

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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**St. Ansgar Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Charlotte Gordon	President	2015
Gene Hertel	Vice President	2015
Ed Kleinwort	Board Member	2013
Matt Hanna	Board Member	2013
Bryan Shupe	Board Member	2013
Steve Groth	Board Member	2015
Tara Bork	Board Member	2013
<b>School Officials</b>		
Jody Gray	Superintendent	2013
Lisa Groth	Business Manager/District Secretary	2013
Patrick Rourick	Attorney	2013

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the St. Ansgar Community School District:**

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Ansgar Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years 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 second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2014 on our consideration of St. Ansgar 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 St. Ansgar Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2014  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$6,578,490 in fiscal 2012 to \$6,105,909 in fiscal 2013, while General Fund expenditures increased from \$6,111,281 in fiscal 2012 to \$6,367,899 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$2,970,682 at June 30, 2012 to \$2,708,692 at June 30, 2013, an 8.82% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local, state, and federal source revenues received during in fiscal 2013. The increase in expenditures was due primarily to an increase in expenses related to the support services and other instruction functional areas.
- Since the end of fiscal year 2006, the District's General Fund carryover balance has increased from a deficit \$312,513, to \$2,708,692 at June 30, 2013.
- The District's solvency ratio (unassigned/general fund revenues) decreased from 43.45% for fiscal year 2012 to 42.13% for fiscal year 2013.

### **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 St. Ansgar Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report St. Ansgar Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which St. Ansgar Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

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

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

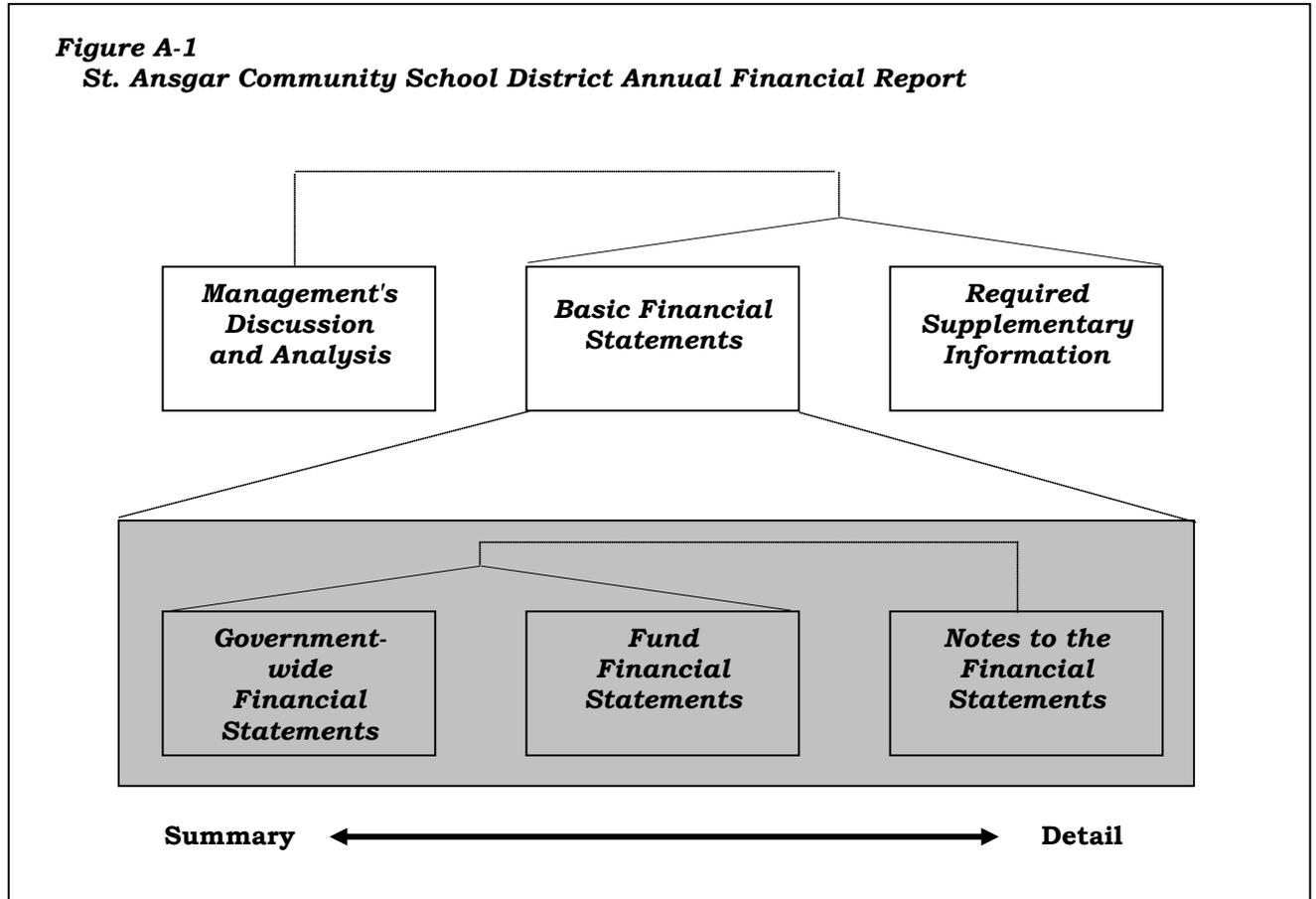


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund and Agency Fund.
- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds - These are funds for which the District administers and accounts for the FFA dues and fees.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 8,436,272	8,594,016	28,738	59,795	8,465,010	8,653,811	-2.18%
Capital assets	3,997,162	3,778,962	30,766	27,826	4,027,928	3,806,788	5.81%
Total assets	12,433,434	12,372,978	59,504	87,621	12,492,938	12,460,599	0.26%
Long-term obligations	771,549	992,674	9,727	6,623	781,276	999,297	-21.82%
Other liabilities	3,748,181	3,785,874	6,966	7,136	3,755,147	3,793,010	-1.00%
Total liabilities	4,519,730	4,778,548	16,693	13,759	4,536,423	4,792,307	-5.34%
Net position:							
Invested in capital assets, net of related debt	3,402,162	2,279,748	30,766	27,826	3,432,928	2,307,574	48.77%
Restricted	1,993,379	2,875,654	0	0	1,993,379	2,875,654	-30.68%
Unrestricted	2,518,163	2,439,028	12,045	46,036	2,530,208	2,485,064	1.82%
Total net position	\$ 7,913,704	7,594,430	42,811	73,862	7,956,515	7,668,292	3.76%

The District's combined net position increased by 3.76%, or \$288,223 over the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased 30.68%, or \$882,275, from the prior year. This decrease is due primarily to the decrease in the General Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$45,144, or 1.82%.

