48,413 | - |
| Total School District | \$ 5,346,907 | \$ 1,462,570 | \$ 630,739 | \$ - |

General Revenues:

Property Tax Levied For:
 General Purposes
 Management Levy
 Physical Plant and Equipment Levy
 Debt Service
Income Surtax
 General Purposes
 Capital Outlay
Statewide Sales and Services Tax
Unrestricted State Grants
Interest on Investments
Miscellaneous
Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

* This amount excludes the depreciation included in the direct expenses of the various programs.

| <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|--|-------------------------------------|---------------------|
| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| \$ (773,292) | - | \$ (773,292) |
| (459,048) | - | (459,048) |
| (288,605) | - | (288,605) |
| (43,672) | - | (43,672) |
| (105,395) | - | (105,395) |
| (385,993) | - | (385,993) |
| (557,159) | - | (557,159) |
| (239,564) | - | (239,564) |
| (19,896) | - | (19,896) |
| (52,763) | - | (52,763) |
| (37,457) | - | (37,457) |
| - | - | - |
| (269,321) | - | (269,321) |
| <u>(3,232,165)</u> | <u>-</u> | <u>(3,232,165)</u> |
| - | \$ (21,433) | (21,433) |
| <u>(3,232,165)</u> | <u>(21,433)</u> | <u>(3,253,598)</u> |
| 1,473,618 | - | 1,473,618 |
| 300,264 | - | 300,264 |
| 289,034 | - | 289,034 |
| 125,636 | - | 125,636 |
| 62,934 | - | 62,934 |
| 6,098 | - | 6,098 |
| 252,187 | - | 252,187 |
| 1,040,276 | - | 1,040,276 |
| 19,690 | 16 | 19,706 |
| 23,576 | - | 23,576 |
| <u>3,593,313</u> | <u>16</u> | <u>3,593,329</u> |
| 361,148 | (21,417) | 339,731 |
| <u>5,178,036</u> | <u>14,737</u> | <u>5,192,773</u> |
| <u>\$ 5,539,184</u> | <u>\$ (6,680)</u> | <u>\$ 5,532,504</u> |

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

| | General | Debt Service | Physical Plant and Equipment Levy | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|--|--------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and Pooled Investments | \$ 2,210,156 | \$ 5,009 | \$ 720,662 | \$ 1,041,217 | \$ 3,977,044 |
| Receivables: | | | | | |
| Property Taxes | 15,682 | 1,370 | 3,151 | 3,195 | 23,398 |
| Property Taxes - Succeeding Year | 1,282,695 | 453,708 | 216,122 | 100,000 | 2,052,525 |
| Income Surtax | 50,738 | - | - | - | 50,738 |
| Other Accounts Receivable | 433 | - | - | - | 433 |
| Due from Other Governmental Agencies | 909,779 | - | - | 81,451 | 991,230 |
| Due from Other Funds | 26,342 | - | 6,483 | 56 | 32,881 |
| Total Assets | <u>4,495,825</u> | <u>460,087</u> | <u>946,418</u> | <u>1,225,919</u> | <u>7,128,249</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts Payable | 1,374,209 | - | 15,682 | 360 | 1,390,251 |
| Accrued Wages and Payroll Liabilities | 8,605 | - | - | - | 8,605 |
| Early Retirement Payable | - | - | - | 7,026 | 7,026 |
| Due to Other Funds | 6,539 | - | 6,342 | - | 12,881 |
| Succeeding Year Property Taxes | 1,282,695 | 453,708 | 216,122 | 100,000 | 2,052,525 |
| Succeeding Year Income Surtax | 50,738 | - | - | - | 50,738 |
| Total Liabilities | <u>2,722,786</u> | <u>453,708</u> | <u>238,146</u> | <u>107,386</u> | <u>3,522,026</u> |
| Fund Balances | | | | | |
| Restricted for: | | | | | |
| Categorical Funding | 87,481 | - | - | - | 87,481 |
| Debt Service | - | 6,379 | - | - | 6,379 |
| Student Activities | - | - | - | 51,372 | 51,372 |
| Management Levy | - | - | - | 464,981 | 464,981 |
| School Infrastructure | - | - | - | 602,180 | 602,180 |
| Physical Plant and Equipment | - | - | 708,272 | - | 708,272 |
| Unassigned | 1,685,558 | - | - | - | 1,685,558 |
| Total Fund Balances | <u>1,773,039</u> | <u>6,379</u> | <u>708,272</u> | <u>1,118,533</u> | <u>3,606,223</u> |
| Total Liabilities and Fund Balances | <u>\$ 4,495,825</u> | <u>\$ 460,087</u> | <u>\$ 946,418</u> | <u>\$ 1,225,919</u> | <u>\$ 7,128,249</u> |

