

**STARMONT  
COMMUNITY SCHOOL DISTRICT  
ARLINGTON, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2013**

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STARMONT COMMUNITY SCHOOL DISTRICT  
BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
<b>Board of Education</b>			
Tina Pech	President	Winthrop, Iowa	2013
LeAnn Fenton	Vice President	Strawberry Point, Iowa	2015
Kevin Powell	Board Member	Strawberry Point, Iowa	2015
Shane Paris	Board Member	Strawberry Point, Iowa	2015
Chris Henry	Board Member	Arlington, Iowa	2013

School Officials

Matt O'Loughlin – Superintendent  
Laura Morine – District Secretary/Treasurer

INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS

To the Board of Education  
Starmont Community School District  
Arlington, Iowa

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 Starmont Community School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Starmont 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.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and funding progress for the retiree health plan on pages 5 through 5e and pages 30 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Starmont Community School District's basic financial statements. The combining and individual nonmajor fund financial statements, comparative financial information and general fund revenue and expenditure analysis for 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, comparative financial information, spending authority, general fund revenue and expenditure analysis for 2013 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The enrollment for fiscal year 2014 presented on page 44 has not been audited and we express no opinion on it, such information is presented for additional analysis and is not a required part of the basic financial statements. The basic financial statements of Starmont Community School District as of and for the years ending June 30, 2004 through 2012, none of which are presented herein, were audited by other auditors whose reports expressed unmodified opinions on those financial statements for the years 2004 through 2009 and 2011 through 2012, and a modified opinion for 2010. The supplemental information presented on pages 39 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014, on our consideration of Starmont 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 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 Starmont Community School District's internal control over financial reporting and compliance.

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
January 8, 2014

**STARMONT COMMUNITY SCHOOL DISTRICT  
ARLINGTON, IOWA**

**Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2013**

Management of Starmont Community School District provides this management's discussion and analysis of Starmont Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013.

The intent of this discussion and analysis is to look at Starmont Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

In total, governmental net position increased by \$347,640. Statewide sales, services and use tax increased approximately by \$98,938, and grant operating revenue increased approximately by \$110,478. District program expenses were 6.8% or approximately \$541,000 more in 2013 than in 2012.

Beginning net position was restated to account for decreases in capital assets of \$117,317 and accumulated depreciation of \$193,727 in the governmental funds. Beginning net position was also restated to account for early retirement benefits of \$48,401 in the governmental funds that were not reported in the prior year.

General fund revenues accounted for \$7,686,269 in revenue or 87.0% of all revenues. General fund expenditures accounted for \$7,404,588 in expenditures or 90.8% of all expenditures.

**USING THE BASIC FINANCIAL STATEMENTS**

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Starmont Community School District as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of Starmont Community School District as a whole and present an overall view of the District's finances and a longer-term view of those 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 Starmont Community School District's operations in more detail than the District-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Starmont Community School District, the general fund and statewide sales, services and use tax-capital projects fund are the more significant funds.

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

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other supplementary information provides detailed information about the nonmajor funds.

## REPORTING THE DISTRICT AS A WHOLE

### *The Statement of Net Position and the Statement of Activities*

The District-wide financial statements report information about the District as a whole using accounting methods similar to the accounting used by most private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The statement of net position presents all of the District's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District 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.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the statement of net position and statement of activities, the District is divided into two distinct kinds of activities:

**Governmental activities:** most of the District's programs and services are reported here, including instruction, co-curricular activities, support services, (nursing, guidance, media, administration), building and grounds operation and maintenance, and pupil transportation. Property tax and state aid finance most of these activities.

**Business-type activities:** these services are provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided. The District's school nutrition program and child care program are included here.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

Fund financial reports provide more detailed information about the District's major funds. The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and statewide sales, services and use tax-capital projects fund.

### *Governmental Funds*

Governmental funds account for most of the District's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps one to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (Continued)

### *Governmental Funds (Continued)*

The District's governmental funds include the general fund, special revenue funds, and capital projects funds. The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

### *Proprietary Funds*

Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. The proprietary funds required financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows.

### *Fiduciary Funds*

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs.

The fiduciary funds required financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position.

A summary reconciliation between the District-wide financial statements and the fund financial statements follows the fund financial statements.