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

Figure A-4  
Changes in Net Position

	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and Transfers:							
Program revenues:							
Charges for service	\$ 697,716	753,740	164,504	179,073	862,220	932,813	-7.57%
Operating grants, contributions and restricted interest	577,993	558,817	149,604	147,520	727,597	706,337	3.01%
Capital grants, contributions and restricted interest	100,608	34,094	0	13,411	100,608	47,505	111.78%
General revenues:							
Property tax	3,131,479	3,219,914	0	0	3,131,479	3,219,914	-2.75%
Statewide sales, services and use tax	533,218	487,031	0	0	533,218	487,031	9.48%
Unrestricted state grants	2,522,330	2,614,169	0	0	2,522,330	2,614,169	-3.51%
Nonspecific program federal grants	0	120,666	0	0	0	120,666	-100.00%
Unrestricted investment earnings	20,303	0	73	0	20,376	0	100.00%
Other	15,005	62,472	8,857	165	23,862	62,637	-61.90%
Transfers	(7,022)	(1,435)	7,022	0	0	(1,435)	-100.00%
<b>Total revenues and transfers</b>	<b>7,591,630</b>	<b>7,849,468</b>	<b>330,060</b>	<b>340,169</b>	<b>7,921,690</b>	<b>8,189,637</b>	<b>-3.27%</b>
Program expenses:							
Governmental activities:							
Instructional	4,676,320	4,515,171	0	0	4,676,320	4,515,171	3.57%
Support services	2,217,373	1,883,571	0	0	2,217,373	1,883,571	17.72%
Non-instructional programs	0	13,411	361,111	346,531	361,111	359,942	0.32%
Other expenses	378,663	425,310	0	0	378,663	425,310	-10.97%
<b>Total expenses</b>	<b>7,272,356</b>	<b>6,837,463</b>	<b>361,111</b>	<b>346,531</b>	<b>7,633,467</b>	<b>7,183,994</b>	<b>6.26%</b>
Changes in net position	319,274	1,012,005	(31,051)	(6,362)	288,223	1,005,643	-71.34%
Net position beginning of year	7,594,430	6,582,425	73,862	80,224	7,668,292	6,662,649	15.09%
Net position beginning of year	\$ 7,913,704	7,594,430	42,811	73,862	7,956,515	7,668,292	3.76%

In fiscal 2013, local tax and unrestricted state grants accounted for 74.46% of the revenues from governmental activities, while charges for service and operating grants and contributions accounted for 95.17% of the revenue from business type activities.

The District's total revenues were approximately \$7.92 million, of which approximately \$7.59 million were from governmental activities and approximately \$0.33 million were from business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.27% decrease in revenues and a 6.26% increase in expenditures. The increase in expenditures can be attributed to an increase in instruction and support service expenditures.

## Governmental Activities

Revenues for governmental activities were \$7,591,630 and expenses were \$7,272,356.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,676,320	4,515,171	3.57%	3,643,367	3,482,357	4.62%
Support services	2,217,373	1,883,571	17.72%	2,116,515	1,846,285	14.64%
Non-instructional programs	0	13,411	100.00%	0	13,411	-100.00%
Other expenses	378,663	425,310	-10.97%	136,157	148,759	-8.47%
Totals	\$ 7,272,356	6,837,463	6.36%	5,896,039	5,490,812	7.38%

- The cost financed by users of the District's programs was \$697,716.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$577,993.
- The net cost of governmental activities was financed with \$3,131,479 in property tax, \$533,218 in statewide sales, services and use tax, \$2,522,330 in unrestricted state grants, \$20,303 in interest income and \$7,983 in other general revenues net of transfers.

## Business Type Activities

Revenues of the District's business type activities were \$330,060 and expenses were \$361,111. The District's business type activities are the School Nutrition Fund and the FFA Farm Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income, and other general revenues including transfers.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,462,755, under last year's ending fund balances of \$4,577,481. The primary reason for the decrease in combined fund balances is attributable to a decrease in the General Fund balance.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. A decrease in local, state, and federal source revenues was the cause of the decrease in General Fund revenues. Increased salary and benefits costs were the main contributing factor in the increase in fund expenditures. With decreased revenues and increased expenses compared to the prior year, the General Fund balance decreased from \$2,970,682 at June 30, 2012 to \$2,708,692 at June 30, 2013.
- The Capital Projects Fund balance increased from a balance of \$975,531 at June 30, 2012 to \$1,027,073 at June 30, 2013. This increase can be largely attributed to a decrease in capital outlay expenditures, as compared to the prior year.

## Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$57,655 at June 30, 2012 to \$28,261 at June 30, 2013, representing a decrease of approximately 50.98%. This decrease in net position resulted from a combination of factors. Decreased sales of school meals resulted in a decrease in revenues. Expenses increased from fiscal 2012 due to an increase in food costs during the year. In addition, capital contributions received during the year were 47.64% less than the in previous year.

The FFA Farm Fund net position decreased from \$16,207 at June 30, 2012 to \$14,550 at June 30, 2013, representing a decrease of approximately 10.22%. The decrease in net position can be attributed to increased supplies expenditures, as compared to the prior year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, St Ansgar Community School District amended its budget one time to reflect additional expenditures associated with computers, buses, equipment, and nutrition services.

The District's revenues were \$223,526 more than budgeted revenues, a variance of 2.90%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$4,027,928, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.81% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$277,599.

The original cost of the District's capital assets was \$9,836,331. Governmental funds account for \$9,717,309 with the remainder of \$119,022 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$306,169 at June 30, 2012 as compared to \$559,631 at June 30, 2013. This increase is primarily due to the purchase of 80 laptop computers during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 105,408	105,408	0	0	105,408	105,408	0.00%
Buildings	3,153,096	3,246,570	0	0	3,153,096	3,246,570	-2.88%
Land improvements	209,793	148,641	0	0	209,793	148,641	41.14%
Machinery and equipment	528,865	278,343	30,766	27,826	559,631	306,169	82.78%
Total	\$ 3,997,162	3,778,962	30,766	27,826	4,027,928	3,806,788	5.81%

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## Long-Term Debt

At June 30, 2013, the District had \$781,276 in general obligation, and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had general obligation bonds payable of \$595,000 at June 30, 2013.