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2013**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

| | |
|--|----------------------------|
| Total Fund Balance - Governmental Funds (page 16) | \$ 3,606,223 |
| Income surtax receivable at June 30, 2013 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Position. | 50,738 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 3,933,933 |
| Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (3,196) |
| Long-term liabilities, including bonds and notes payable, capital leases, long-term portion of early retirement and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds. | <u>(2,048,514)</u> |
| Total Net Position - Governmental Activities (page 13) | <u><u>\$ 5,539,184</u></u> |

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | General | Debt Service | Physical Plant and Equipment Levy | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------|--|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Local Sources: | | | | | |
| Local Tax | \$ 1,648,331 | \$ 125,636 | \$ 376,391 | \$ 552,451 | \$ 2,702,809 |
| Tuition | 931,807 | - | - | - | 931,807 |
| Other | 248,438 | 119 | 3,537 | 252,211 | 504,305 |
| State Sources | 1,396,229 | 53 | 123 | 119 | 1,396,524 |
| Federal Sources | 226,077 | - | - | - | 226,077 |
| Total Revenues | <u>4,450,882</u> | <u>125,808</u> | <u>380,051</u> | <u>804,781</u> | <u>5,761,522</u> |
| Expenditures | | | | | |
| Instruction: | | | | | |
| Regular Instruction | 1,931,913 | - | - | - | 1,931,913 |
| Special Instruction | 778,625 | - | - | - | 778,625 |
| Other Instruction | 429,854 | - | - | 229,063 | 658,917 |
| Support Services: | | | | | |
| Student Services | 43,672 | - | - | - | 43,672 |
| Instructional Staff Services | 105,395 | - | - | - | 105,395 |
| Administration Services | 337,091 | 1,416 | - | 47,486 | 385,993 |
| Operations and Maintenance | 304,680 | - | 324,205 | 16,697 | 645,582 |
| Transportation Services | 223,446 | - | - | 4,055 | 227,501 |
| Other Expenditures: | | | | | |
| Facilities Acquisition | - | - | - | 170,309 | 170,309 |
| Long-Term Debt: | | | | | |
| Principal | - | 102,531 | - | - | 102,531 |
| Interest and Fiscal Charges | - | 37,707 | - | - | 37,707 |
| AEA Flow-Through | 125,086 | - | - | - | 125,086 |
| Total Expenditures | <u>4,279,762</u> | <u>141,654</u> | <u>324,205</u> | <u>467,610</u> | <u>5,213,231</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>171,120</u> | <u>(15,846)</u> | <u>55,846</u> | <u>337,171</u> | <u>548,291</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 1,470 | 14,961 | - | - | 16,431 |
| Transfers Out | - | - | (14,961) | (1,470) | (16,431) |
| Total Other Financing Sources | <u>1,470</u> | <u>14,961</u> | <u>(14,961)</u> | <u>(1,470)</u> | <u>-</u> |
| Net Change in Fund Balance | 172,590 | (885) | 40,885 | 335,701 | 548,291 |
| Fund Balances at Beginning of Year | <u>1,600,449</u> | <u>7,264</u> | <u>667,387</u> | <u>782,832</u> | <u>3,057,932</u> |
| Fund Balances at End of Year | <u>\$ 1,773,039</u> | <u>\$ 6,379</u> | <u>\$ 708,272</u> | <u>\$ 1,118,533</u> | <u>\$ 3,606,223</u> |

See Accompanying Notes to Financial Statements

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

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

| | | |
|--|----|---------|
| Net Change in Fund Balances - Total Governmental funds (page 18) | \$ | 548,291 |
|--|----|---------|

| | | |
|---|--|-----------|
| Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change in income surtax receivable from the prior year. | | (193,038) |
|---|--|-----------|

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

| | | | |
|---------------------------------|------------------|--|----------|
| Expenditures for capital assets | 249,461 | | |
| Depreciation expense | <u>(292,009)</u> | | (42,548) |

| | | |
|---|--|-----|
| Accrued interest expense that does not require current financial resources. | | 250 |
|---|--|-----|

| | | |
|---|--|----------|
| Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities. | | (52,763) |
|---|--|----------|

| | | |
|--|--|---------|
| The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was: | | 102,531 |
|--|--|---------|

| | | |
|---|-----------------|----------------|
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows: | | |
| Early Retirement | 14,621 | |
| Other Postemployment Benefits | <u>(16,196)</u> | <u>(1,575)</u> |

| | | |
|---|----|-----------------------|
| Change in Net Position of Governmental Activities (page 15) | \$ | <u><u>361,148</u></u> |
|---|----|-----------------------|