### DISTRICT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net position of the District as a whole. The Starmont Community School District's net position at the end of fiscal year 2013 for governmental activities was \$6,496,793 and for business-type activities were \$12,254.

	Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2013	2012	2013	2012	2013	2012		
Current and other assets	\$ 6,158	\$ 5,387	\$ 39	\$ 80	\$ 6,197	\$ 5,467	13.35%	
Capital assets	4,986	5,102	3	3	4,989	5,105	-2.27%	
Total assets	11,144	10,489	42	83	11,186	10,572	5.81%	
Long-term debt outstanding	357	183		4	357	187	90.91%	
Other liabilities	4,290	4,184	30	26	4,320	4,210	2.61%	
Total liabilities	4,647	4,367	30	30	4,677	4,397	6.37%	
Net position								
Invested in capital assets	4,987	5,102	3	3	4,990	5,105	-2.25%	
Restricted	1,511	1,053			1,511	1,053	43.49%	
Unrestricted	(1)	(33)	9	50	8	17	-52.94%	
Total net position	\$ 6,497	\$ 6,122	\$ 12	\$ 53	\$ 6,509	\$ 6,175	5.41%	

## DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the change in net position for the years ending June 30, 2013 and 2012:

	Changes in Net Position (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2013	2012	2013	2012	2013	2012	
<b>Revenues:</b>							
Program revenue							
Charges for service	\$ 655	\$ 788	\$ 194	\$ 223	\$ 849	\$ 1,011	-16.02%
Operating grants	1,313	1,202	203	177	1,516	1,379	9.93%
General revenue							
Property taxes	3,254	3,259			3,254	3,259	-0.15%
Sales tax and surtax	560	462			560	462	21.21%
Unrestricted state grants	2,703	2,868			2,703	2,868	-5.75%
Unrestricted investment earnings	11	9			11	9	22.22%
Other revenue	322	260			322	260	23.85%
Total revenues	<u>8,818</u>	<u>8,848</u>	<u>397</u>	<u>400</u>	<u>9,215</u>	<u>9,248</u>	<u>-0.36%</u>
<b>Program expenses:</b>							
Instruction	5,816	5,515			5,816	5,515	5.46%
Student support	2,107	1,982			2,107	1,982	6.31%
Non-instructional programs			438	379	438	379	15.57%
Other expenses	547	436			547	436	25.46%
Total expenses	<u>8,470</u>	<u>7,933</u>	<u>438</u>	<u>379</u>	<u>8,908</u>	<u>8,312</u>	<u>-6.69%</u>
Increase (decrease) in net position	348	915	(41)	21	307	936	-67.20%
Net position Beginning of Year, restated	<u>6,149</u>	<u>5,207</u>	<u>53</u>	<u>32</u>	<u>6,202</u>	<u>5,239</u>	<u>18.38%</u>
Net position End of Year	<u>\$ 6,497</u>	<u>\$ 6,122</u>	<u>\$ 12</u>	<u>\$ 53</u>	<u>\$ 6,509</u>	<u>\$ 6,175</u>	<u>5.41%</u>

### INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$1,810,590, a \$640,467 increase from the 2012 fiscal year end balance of \$1,170,123. The District spent \$218,651 more than the prior fiscal year.

- The general fund received less revenue during fiscal year 2013 through state and federal sources. The general fund expenditures increased in instructional functional area \$226,041 compared to prior year. Overall expenditures increased by \$149,427. The ending fund balance showed an increase of \$281,681 to \$364,440.
- The statewide sales, services and use tax received more revenue during fiscal year 2013 through local option sales tax. The capital projects fund expenditures decreased due to less capital projects during the year. Overall expenditures decreased by \$48,961 compared to prior year. The ending fund balance showed an increase of \$271,993 to \$937,690.

## BUDGETARY HIGHLIGHTS

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute required approval of the budget on or before April 15<sup>th</sup> of each year. The budget document presents functional expenditures by fund and the legal level of control is at the expense level by total instruction, total support services, total non-instructional programs, total other expenditures and total expenditures. The District amends the budget, as allowed by Iowa law, generally once per year to reflect the additional revenues and expenditures that may occur during the school year.