The District had compensated absences payable from the General Fund of \$25,755 at June 30, 2013.

The District had total outstanding net OPEB liability of \$160,521. Governmental activities account for \$150,794, while business type activities account for \$9,727.

	Figure A-7						
	Outstanding Long-Term Obligations						
	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
June 30,		June 30,		June 30,		June 30,	
2013	2012	2013	2012	2013	2012	2012-13	
General obligation bonds	\$ 595,000	845,000	0	0	595,000	845,000	-29.59%
Compensated absences	25,755	20,751	0	0	25,755	20,751	24.11%
Net OPEB obligation	150,794	126,923	9,727	6,623	160,521	133,546	20.20%
Total	\$ 771,549	992,674	9,727	6,623	781,276	999,297	-21.82%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The School Nutrition Fund net position decreased dramatically during fiscal year 2013. To reverse this trend, hot lunch prices were increased for fiscal year 2014. A hot lunch employee retired at the end of fiscal 2013, and this employee was not replaced. This reduction in salary and benefits should also impact the Student Nutrition Fund net position for fiscal year in a positive manner.
- The financial health of the District has steadily improved over the past few years due to staff reductions made by the District as well as additional miscellaneous income. The District will strive to maintain a positive financial health of the District.
- The increase in required employer's contribution to the Iowa Public Employees' Retirement System (IPERS) to 8.93% on July 1, 2013 will increase St. Ansgar School District's employer benefit costs during fiscal year 2014.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**ST. ANSGAR COMMUNITY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENT