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

| | School Nutrition Fund |
|---------------------------|--------------------------|
| Assets | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 4,432 |
| Inventories | 10,607 |
| Total Assets | 15,039 |
| Liabilities | |
| Due to Other Funds | 20,000 |
| Unearned Revenue | 1,719 |
| Total Liabilities | 21,719 |
| Net Position | |
| Unrestricted | (6,680) |
| Total Net Position | \$ (6,680) |

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

| | School Nutrition Fund |
|-----------------------------------|--------------------------|
| Operating Revenues: | |
| Charges for Services | \$ 68,798 |
| Miscellaneous | 927 |
| Total Operating Revenue | 69,725 |
| Operating Expenses: | |
| Non-Instructional Programs: | |
| Food Service Operations: | |
| Salaries | 55,415 |
| Benefits | 15,561 |
| Food | 65,522 |
| Supplies | 1,578 |
| Other Expense | 1,234 |
| Depreciation | 261 |
| Total Operating Expenses | 139,571 |
| Operating (Loss) | (69,846) |
| Non-Operating Revenue: | |
| Interest Income | 16 |
| State Lunch Reimbursements | 1,058 |
| National School Lunch Program | 39,957 |
| Federal Food Commodities Received | 7,398 |
| Total Non-Operating Revenue | 48,429 |
| Change in Net Position | (21,417) |
| Net Position - Beginning | 14,737 |
| Net Position - Ending | \$ (6,680) |

See Accompanying Notes to Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | School Nutrition Fund |
|---|--------------------------|
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$ 69,570 |
| Cash Payments for Salaries and Benefits | (70,976) |
| Cash Payments for Goods and Services | <u>(60,527)</u> |
| Net Cash (Used) by Operating Activities | <u>(61,933)</u> |
| Cash Flows from Non-Capital Financing Activities | |
| Federal Appropriations Received | 39,957 |
| State Appropriations Received | 1,058 |
| Cash Received from General Fund | <u>13,883</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>54,898</u> |
| Cash Flows from Investing Activities | |
| Interest on Investments | <u>16</u> |
| Net Decrease in Cash and Cash Equivalents | (7,019) |
| Cash and Cash Equivalents at Beginning of Year | <u>11,451</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 4,432</u> |
| Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities: | |
| Operating (Loss) | \$ (69,846) |
| Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities: | |
| Depreciation Expense | 261 |
| Commodities Used | 7,398 |
| Change in Assets and Liabilities: | |
| Decrease in Inventory | 409 |
| (Increase) in Deferred Revenue | <u>(155)</u> |
| Net Cash (Used) by Operating Activities | <u>\$ (61,933)</u> |
| Supplemental Schedule of Noncash Noncapital Financial Activities: | |
| Federal Food Commodities Received | <u>\$ 7,398</u> |

See Accompanying Notes to Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
JUNE 30, 2013

| | |
|-----------------------------|--------------------|
| Assets | |
| Cash and Pooled Investments | \$ 18,575 |
| Total Assets | <u>18,575</u> |
| | |
| Liabilities | |
| Other Payables | <u>18,575</u> |
| Total Liabilities | <u>18,575</u> |
| | |
| Net Position | <u><u>\$ -</u></u> |

See Accompanying Notes to Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Armstrong-Ringsted Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Armstrong and Ringsted, Iowa, and agricultural area in Palo Alto, Emmet, and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District is currently engaged in a three way sharing agreement with the North Kossuth Community School District and Sentral Community School District for grades pre-kindergarten through eighth.

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, Armstrong-Ringsted Community School District has included all funds, organizations, account groups, 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 Armstrong-Ringsted Community School District has no component units which meet the Governmental Accounting Standards Board criteria. However, the District has chosen to include as Agency Funds, all of the organizations included in Schedule 3.

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 Palo Alto, Kossuth and Emmet County Assessor Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statements of Net Position 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 service.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

- ***Net Investment in Capital Assets*** 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*** result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position*** consist of net position that do not meet the definition of the two preceding categories. Unrestricted Net Position often have constraints on resources that are imposed which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of 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 nonmajor governmental funds.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Debt Service Fund** is used to account for a property tax levy per thousand dollars of assessed valuation in the District for the payment of interest and principal on the District's general long-term debt.
- The **Capital Projects Fund, Physical Plant and Equipment Levy** is used to account for the purchase of equipment and the repairing, remodeling, and construction of buildings and land improvements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the 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 financial sources.

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

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

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments – The cash balances of the General and Management funds are pooled and invested, while all other funds have separate accounts. Investments are stated at fair value except for 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. Cash investments not meeting the definition of cash equivalents at June 30, 2013 included certificates of deposits of \$250,749 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in 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 the 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.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 contributed value for 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, furniture, and equipment, 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.

| | |
|-----------------------------------|-----------|
| Land | \$ 2,000 |
| Buildings | \$ 10,000 |
| Improvements other than Buildings | \$ 10,000 |
| Furniture and Equipment: | |
| School Nutrition Fund Equipment | \$ 500 |
| Other Furniture and Equipment | \$ 2,500 |

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

| | |
|-----------------------------------|--------------|
| Buildings | 50 years |
| Improvements other than Buildings | 20 years |
| Furniture and Equipment | 5 – 15 years |

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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. Unearned revenue consists of unspent grant proceeds. Deferred revenue consists of 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.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Unassigned – All amounts not included in other spendable classifications.

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 did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Note 2 – CASH AND POOLED INVESTMENTS

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

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

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 2 – CASH AND POOLED INVESTMENTS (Continued)

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 \$595 pursuant to Rule 2a-7 under the Investment Company act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3 – CAPITAL ASSETS

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

| | Balance July 1, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---|---------------------------------|------------------|------------------|----------------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 20,000 | \$ - | \$ - | \$ 20,000 |
| Construction in Progress | 40,971 | 30,923 | 40,971 | 30,923 |
| Total Assets Not Being Depreciated | <u>60,971</u> | <u>30,923</u> | <u>40,971</u> | <u>50,923</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 6,731,604 | 206,702 | 1,055,253 | 5,883,053 |
| Furniture and Equipment | 1,403,306 | 52,807 | - | 1,456,113 |
| Total Capital Assets Being Depreciation | <u>8,134,910</u> | <u>259,509</u> | <u>1,055,253</u> | <u>7,339,166</u> |
| Less: Accumulated Depreciation for: | | | | |
| Buildings and Improvements | 3,243,207 | 171,982 | 1,002,490 | 2,412,699 |
| Furniture and Equipment | 923,430 | 120,027 | - | 1,043,457 |
| Total Accumulated Depreciation | <u>4,166,637</u> | <u>292,009</u> | <u>1,002,490</u> | <u>3,456,156</u> |
| Total Capital Assets Being Depreciated, Net | <u>3,968,273</u> | <u>(32,500)</u> | <u>52,763</u> | <u>3,883,010</u> |
| Governmental Activities Capital Assets, Net | <u>4,029,244</u> | <u>(1,577)</u> | <u>93,734</u> | <u>3,933,933</u> |
| Business-type Activity: | | | | |
| Furniture and Equipment | 10,560 | - | - | 10,560 |
| Less Accumulated Depreciation | 10,299 | 261 | - | 10,560 |
| Business-Type Activity Capital Assets, Net | <u>\$ 261</u> | <u>\$ (261)</u> | <u>\$ -</u> | <u>\$ -</u> |

Depreciation expense was charged to the following functions:

| | |
|--|-------------------|
| Governmental Activities: | |
| Transportation Services | \$ 12,063 |
| Operation and Maintenance | 10,625 |
| Unallocated | 269,321 |
| Total depreciation expense - governmental activities | <u>\$ 292,009</u> |
| Business-type Activities: | |
| Food Service Operations | <u>\$ 261</u> |

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 3 – **CAPITAL ASSETS (Continued)**

Reconciliation of Net Investment in Capital Assets:

| | Governmental Activities |
|--|------------------------------------|
| Land | \$ 20,000 |
| Construction in Progress | 30,923 |
| Capital Assets (net of accumulated depreciation) | 3,883,010 |
| Less: | |
| Bonds Payable | (935,000) |
| Leases Payable | (69,008) |
| QZAB Payable | (1,000,000) |
| Net Investment in Capital Assets | \$ 1,929,925 |

Note 4 – **LONG-TERM LIABILITIES**

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$ 1,025,000 | \$ - | \$ 90,000 | \$ 935,000 | \$ 90,000 |
| Capital Lease Payable | 81,539 | - | 12,531 | 69,008 | 12,905 |
| Early Retirement | 21,917 | - | 14,621 | 7,296 | 7,026 |
| Net OPEB Liability | 21,014 | 16,196 | - | 37,210 | - |
| Qualified Zone Academy Bonds | 1,000,000 | - | - | 1,000,000 | - |
| Long-Term Liabilities | \$ 2,149,470 | \$ 16,196 | \$ 117,152 | \$ 2,048,514 | \$ 109,931 |

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 4 – **LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds

The District adopted a resolution, on June 15, 2009, providing for the issuance of \$1,285,000 in General Obligation School Refunding Bonds, Series 2009. Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

| <u>Year Ending June 30</u> | <u>Interest Rates</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|---------------------------|-------------------|-------------------|
| 2014 | 2.36% | \$ 90,000 | \$ 33,208 |
| 2015 | 2.85 | 95,000 | 30,868 |
| 2016 | 3.10 | 95,000 | 28,160 |
| 2017 | 3.35 | 100,000 | 25,215 |
| 2018 | 3.60 | 105,000 | 21,865 |
| 2019-2022 | 3.80-4.15 | 450,000 | 46,855 |
| | Total | <u>\$ 935,000</u> | <u>\$ 186,171</u> |