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,836,526	20,253	4,856,779
Receivables:			
Property tax:			
Delinquent	23,668	0	23,668
Succeeding year	2,913,462	0	2,913,462
Income surtax	202,524	0	202,524
Accounts	58,097	2,456	60,553
Due from other governments	401,995	0	401,995
Inventories	0	6,029	6,029
Capital assets, net of accumulated depreciation	3,997,162	30,766	4,027,928
<b>TOTAL ASSETS</b>	<b>12,433,434</b>	<b>59,504</b>	<b>12,492,938</b>
<b>LIABILITIES</b>			
Accounts payable	266,705	0	266,705
Salaries and benefits payable	566,321	0	566,321
Accrued interest payable	1,693	0	1,693
Deferred revenue:			
Succeeding year property tax	2,913,462	0	2,913,462
Unearned revenue	0	6,966	6,966
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	255,000	0	255,000
Compensated absences payable	25,755	0	25,755
Portion due after one year:			
General obligation bonds payable	340,000	0	340,000
Net OPEB liability	150,794	9,727	160,521
<b>TOTAL LIABILITIES</b>	<b>4,519,730</b>	<b>16,693</b>	<b>4,536,423</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	3,402,162	30,766	3,432,928
Restricted for:			
Categorical funding	238,570	0	238,570
School infrastructure	708,336	0	708,336
Physical plant and equipment	318,737	0	318,737
Management levy purposes	631,959	0	631,959
Student activities	95,777	0	95,777
Unrestricted	2,518,163	12,045	2,530,208
<b>TOTAL NET POSITION</b>	<b>\$ 7,913,704</b>	<b>42,811</b>	<b>7,956,515</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Service	and Restricted Interest	and Restricted Interest			
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 2,885,262	270,405	143,664	0	(2,471,193)	0	(2,471,193)
Special	741,544	77,325	96,098	0	(568,121)	0	(568,121)
Other	1,049,514	349,736	95,725	0	(604,053)	0	(604,053)
	<u>4,676,320</u>	<u>697,466</u>	<u>335,487</u>	<u>0</u>	<u>(3,643,367)</u>	<u>0</u>	<u>(3,643,367)</u>
Support services:							
Student	224,496	0	0	0	(224,496)	0	(224,496)
Instructional staff	197,309	0	0	0	(197,309)	0	(197,309)
Administration	615,662	0	0	0	(615,662)	0	(615,662)
Operation and maintenance of plant	728,338	0	0	100,608	(627,730)	0	(627,730)
Transportation	451,568	250	0	0	(451,318)	0	(451,318)
	<u>2,217,373</u>	<u>250</u>	<u>0</u>	<u>100,608</u>	<u>(2,116,515)</u>	<u>0</u>	<u>(2,116,515)</u>
Long-term debt interest	28,243	0	0	0	(28,243)	0	(28,243)
Other expenses:							
AEA flowthrough	242,506	0	242,506	0	0	0	0
Depreciation (unallocated)*	107,914	0	0	0	(107,914)	0	(107,914)
	<u>378,663</u>	<u>0</u>	<u>242,506</u>	<u>0</u>	<u>(136,157)</u>	<u>0</u>	<u>(136,157)</u>
Total governmental activities	<u>7,272,356</u>	<u>697,716</u>	<u>577,993</u>	<u>100,608</u>	<u>(5,896,039)</u>	<u>0</u>	<u>(5,896,039)</u>
Business-Type activities:							
Non-instructional programs:							
Nutrition services	350,597	164,504	149,604	0	0	(36,489)	(36,489)
FFA Farm	10,514	0	0	0	0	(10,514)	(10,514)
Total non-instructional programs:	<u>361,111</u>	<u>164,504</u>	<u>149,604</u>	<u>0</u>	<u>0</u>	<u>(47,003)</u>	<u>(47,003)</u>
Total	<u>\$ 7,633,467</u>	<u>862,220</u>	<u>727,597</u>	<u>100,608</u>	<u>(5,896,039)</u>	<u>(47,003)</u>	<u>(5,943,042)</u>
<b>General Revenues and Transfers:</b>							
General Revenues:							
Property tax for:							
General purposes					\$ 2,577,723	0	2,577,723
Capital outlay					314,357	0	314,357
Income Surtax					239,399	0	239,399
Statewide sales, services and use tax					533,218	0	533,218
Unrestricted state grants					2,522,330	0	2,522,330
Unrestricted investment earnings					20,303	73	20,376
Other					15,005	8,857	23,862
Transfers					(7,022)	7,022	0
Total general revenues and transfers					<u>6,215,313</u>	<u>15,952</u>	<u>6,231,265</u>
Changes in net position					319,274	(31,051)	288,223
Net position beginning of year					<u>7,594,430</u>	<u>73,862</u>	<u>7,668,292</u>
Net position end of year					<u>\$ 7,913,704</u>	<u>42,811</u>	<u>7,956,515</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,208,426	872,657	730,938	4,812,021
Receivables:				
Property tax				
Delinquent	19,691	2,319	1,658	23,668
Succeeding year	2,365,579	347,883	200,000	2,913,462
Income surtax	202,524	0	0	202,524
Accounts	110	57,787	200	58,097
Due from other funds	0	11,504	0	11,504
Due from other governments	236,958	165,037	0	401,995
<b>TOTAL ASSETS</b>	<b>\$ 6,033,288</b>	<b>1,457,187</b>	<b>932,796</b>	<b>8,423,271</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 178,668	82,231	5,806	266,705
Due to other funds	11,504	0	0	11,504
Salaries and benefits payable	566,321	0	0	566,321
Deferred revenue:				
Succeeding year property tax	2,365,579	347,883	200,000	2,913,462
Income surtax	202,524	0	0	202,524
Total liabilities	<u>3,324,596</u>	<u>430,114</u>	<u>205,806</u>	<u>3,960,516</u>
Fund balances:				
Restricted for:				
Categorical funding	238,570	0	0	238,570
School infrastructure	0	708,336	0	708,336
Physical plant and equipment	0	318,737	0	318,737
Management levy purposes	0	0	631,959	631,959
Student activities	0	0	95,777	95,777
Unassigned	2,470,122	0	(746)	2,469,376
Total fund balances	<u>2,708,692</u>	<u>1,027,073</u>	<u>726,990</u>	<u>4,462,755</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,033,288</b>	<b>1,457,187</b>	<b>932,796</b>	<b>8,423,271</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$ 4,462,755
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	3,997,162
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	202,524
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	24,505
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.	(1,693)
Long-term liabilities, including general obligation bonds, compensated absences, and other postemployment benefits are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds.	<u>(771,549)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 7,913,704</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,618,880	847,575	200,117	3,666,572
Tuition	322,215	0	0	322,215
Other	137,953	107,503	337,305	582,761
Intermediate sources	2,432	2,568	0	5,000
State sources	2,851,654	5,357	97	2,857,108
Federal sources	166,844	0	0	166,844
Total revenues	<u>6,099,978</u>	<u>963,003</u>	<u>537,519</u>	<u>7,600,500</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,747,281	173,558	0	2,920,839
Special	728,065	0	0	728,065
Other	788,568	0	312,884	1,101,452
	<u>4,263,914</u>	<u>173,558</u>	<u>312,884</u>	<u>4,750,356</u>
Support services:				
Student	220,696	0	0	220,696
Instructional staff	187,622	0	324	187,946
Administration	611,226	5,619	11,684	628,529
Operation and maintenance of plant	472,712	25,731	108,102	606,545
Transportation	367,337	214,445	8,803	590,585
	<u>1,859,593</u>	<u>245,795</u>	<u>128,913</u>	<u>2,234,301</u>
Non-instructional programs	<u>0</u>	<u>7,022</u>	<u>0</u>	<u>7,022</u>
Capital outlays	<u>0</u>	<u>208,054</u>	<u>0</u>	<u>208,054</u>
Long-term debt:				
Principal	0	0	250,000	250,000
Interest and fiscal charges	0	0	28,918	28,918
	<u>0</u>	<u>0</u>	<u>278,918</u>	<u>278,918</u>
Other expenditures:				
AEA flowthrough	242,506	0	0	242,506
Total expenditures	<u>6,366,013</u>	<u>634,429</u>	<u>720,715</u>	<u>7,721,157</u>
Excess(Deficiency) of revenues over(under) expenditures	(266,035)	328,574	(183,196)	(120,657)
Other financing sources(uses):				
Transfer in	0	1,886	278,918	280,804
Transfer out	(1,886)	(278,918)	0	(280,804)
Sale of equipment	5,931	0	0	5,931
Total other financing sources(uses)	<u>4,045</u>	<u>(277,032)</u>	<u>278,918</u>	<u>5,931</u>
Change in fund balances	(261,990)	51,542	95,722	(114,726)
Fund balances beginning of year	<u>2,970,682</u>	<u>975,531</u>	<u>631,268</u>	<u>4,577,481</u>
Fund balances end of year	<u>\$ 2,708,692</u>	<u>1,027,073</u>	<u>726,990</u>	<u>4,462,755</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ (114,726)

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

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

Expenditures for capital outlays	\$ 355,467	
Depreciation expense	<u>(137,267)</u>	218,200

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position 250,000

Net change in Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (4,125)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 675

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (1,875)

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

Compensated absences	(5,004)	
Other postemployment benefits	<u>(23,871)</u>	<u>(28,875)</u>

Changes in net position of governmental activities(page 19) \$ 319,274

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Business Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
	ASSETS			
Cash and pooled investments	\$ 5,703	14,550	20,253	24,505
Accounts receivable	2,456	0	2,456	0
Inventories	6,029	0	6,029	0
Capital assets, net of accumulated depreciation	30,766	0	30,766	0
<b>TOTAL ASSETS</b>	<b>44,954</b>	<b>14,550</b>	<b>59,504</b>	<b>24,505</b>
LIABILITIES				
Unearned revenue	6,966	0	6,966	0
Net OPEB liability	9,727	0	9,727	0
<b>TOTAL LIABILITIES</b>	<b>16,693</b>	<b>0</b>	<b>16,693</b>	<b>0</b>
NET POSITION				
Invested in capital assets	30,766	0	30,766	0
Unrestricted	(2,505)	14,550	12,045	24,505
<b>TOTAL NET POSITION</b>	<b>\$ 28,261</b>	<b>14,550</b>	<b>42,811</b>	<b>24,505</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 163,717	0	163,717	0
Miscellaneous	787	8,857	9,644	0
TOTAL OPERATING REVENUES	164,504	8,857	173,361	0
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	134,275	0	134,275	0
Benefits	53,940	0	53,940	4,152
Services	260	0	260	0
Supplies	158,040	10,514	168,554	0
Depreciation	4,082	0	4,082	0
TOTAL OPERATING EXPENSES	350,597	10,514	361,111	4,152
OPERATING LOSS	(186,093)	(1,657)	(187,750)	(4,152)
NON-OPERATING REVENUES:				
Interest	73	0	73	27
State sources	3,100	0	3,100	0
Federal sources	146,504	0	146,504	0
TOTAL NON-OPERATING REVENUES	149,677	0	149,677	27
Change in net position before other financing sources	(36,416)	(1,657)	(38,073)	(4,125)
Other financing sources:				
Capital contributions	7,022	0	7,022	0
Change in net position	(29,394)	(1,657)	(31,051)	(4,125)
Net position beginning of year	57,655	16,207	73,862	28,630
Net position end of year	\$ 28,261	14,550	42,811	24,505