Qualified Zone Academy Bonds

The District borrowed \$1,000,000 under the Qualified Zone Academy Bonds (QZAB). This program is aimed at Districts with 35% or more free and reduced price meal eligibility. Funds can be used for renovation and repairs, energy saving measures, or technology. The debt is repaid from the same fund as the original expense is made from. This will primarily, if not entirely, be from the Capital Projects Fund. The notes are non-interest bearing. The District makes deposits of \$62,062 to the bank that goes into an interest-bearing reserve account with a guaranteed rate of 3.5%. At July 1, 2022, the District will have \$1,000,000 in the account from their deposits and interest to pay the loan.

Capital Lease

The District entered into a \$96,500 three year lease in April 2012, with purchase options, for a school bus. Three payments of \$14,961 are required with a fair market value purchase option at the end of the lease. The interest rate is 3.0%. The first payment was made in fiscal year 2012.

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 12,905 | \$ 2,056 |
| 2015 | 56,103 | 1,672 |
| | <u>\$ 69,008</u> | <u>\$ 3,728</u> |

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 4 – LONG-TERM LIABILITIES (Continued)

Early Retirement

The District offered a one-time voluntary early retirement plan during fiscal year 2010 to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty-eight years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are equal to a total cash payment of \$24,000 payable in either two yearly installments of \$12,000 or four yearly installments of \$6,000.

The District offered a one-time voluntary early retirement plan during fiscal year 2011 to its certified employees. Eligible employees must be at least age fifty-six and employees must have completed twenty-nine years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are equal to a total cash payment of \$30,000 payable in five yearly installments of \$6,000.

Early retirement benefits paid during the year ended June 30, 2013, totaled \$14,621. There were two retired individuals receiving benefits at June 30, 2013.

Note 5 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2013, short-term interfund borrowings were as follows:

| Fund Due To | Fund Due From | Amount |
|---------------|----------------|------------------|
| General Fund | Nutrition Fund | \$ 20,000 |
| General Fund | PPEL | 6,342 |
| Activity Fund | General Fund | 56 |
| PPEL | General Fund | 6,483 |
| | | <u>\$ 32,881</u> |

The purpose of the interfund balance from the Nutrition Fund to the General Fund is reimbursement for payroll and benefits that was paid out of the General Fund that is related to the Nutrition Fund. The interfund balance the PPEL Fund owes the General Fund for expenses that should have been posted to the PPEL fund. The amount the General Fund owes the Activity fund is due to Activity Fund over reimbursing the General Fund. The amount due from the General Fund to PPEL is for expenses that were not appropriate to be in the PPEL Fund.

Note 6 – PENSION AND RETIREMENT BENEFITS

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

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$138,602, \$182,393, and \$150,478, respectively, equal to the required contributions for each year.

Note 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

| | |
|--|-------------------------|
| Annual required contribution | \$ 34,540 |
| Interest on net OPEB obligation | 525 |
| Adjustment to annual required contribution | <u>(3,009)</u> |
| Annual OPEB cost (Expense) | 32,056 |
| Contributions made | <u>(15,860)</u> |
| Increase in net OPEB obligation | 16,196 |
| Net OPEB obligation - beginning of year | <u>21,014</u> |
| Net OPEB obligation - end of year | <u><u>\$ 37,210</u></u> |

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------------|-----------------------------|---|--------------------------------|
| 2010 | \$ 12,172 | 38.90% | \$ 7,439 |
| 2011 | \$ 12,256 | 50.60% | \$ 13,494 |
| 2012 | \$ 15,339 | 37.21% | \$ 21,014 |
| 2013 | \$ 32,056 | 49.48% | \$ 37,210 |

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2012 was as follows:

| | |
|---|---------------------|
| Actuarial accrued liability (AAL) | \$ 152,980 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 152,980</u> |
| Covered payroll (active members) | <u>\$ 1,692,000</u> |
| UAAL as a percentage of covered payroll | 9.04% |

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan 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 and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 8 – 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 \$125,086 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.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 9 – RISK MANAGEMENT

Armstrong-Ringsted 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.

Note 10- 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 Mentoring Program | \$ 5,570 |
| Teacher Salary Supplement | 15,138 |
| Professional Development | 53,885 |
| Dropout Prevention | 12,888 |
| Total | <u>\$ 87,481</u> |

Note 11 – REORGANIZATION

The voters of the Armstrong-Ringsted and Sentral School Districts have approved a reorganization of the districts effective July 1, 2014.

Note 12 – DEFICIT BALANCE

The Nutrition Fund had a deficit fund balance as of June 30, 2013 of (\$6,680). This deficit will be financed through future revenues of the fund.

**REQUIRED SUPPLEMENTARY
INFORMATION**

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | Governmental Funds Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts Original | Final to Actual Variance |
|--|---------------------------------|-------------------------------|---------------------|---------------------------------|--------------------------------|
| Revenue | | | | | |
| Local Sources: | | | | | |
| Local Taxes | \$ 2,702,809 | \$ - | \$ 2,702,809 | \$ 2,251,616 | \$ 451,193 |
| Tuition | 931,807 | - | 931,807 | 280,000 | 651,807 |
| Other | 504,305 | 69,741 | 574,046 | 583,600 | (9,554) |
| State Sources | 1,396,524 | 1,058 | 1,397,582 | 1,404,721 | (7,139) |
| Federal Sources | 226,077 | 47,355 | 273,432 | 70,000 | 203,432 |
| Total Receipts | <u>5,761,522</u> | <u>118,154</u> | <u>5,879,676</u> | <u>4,589,937</u> | <u>1,289,739</u> |
| Expenditures | | | | | |
| Instruction | 3,369,455 | - | 3,369,455 | 3,891,934 | 522,479 |
| Support Services | 1,408,143 | - | 1,408,143 | 2,350,644 | 942,501 |
| Non-Instructional Programs | - | 139,571 | 139,571 | 177,325 | 37,754 |
| Other Expenditures | 435,633 | - | 435,633 | 783,880 | 348,247 |
| Total Expenditures | <u>5,213,231</u> | <u>139,571</u> | <u>5,352,802</u> | <u>7,203,783</u> | <u>1,850,981</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 548,291 | (21,417) | 526,874 | (2,613,846) | 3,140,720 |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers From Other Funds | 16,431 | - | 16,431 | 62,062 | (45,631) |
| Operating Transfers to Other Funds | (16,431) | - | (16,431) | (62,062) | 45,631 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in Fund Balance | 548,291 | (21,417) | 526,874 | (2,613,846) | 3,140,720 |
| Fund Balance at Beginning of Year | <u>3,057,932</u> | <u>14,737</u> | <u>3,072,669</u> | <u>3,072,669</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 3,606,223</u> | <u>\$ (6,680)</u> | <u>\$ 3,599,543</u> | <u>\$ 458,823</u> | <u>\$ 3,140,720</u> |

See Accompanying Independent Auditor's Report

**ARMSTRONG-RINGSTED 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 comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2013, expenditures did not exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2013**

| 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 | \$ - | \$ 127,011 | \$ 127,011 | 0% | \$ 2,220,000 | 5.7% |
| 2011 | 7/1/2009 | \$ - | \$ 124,823 | \$ 124,823 | 0% | \$ 2,313,000 | 5.4% |
| 2012 | 7/1/2009 | \$ - | \$ 166,014 | \$ 166,014 | 0% | \$ 2,435,000 | 6.8% |
| 2013 | 7/1/2012 | \$ - | \$ 152,980 | \$ 152,980 | 0% | \$ 1,692,000 | 9.0% |

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**OTHER SUPPLEMENTARY
INFORMATION**

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2013**

SCHEDULE 1

| | Special Revenue Funds | | Capital Projects Funds | |
|---|--------------------------|-------------------|--|---------------------|
| | Student Activity | Management | Statewide Sales Service and Use Tax | Total |
| Assets | | | | |
| Cash and Cash Equivalents | \$ 50,985 | \$ 468,812 | \$ 521,420 | \$ 1,041,217 |
| Receivables: | | | | |
| Property Tax | - | 3,195 | - | 3,195 |
| Succeeding Year Property Tax | - | 100,000 | - | 100,000 |
| Due from Other Governmental Agencies | 691 | - | 80,760 | 81,451 |
| Due from Other Funds | 56 | - | - | 56 |
| Total Assets | <u>51,732</u> | <u>572,007</u> | <u>602,180</u> | <u>1,225,919</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | 360 | - | - | 360 |
| Early Retirement Payable | - | 7,026 | - | 7,026 |
| Deferred Revenue - Succeeding Year Taxes | - | 100,000 | - | 100,000 |
| Total Liabilities | <u>360</u> | <u>107,026</u> | <u>-</u> | <u>107,386</u> |
| Fund Balances | | | | |
| Restricted for: | | | | |
| Student Activities | 51,372 | - | - | 51,372 |
| Statewide Sales, Service, and Use Tax | - | - | 602,180 | 602,180 |
| Management Levy | - | 464,981 | - | 464,981 |
| Total Fund Balances | <u>51,372</u> | <u>464,981</u> | <u>602,180</u> | <u>1,118,533</u> |
| Total Liabilities and Fund Balance | <u>\$ 51,732</u> | <u>\$ 572,007</u> | <u>\$ 602,180</u> | <u>\$ 1,225,919</u> |