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 162,763	0	162,763	0
Cash received from miscellaneous operating activities	8,396	8,857	17,253	0
Cash payments to employees for services	(185,111)	0	(185,111)	0
Cash payments to suppliers for goods or services	(140,732)	(10,514)	(151,246)	(4,152)
Net cash used in operating activities	(154,684)	(1,657)	(156,341)	(4,152)
Cash flows from non-capital financing activities:				
State grants received	3,100	0	3,100	0
Federal grants received	129,477	0	129,477	0
Net cash provided by non-capital financing activities	132,577	0	132,577	0
Cash flows from investing activities:				
Interest on investments	73	0	73	27
Net decrease in cash and cash equivalents	(22,034)	(1,657)	(23,691)	(4,125)
Cash and cash equivalents at beginning of year	27,737	16,207	43,944	28,630
Cash and cash equivalents at end of year	\$ 5,703	14,550	20,253	24,505
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (186,093)	(1,657)	(187,750)	(4,152)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	17,027	0	17,027	0
Depreciation	4,082	0	4,082	0
Decrease in inventories	608	0	608	0
Decrease in accounts receivable	6,758	0	6,758	0
Decrease in accounts payable	(67)	0	(67)	0
Decrease in unearned revenue	(103)	0	(103)	0
Increase in other postemployment benefits	3,104	0	3,104	0
Net cash used in operating activities	\$ (154,684)	(1,657)	(156,341)	(4,152)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$17,027.

During the year ended June 30, 2013, the School Nutrition Fund received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund of \$7,022.

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 155,100	3,203
TOTAL ASSETS	<u>155,100</u>	<u>3,203</u>
LIABILITIES		
Due to other groups	0	3,203
TOTAL LIABILITIES	<u>0</u>	<u>3,203</u>
NET POSITION		
Restricted for scholarships	155,100	0
TOTAL NET POSITION	<u>\$ 155,100</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Donations	\$ 3,651
Interest	2,057
Stock dividends	70
Total additions	<u>5,778</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	4,287
Total deductions	<u>4,287</u>
Change in net position	1,491
Net position beginning of year	<u>153,609</u>
Net position end of year	<u>\$ 155,100</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

The St. Ansgar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of St. Ansgar, Carpenter, Stacyville and Grafton Iowa, and the predominate agricultural territory of Worth and Mitchell County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, St. Ansgar Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The St. Ansgar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

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

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

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

At June 30, 2013, the District's investment in common stock is as follows:

<u>Name of Stock</u>	<u>Number of Shares</u>	<u>Fair Value</u>
Coca Cola	33	\$1,324
Principal Financial Group	471	\$17,639
Dominion Resources, Inc.	114	\$6,477
Total	<u>618</u>	<u>\$25,440</u>

**(3) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service Fund	Capital Projects: Statewide Sales, Services and Use Tax Fund	\$ 278,918
Capital Projects: Physical Plant and Equipment Levy Fund	General Fund	1,886
Total		<u>\$ 280,804</u>

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

The transfer from the General Fund to Capital Projects: Physical Plant and Equipment Levy Fund was for a previous year corrective transfer.

**(4) Due From and Due to Other Funds**

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

Receivable Fund	Payable Fund	Amount
Capital Projects: Physical Plant and Equipment Levy Fund	General Fund	\$ 11,504

The General Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax Fund for the purchase of desks and chairs; an expense more appropriate to the General Fund (see comment II-N-13).

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 105,408	0	0	105,408
Capital assets being depreciated:				
Buildings	5,727,107	0	0	5,727,107
Land improvements	213,212	75,592	0	288,804
Machinery and equipment	3,316,115	416,125	136,250	3,595,990
Total capital assets being depreciated	9,256,434	491,717	136,250	9,611,901
Less accumulated depreciation for:				
Buildings	2,480,537	93,474	0	2,574,011
Land improvements	64,571	14,440	0	79,011
Machinery and equipment	3,037,772	165,603	136,250	3,067,125
Total accumulated depreciation	5,582,880	273,517	136,250	5,720,147
Total capital assets being depreciated, net	3,673,554	218,200	0	3,891,754
Governmental activities capital assets, net	\$ 3,778,962	218,200	0	3,997,162
Business-type activities:				
Machinery and equipment	\$ 112,000	7,022	0	119,022
Less accumulated depreciation	84,174	4,082	0	88,256
Business type activities capital assets, net	\$ 27,826	2,940	0	30,766

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 48,950
Special	4,651
Other	22,457
Support services:	
Administration	12,601
Operation and maintenance	13,270
Transportation	63,674
	165,603
Unallocated depreciation	107,914
	\$ 273,517
Business-type activities:	
Food services	\$ 4,082

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 845,000	0	250,000	595,000	255,000
Compensated Absences	20,751	25,755	20,751	25,755	25,755
Net OPEB Liability	126,923	23,871	0	150,794	0
Total	\$ 992,674	49,626	270,751	771,549	280,755
Business Type Activities:					
Net OPEB liability	\$ 6,623	3,104	0	9,727	0

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of March 24, 2004				
	Interest Rates	Principal	Interest	Total	
2014	3.35 %	\$ 255,000	20,543	275,543	
2015	3.50	240,000	12,000	252,000	
2016	3.60	100,000	3,600	103,600	
Total		\$ 595,000	36,143	631,143	

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$342,845, \$298,063, and \$240,768, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits**

Plan Description - The District operates a single-employer health plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 65 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 37,622
Interest on net OPEB obligation	3,339
Adjustment to annual required contribution	(8,917)
Annual OPEB cost	<u>32,044</u>
Contributions made	(5,069)
Increase in net OPEB obligation	<u>26,975</u>
Net OPEB obligation beginning of year	<u>133,546</u>
Net OPEB obligation end of year	<u>\$ 160,521</u>

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

For the year ended June 30, 2013, the District contributed \$5,069 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 48,637	12.47%	\$ 85,360
2012	52,774	8.75%	133,546
2013	32,044	15.82%	160,521

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$278,475, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$278,475. The covered payroll (annual payroll of active employees covered by the plan) was \$3,237,536, and the ratio of the UAAL to covered payroll was 8.6%. As of June 30, 2013 there were no trust fund assets.

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

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

As of July 1, 2012 actuarial valuation date, the Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

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

	Target	Alternative 1	Alternative 2
Single	\$ 555.65	\$ 535.52	\$ 507.70
Family	1,389.14	1,338.79	1,269.26

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

**(9) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and long-term disability. District contributions to ISEBA for the year ended June 30, 2013 were \$625,616.

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$242,506 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) 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>
LEP weighting	\$ 1,066
At-risk supplemental weighting	29,386
Dropout prevention	59,147
Basic salary	18,916
Professional development	96,828
Learning connections	3,062
Curriculum survey	797
Core curriculum	29,368
Total	<u>\$ 238,570</u>

**(12) Property Lease**

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

The District currently has a lease with Darren Marsh and Mullenbach Rental for rental of storage facilities for District equipment. Payment is \$75 per month until either the District or the landlord terminates the lease.

**(13) Deficit Fund Balance**

At June 30, 2013, there was a deficit unassigned balance in the Special Revenue: Student Activity Fund of \$746.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,571,548	173,434	4,744,982	4,595,771	4,595,771	149,211
Intermediate sources	5,000	0	5,000	0	0	5,000
State sources	2,857,108	3,100	2,860,208	2,854,241	2,854,241	5,967
Federal sources	166,844	146,504	313,348	250,000	250,000	63,348
Total revenues	7,600,500	323,038	7,923,538	7,700,012	7,700,012	223,526
Expenditures:						
Instruction	4,750,356	0	4,750,356	4,665,000	4,995,000	244,644
Support services	2,234,301	0	2,234,301	2,340,000	2,600,000	365,699
Non-instructional programs	7,022	361,111	368,133	370,000	450,000	81,867
Other expenditures	729,478	0	729,478	986,814	986,814	257,336
Total expenditures/expenses	7,721,157	361,111	8,082,268	8,361,814	9,031,814	949,546
Deficiency of revenues under expenditures/expenses	(120,657)	(38,073)	(158,730)	(661,802)	(1,331,802)	1,173,072
Other financing sources, net	5,931	7,022	12,953	0	0	12,953
Deficiency of revenues and other financing sources under expenditures/expenses	(114,726)	(31,051)	(145,777)	(661,802)	(1,331,802)	1,186,025
Balance beginning of year	4,577,481	73,862	4,651,343	4,551,219	4,551,219	(100,124)
Balance end of year	\$ 4,462,755	42,811	4,505,566	3,889,417	3,219,417	1,085,901

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$670,000.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 453,786	\$ 453,786	0.0%	\$ 2,920,813	15.5%
2011	July 1, 2009	-	453,786	453,786	0.0%	2,905,350	15.6%
2012	July 1, 2009	-	429,004	429,004	0.0%	2,914,795	14.7%
2013	July 1, 2012	-	278,475	278,475	0.0%	3,237,536	8.6%

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

SUPPLEMENTARY INFORMATION

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 634,937	96,001	730,938
Receivables:			
Property tax			
Delinquent	1,658	0	1,658
Succeeding year	200,000	0	200,000
Accounts	0	200	200
<b>TOTAL ASSETS</b>	<b>\$ 836,595</b>	<b>96,201</b>	<b>932,796</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 4,636	1,170	5,806
Deferred revenue:			
Succeeding year property tax	200,000	0	200,000
Total liabilities	204,636	1,170	205,806
Fund balances:			
Restricted for:			
Management levy purposes	631,959	0	631,959
Student activities	0	95,777	95,777
Unassigned	0	(746)	(746)
Total fund balances	631,959	95,031	726,990
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 836,595</b>	<b>96,201</b>	<b>932,796</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
REVENUES:					
Local sources:					
Local tax	\$ 200,117	0	200,117	0	200,117
Other	4,449	332,856	337,305	0	337,305
State sources	97	0	97	0	97
TOTAL REVENUES	204,663	332,856	537,519	0	537,519
EXPENDITURES:					
Current:					
Instruction:					
Other	0	312,884	312,884	0	312,884
Support services:					
Instructional staff	0	324	324	0	324
Administration	11,684	0	11,684	0	11,684
Operation and maintenance of plant	108,102	0	108,102	0	108,102
Transportation	8,803	0	8,803	0	8,803
Long-term debt:					
Principal	0	0	0	250,000	250,000
Interest and fiscal charges	0	0	0	28,918	28,918
TOTAL EXPENDITURES	128,589	313,208	441,797	278,918	720,715
Excess(Deficiency) of revenues over(under) expenditures	76,074	19,648	95,722	(278,918)	(183,196)
Other financing sources:					
Transfers in	0	0	0	278,918	278,918
Change in fund balance	76,074	19,648	95,722	0	95,722
Fund balances beginning of year	555,885	75,383	631,268	0	631,268
Fund balances end of year	\$ 631,959	95,031	726,990	0	726,990