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT **SCHEDULE 2**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Special Revenue Funds | | Capital Projects Funds | Total |
|--|--------------------------|-------------------|--|---------------------|
| | Student Activity | Management | Statewide Sales Service and Use Tax | |
| Revenues | | | | |
| Local Sources | | | | |
| Local Tax | \$ - | \$ 300,264 | \$ 252,187 | \$ 552,451 |
| Other | 241,915 | 2,626 | 7,670 | 252,211 |
| State Revenues | - | 119 | - | 119 |
| Total Revenues | <u>241,915</u> | <u>303,009</u> | <u>259,857</u> | <u>804,781</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Other Instruction | 229,063 | - | - | 229,063 |
| Support Services: | | | | |
| Administration Services | - | 47,486 | - | 47,486 |
| Operation and Maintenance | - | 16,697 | - | 16,697 |
| Transportation Services | - | 4,055 | - | 4,055 |
| Other Expenditures: | | | | |
| Facilities Acquisition | - | - | 170,309 | 170,309 |
| Total Expenditures | <u>229,063</u> | <u>68,238</u> | <u>170,309</u> | <u>467,610</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 12,852 | 234,771 | 89,548 | 337,171 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | - | (1,470) | - | (1,470) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(1,470)</u> | <u>-</u> | <u>(1,470)</u> |
| Net Change in Fund Balances | 12,852 | 233,301 | 89,548 | 335,701 |
| Fund Balances at Beginning of Year | <u>38,520</u> | <u>231,680</u> | <u>512,632</u> | <u>782,832</u> |
| Fund Balances at End of Year | <u>\$ 51,372</u> | <u>\$ 464,981</u> | <u>\$ 602,180</u> | <u>\$ 1,118,533</u> |

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

| | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|--------------------|---------------------------------|-----------|--------------|---------------------------|
| Assets | | | | |
| Cash | \$ 33,377 | \$ 81,074 | \$ 95,876 | \$ 18,575 |
| Liabilities | | | | |
| Other Payables | \$ 33,377 | \$ 81,074 | \$ 95,876 | \$ 18,575 |

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 4

| | Balance June 30, 2012 | Revenues and Interfund Transfers | Expenditures | Balance June 30, 2013 |
|--------------------------|--------------------------|--|-------------------|--------------------------|
| Senior High/Junior High | \$ 39,680 | \$ 117,167 | \$ 111,901 | \$ 44,946 |
| Athletics | (3,168) | 131,524 | 121,930 | 6,426 |
| Elementary | 2,008 | - | 2,008 | - |
| Total for Activity Funds | <u>\$ 38,520</u> | <u>\$ 248,691</u> | <u>\$ 235,839</u> | <u>\$ 51,372</u> |

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

| Modified Accrual Basis of Accounting | | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Revenues: | | | | | |
| Local Sources: | | | | | |
| Local Tax | \$ 2,702,809 | \$ 2,792,776 | \$ 3,027,777 | \$ 2,241,471 | \$ 2,047,835 |
| Tuition | 931,807 | 278,721 | 287,376 | 203,011 | 203,470 |
| Other | 504,305 | 400,334 | 255,540 | 316,921 | 282,860 |
| State Sources | 1,396,524 | 1,422,798 | 1,457,111 | 1,329,860 | 1,538,756 |
| Federal Sources | 226,077 | 252,772 | 271,751 | 301,289 | 157,949 |
| | <u>\$ 5,761,522</u> | <u>\$ 5,147,401</u> | <u>\$ 5,299,555</u> | <u>\$ 4,392,552</u> | <u>\$ 4,230,870</u> |
| Expenditures: | | | | | |
| Instruction: | \$ 3,369,455 | \$ 2,660,387 | \$ 2,671,569 | \$ 2,675,110 | \$ 2,688,949 |
| Support Services: | | | | | |
| Student Services | 43,672 | 81,641 | 75,421 | 24,764 | 29,517 |
| Instructional Staff Services | 105,395 | 137,452 | 59,490 | 73,189 | 95,673 |
| Administration Services | 385,993 | 663,643 | 411,173 | 323,754 | 389,140 |
| Operations and Maintenance | 645,582 | 308,109 | 479,924 | 426,502 | 554,705 |
| Transportation Services | 227,501 | 207,282 | 159,473 | 148,374 | 163,837 |
| Non-Instructional Programs | - | - | - | - | - |
| Other Expenditures: | | | | | |
| Facilities Acquisition | 170,309 | 230,186 | 315,352 | 377,439 | 255,094 |
| Long-term Debt: | | | | | |
| Principal | 102,531 | 154,400 | 159,136 | 260,144 | 70,000 |
| Interest and Other Charges | 37,707 | 42,638 | 45,212 | 48,182 | 79,978 |
| AEA Flowthrough | 125,086 | 123,774 | 139,246 | 140,280 | 126,265 |
| | <u>\$ 5,213,231</u> | <u>\$ 4,609,512</u> | <u>\$ 4,515,996</u> | <u>\$ 4,497,738</u> | <u>\$ 4,453,158</u> |