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 608,772	263,885	872,657
Receivables:			
Property tax:			
Delinquent	0	2,319	2,319
Succeeding year	0	347,883	347,883
Accounts	0	57,787	57,787
Due from other funds	0	11,504	11,504
Due from other governments	161,939	3,098	165,037
<b>Total assets</b>	<b>\$ 770,711</b>	<b>686,476</b>	<b>1,457,187</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ 62,375	19,856	82,231
Deferred revenue			
Succeeding year property tax	0	347,883	347,883
<b>Total liabilities</b>	<b>62,375</b>	<b>367,739</b>	<b>430,114</b>
Fund balances:			
Restricted for:			
School infrastructure	708,336	0	708,336
Physical plant and equipment	0	318,737	318,737
<b>Total fund balances</b>	<b>708,336</b>	<b>318,737</b>	<b>1,027,073</b>
<b>Total liabilities and fund balances</b>	<b>\$ 770,711</b>	<b>686,476</b>	<b>1,457,187</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 533,218	314,357	847,575
Other	2,206	105,297	107,503
Intermediate sources	0	2,568	2,568
State sources	0	5,357	5,357
TOTAL REVENUES	<u>535,424</u>	<u>427,579</u>	<u>963,003</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	59,143	114,415	173,558
Support services:			
Administration	0	5,619	5,619
Operation and maintenance of plant	0	25,731	25,731
Transportation	65,780	148,665	214,445
Non-instructional programs:			
Food service operations	0	7,022	7,022
Other expenditures:			
Capital outlay	7,118	200,936	208,054
TOTAL EXPENDITURES	<u>132,041</u>	<u>502,388</u>	<u>634,429</u>
Excess(Deficiency) of revenues over(under) expenditures	403,383	(74,809)	328,574
Other financing sources(uses):			
Transfer in	0	1,886	1,886
Transfer out	(278,918)	0	(278,918)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(278,918)</u>	<u>1,886</u>	<u>(277,032)</u>
Change in fund balance	124,465	(72,923)	51,542
Fund balances beginning of year	<u>583,871</u>	<u>391,660</u>	<u>975,531</u>
Fund balances end of year	<u>\$ 708,336</u>	<u>318,737</u>	<u>1,027,073</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 6,107	4,849	1,465	29	9,520
Speech	452	495	368	2	581
Vocal Music	2,047	3,408	7,399	2,702	758
Choir Robes	3,424	1,065	0	15	4,504
Band and Choir Trip	13,252	86,780	83,064	49	17,017
Vocal Music Activities	8,691	3,728	114	37	12,342
Instrument Rent	5	0	0	0	5
High School Band	283	1,220	3,591	2,702	614
Middle School Band	3	0	0	0	3
Band Uniforms	707	233	0	2	942
Music Concessions	228	10,414	4,416	(4,996)	1,230
Cheerleaders	2,876	11,363	12,724	5	1,520
Baseball	6,163	7,388	10,609	486	3,428
Softball	2,876	239	831	115	2,399
Baseball/Softball Concessions	0	6,324	2,547	15	3,792
HS Athletics	0	80,665	67,823	(11,903)	939
HS Athletics - unassigned	(8,090)	0	0	8,090	0
MS Athletics	0	5,290	10,823	4,787	(746)
MS Student Council	194	1,356	1,252	0	298
HS Student Council	705	2,166	2,925	54	0
Elem. Student Council	1,565	1,250	640	7	2,182
Annual	1,611	7,385	9,834	2,570	1,732
Art Club	1,628	100	0	5	1,733
German Club	99	2,621	2,576	0	144
Industrial Arts Club	3,349	730	130	12	3,961
Revolving Shop - MS	282	0	0	0	282
MS Activities	79	0	0	0	79
Class of 2013	10,941	0	0	(10,941)	0
Class of 2014	0	35,450	23,746	344	12,048
Class of 2016	2,143	0	0	(2,143)	0
Class of 2017	0	0	5,849	8,376	2,527
FCCLA	921	0	125	2	798
Saints Pride	303	0	0	0	303
Student Book Club	265	0	0	0	265
FFA stock	1,743	0	1,743	0	0
FFA	4,287	45,642	47,184	7	2,752
Student Activities	0	3,621	3,092	(529)	0
Milk Machines	1,302	993	786	5	1,514
Towel Rental	0	3,202	3,202	0	0
Insurance	0	36	36	0	0
Petty Cash	100	0	0	0	100
Community Education	218	0	0	0	218
Student Extended Learning	198	250	525	77	0
Computer Club	1,826	1,140	2,168	2	800
Special Olympics	2,600	3,453	1,621	15	4,447
<b>Total</b>	<b>\$ 75,383</b>	<b>332,856</b>	<b>313,208</b>	<b>0</b>	<b>95,031</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 JUNE 30, 2013

		Private Purpose Trust - Scholarship Fund										
		Kulik	Ramsay	Sheka	Arnold	Maurine	Vocal	Ali				
		Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Music	Band	FFA	Smith	Pope	Total
ASSETS												
Cash and pooled investments	\$	10,003	10,559	20,413	102,919	7,025	225	225	900	2,581	250	155,100
TOTAL ASSETS		10,003	10,559	20,413	102,919	7,025	225	225	900	2,581	250	155,100
LIABILITIES		0	0	0	0	0	0	0	0	0	0	0
NET POSITION												
Restricted for scholarships		10,003	10,559	20,413	102,919	7,025	225	225	900	2,581	250	155,100
TOTAL NET POSITION	\$	10,003	10,559	20,413	102,919	7,025	225	225	900	2,581	250	155,100

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF ADDITIONS, DEDUCTIONS AND  
 CHANGES IN NET POSITION  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund										
	Kulik Scholarship	Ramsay Scholarship	Sheka Scholarship	Arnold Scholarship	Maurine Moore Scholarship	Vocal Music Memorials	Band Memorials	FFA Scholarship	Ali Smith Scholarship	Pope Scholarship	Total
Additions:											
Local sources:											
Donations	\$ 0	0	0	0	0	0	0	800	2,601	250	3,651
Interest	116	39	285	1,513	104	0	0	0	0	0	2,057
Stock dividends	70	0	0	0	0	0	0	0	0	0	70
<b>TOTAL ADDITIONS</b>	<b>186</b>	<b>39</b>	<b>285</b>	<b>1,513</b>	<b>104</b>	<b>0</b>	<b>0</b>	<b>800</b>	<b>2,601</b>	<b>250</b>	<b>5,778</b>
DEDUCTIONS:											
Instruction:											
Regular:											
Scholarships awarded	167	400	500	2,000	0	0	0	1,200	20	0	4,287
Change in net position	19	(361)	(215)	(487)	104	0	0	(400)	2,581	250	1,491
Net position beginning of year	9,984	10,920	20,628	103,406	6,921	225	225	1,300	0	0	153,609
Net position end of year	\$ 10,003	10,559	20,413	102,919	7,025	225	225	900	2,581	250	155,100

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>FFA</u></b>				
ASSETS				
Cash and pooled investments	\$ 31	5,891	2,719	3,203
LIABILITIES				
Due to other groups	\$ 31	5,891	2,719	3,203

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,666,572	3,729,391	3,992,675	3,727,641	3,679,077	3,651,327	3,326,800	3,146,241	2,885,208	2,939,844
Tuition	322,215	407,976	373,940	308,778	352,628	310,045	211,470	183,288	128,749	132,425
Other	582,761	482,417	575,049	562,274	605,150	524,160	533,807	472,661	361,648	295,047
Intermediate sources	5,000	0	5,000	5,000	6,000	5,000	0	0	0	0
State sources	2,857,108	2,989,490	2,904,753	2,580,760	3,009,217	3,092,944	2,956,993	2,771,584	2,767,428	2,410,644
Federal sources	166,844	264,042	229,514	485,434	195,796	122,340	156,961	147,855	171,815	142,765
Total	\$ 7,600,500	7,873,316	8,080,931	7,669,887	7,847,868	7,705,816	7,186,031	6,721,629	6,314,848	5,920,725
Expenditures:										
Instruction:										
Regular	\$ 2,920,839	3,070,766	2,720,407	2,819,866	3,141,931	2,894,492	3,188,377	2,939,467	2,764,925	2,633,020
Special	728,065	833,251	699,545	822,001	794,433	659,961	717,157	671,818	691,043	664,163
Other	1,101,452	653,864	1,093,416	721,737	616,562	869,642	593,694	685,481	577,227	532,842
Support services:										
Student	220,696	162,090	138,027	135,058	69,315	133,895	127,565	122,449	115,147	114,685
Instructional staff	187,946	146,301	136,112	124,221	98,714	91,124	209,929	187,880	129,933	181,098
Administration	628,529	619,039	548,581	499,346	589,566	671,303	746,539	670,406	549,271	525,642
Operation and maintenance of plant	606,545	530,881	546,969	469,660	429,654	435,533	451,359	477,599	484,627	433,465
Transportation	590,585	392,949	394,861	348,804	372,720	423,135	366,153	367,380	304,032	319,713
Non-instructional programs	7,022	13,411	6,113	0	0	0	1,072	1,778	434	1,844
Capital outlays	208,054	486,357	357,376	91,942	187,753	237,707	327,064	139,833	121,152	116,718
Long-term debt:										
Principal	250,000	240,000	230,000	225,000	220,000	215,000	210,000	205,000	2,435,000	140,000
Interest and fiscal charges	28,918	36,118	42,508	48,195	53,365	57,772	61,342	63,710	196,094	210,835
Other expenditures										
AEA flow-through	242,506	251,551	280,034	278,690	238,867	233,639	226,566	212,020	211,638	211,147
Total	\$ 7,721,157	7,436,578	7,193,949	6,584,520	6,812,880	6,923,203	7,226,817	6,744,821	8,580,523	6,085,172

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

### **To the Board of Education of the St. Ansgar Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of St. Ansgar Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2014.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether St. Ansgar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters

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that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

### **St. Ansgar Community School District's Responses to Findings**

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

### **Purpose of this Report**

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2014  
Newton, Iowa

ST. ANSGAR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Financial reporting - preparing, reconciling and approving.

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

Response - We are always looking for ways to improve our internal controls and are willing to make any changes utilizing current staff that will improve the internal control within the school district.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-13 Certified Budget - During the year ended June 30, 2013, District expenditures did not exceed the amounts budgeted.

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

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

II-D-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ed Kleinwort, Board Member Shareholder in St. Ansgar Mills	Purchased services	\$525
Joni DeMaris, Secretary Spouse is owner of Al's Electric	Purchased services	\$25,127
Rosalee Lowe, Bus Driver	Building rent	\$1,200
Diann Tabbert, Cook Owner of Country Cakes Etc.	Purchased services	\$280
Jennifer Nielsen, Aide Co-owner of Striking Designs	Purchased services	\$425
Dave Juhl, Transportation Director Jolene Juhl, Bus driver Mike Juhl, Sub bus driver Co-owners St Ansgar Landscaping	Purchased services	\$12,527

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

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the spouse of Joni DeMaris does not appear to represent a conflict of interest.

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

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

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported was overstated by 0.72 students.

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

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

Conclusion - Response accepted.

II-H-13 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District received dividends from stock owned in Principal, Coca Cola and Dominion Resources Inc. These are instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

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

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

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

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 583,871
Revenues:		
Sales tax revenues	\$ 533,218	
Other local revenues	2,206	535,424
		<u>1,119,295</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 7,118	
Equipment	124,923	
Transfers to other funds:		
Debt service fund	278,918	410,959
		<u>410,959</u>
Ending balance		<u><u>\$ 708,336</u></u>

For the year ended June 30, 2013, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	<u>\$ 0.89</u>	<u>\$ 278,918</u>

II-M-13 Board Policies - We noted several board policies that have not been updated in the past 5 years.

Recommendation - Board policies should be reviewed by the Board at least once every five years. Dates of policy review and revisions should be documented on the policy.

Response - The Board has now finished reviewing the board policies and they are up to date.

Conclusion - Response accepted.

II-N-13 Interfund Loans - During our audit we noted tables and chairs were “bundled” together in a purchase from the Capital Projects: Physical Plant and Equipment Levy Fund; however, this purchase qualifies as a group purchase and not a bundle, as defined by Declaratory Order 87. This purchase is not allowable from the Capital Projects: Physical Plant and Equipment Levy Fund.

An adjustment to interfund loan payables/receivables from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund to the General Fund for \$11,504 has been shown on the financial statements.

Recommendation - The District needs to have the Board of Directors approve the repayment of \$11,504 from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund.

Response - The District will have the Board of Directors approve this repayment and then finalize the repayment.

Conclusion - Response accepted.

II-O-13 Financial Condition - During our audit we noted that the District had one account in the Special Revenue: Student Activity Fund with a deficit unassigned balance of \$746.

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

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

Conclusion - Response accepted.