SCHEDULE 5

| 2008 | 2007 | 2006 | 2005 | 2004 |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 2,030,572 | \$ 1,795,260 | \$ 1,746,181 | \$ 2,098,077 | \$ 2,168,354 |
| 243,263 | 230,328 | 212,314 | 224,679 | 225,388 |
| 385,287 | 330,536 | 294,668 | 268,605 | 221,619 |
| 1,593,625 | 1,555,247 | 1,458,858 | 1,260,638 | 1,962,192 |
| 90,715 | 114,380 | 112,358 | 251,576 | 129,948 |
| <u>\$ 4,343,462</u> | <u>\$ 4,025,751</u> | <u>\$ 3,824,379</u> | <u>\$ 4,103,575</u> | <u>\$ 4,707,501</u> |
| | | | | |
| \$ 2,570,080 | \$ 2,626,052 | \$ 2,485,767 | \$ 2,321,291 | \$ 2,187,923 |
| 154,489 | 59,250 | 79,631 | 49,275 | 50,953 |
| 92,379 | 78,654 | 82,658 | 63,851 | 57,982 |
| 420,329 | 415,980 | 407,162 | 421,238 | 408,665 |
| 436,556 | 399,193 | 608,028 | 280,037 | 244,612 |
| 191,223 | 184,899 | 199,062 | 195,960 | 144,750 |
| - | - | - | - | 779 |
| 125,098 | 312,616 | 82,365 | 434,042 | 2,560,698 |
| 65,000 | 60,000 | 60,000 | 55,000 | 35,000 |
| 57,872 | 59,973 | 61,073 | 62,122 | 78,528 |
| 123,971 | 122,539 | 113,850 | 112,875 | 112,778 |
| <u>\$ 4,236,997</u> | <u>\$ 4,319,156</u> | <u>\$ 4,179,596</u> | <u>\$ 3,995,691</u> | <u>\$ 5,882,668</u> |

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**Independent Auditors' 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
Armstrong-Ringsted Community School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong 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, and have issued our report thereon dated February 24, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Armstrong-Ringsted 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 III of the accompanying Schedule of Findings.

Armstrong-Ringsted Community School District's Response to Findings

Armstrong-Ringsted Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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 Armstrong-Ringsted 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.

Williams + Company, P.C.
Certified Public Accountants

Spencer, Iowa
February 24, 2014

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013**

PART I – SUMMARY OF INDEPENDENT AUDITORS’ RESULTS

- (A) An unmodified opinion was issued on the financial statements.
- (B) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

MATERIAL WEAKNESSES:

12-II-A Financial Reporting

Observation – During our audit, we identified material amounts of accounts receivable, capital assets, and accounts payable and immaterial balances of early retirement payable, fund balance, revenues and expenses not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all cash, receivables, capital assets, payables, fund balance, revenues and expenses are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any cash, receivables, capital assets, payables, fund balance, revenue or expense transactions.

Conclusion – Response accepted.

13-II-B Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements. While performing our review, it was determined that incompatible duties in the cash receipts and revenue area and in the payroll area are being performed by the same employee.

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

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- 13-III-A: Certified Budget – Disbursements for the year ended June 30, 2013 did not exceed the certified budget amounts.
- 13-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.
- 13-III-C: Travel Expense – No expenditures of Armstrong-Ringsted Community School District were for travel expenses of spouses of District officials or employees.
- 13-III-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.
- 13-III-E: Bond Coverage - Surety bond coverage of Armstrong-Ringsted Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 13-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 13-III-G: Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 13-III-H: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 13-III-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District’s investment policy were noted.
- 13-III-J: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.
- 13-III-K: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

13-III-L: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District’s 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 | | \$ 512,632 |
| Statewide Sales and Services Tax Revenue | 252,187 | |
| Other | 7,670 | <u>259,857</u> |
| | | 772,489 |
| Expenditures/Transfers Out: | | |
| School Infrastructure: | | |
| Facilities Acquisition | 170,309 | <u>170,309</u> |
| Ending Balance | | <u><u>\$ 602,180</u></u> |

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

13-III-M: Deficit Balances – The Nutrition Fund had a deficit balance at June 30, 2013.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit.

Response – The District is aware of this situation and future revenues will eliminate this deficit by June 30, 2014.

Conclusion – Response accepted.

13-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District’s education program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.