The following chart shows the original and amended budget for fiscal 2013 as well as the actual revenue and expenditures for the year:

		Budgetary Comparison Schedule (Expressed in Thousands)			
		Budget Amounts			
		Actual	Original	Final	Variance
<b>Revenues</b>					
Local sources	\$	4,990	\$ 4,651	\$ 4,651	\$ 339
Intermediate sources		5	10	10	(5)
State sources		3,518	4,017	4,017	(499)
Federal sources		676	333	333	343
<b>Total revenues</b>	\$	9,189	\$ 9,011	\$ 9,011	\$ 178
<b>Expenditures</b>					
Instruction	\$	5,666	\$ 5,341	\$ 5,575	\$ (91)
Student support		1,904	2,082	2,082	178
Non-instructional programs		438	325	370	(68)
Other expenses		582	498	725	143
<b>Total expenditures</b>	\$	8,590	\$ 8,246	\$ 8,752	\$ 162

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2013, Starmont Community School District had \$4,986,531 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$3,145 invested in equipment in the school nutrition fund.

The District's governmental activities had depreciation expense of \$253,801 for fiscal 2013 and total accumulated depreciation of \$4,786,266 as of June 30, 2013. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

### *Debt*

At year-end, the District had no general obligation bonded indebtedness outstanding.

Other obligations include compensated absences and early retirement. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The District had two support staff positions that left and the positions were not replaced.
- The District decided to share a transportation director with a neighboring district for FY2014. The District will continue to seek ways to cut transportation costs as well as seek other operational sharing opportunities.
- The Board of Education approved an early retirement package during FY2014. This will allow the District to keep costs down during FY2015.
- The District had fewer open enrolled in students than open enrolled out students for FY2014.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Starmont Community School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office, Starmont Community School District, Arlington, Iowa 50606.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,258,538	\$ 18,884	\$ 2,277,422
Receivables			
Property tax			
Delinquent	53,913		53,913
Succeeding year	3,381,879		3,381,879
Accounts	10,356	230	10,586
Due from other governments	452,921	11,265	464,186
Inventories		8,548	8,548
Capital assets, non-depreciable	26,300		26,300
Capital assets, net of accumulated depreciation	4,960,231	3,145	4,963,376
	<u>11,144,138</u>	<u>42,072</u>	<u>11,186,210</u>
Total assets	\$	\$	\$
<b>LIABILITIES</b>			
Accounts payable	\$ 206,538	\$ 2,862	\$ 209,400
Salaries and benefits payable	701,132	21,742	722,874
Deferred revenue			
Succeeding year property tax	3,381,879		3,381,879
Other		5,214	5,214
Long-term liabilities			
Portion due within one year			
Early retirement	64,059		64,059
Compensated absences	19,245		19,245
Portion due after one year			
Early retirement	64,059		64,059
Net OPEB liability	210,433		210,433
	<u>4,647,345</u>	<u>29,818</u>	<u>4,677,163</u>
Total liabilities			
<b>NET POSTION</b>			
Invested in capital assets	4,986,531	3,145	4,989,676
Restricted for			
Capital projects	937,690		937,690
Management levy purposes	270,806		270,806
Physical plant and equipment	114,326		114,326
Student activities	96,223		96,223
Other purposes	91,860		91,860
Unrestricted	(643)	9,109	8,466
	<u>6,496,793</u>	<u>12,254</u>	<u>6,509,047</u>
Total net position	\$	\$	\$
Total liabilities and net position	<u>11,144,138</u>	<u>42,072</u>	<u>11,186,210</u>

See Notes to Financial Statements.

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STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
<b>Governmental activities</b>			
<b>Instruction</b>			
Regular instruction	\$ 3,856,368	\$ 536,417	\$ 715,804
Special instruction	1,144,805	112,714	6,914
Other instruction	815,157	2,814	335,475
	<u>5,816,330</u>	<u>651,945</u>	<u>1,058,193</u>
<b>Support services</b>			
Student services	133,494		
Instructional staff services	112,666		
Administration services	719,704		
Operation and maintenance plant services	566,109		
Transportation services	395,870	3,608	
	<u>1,927,843</u>	<u>3,608</u>	
<b>Other</b>			
Facilities acquisition	292,264		
AEA flowthrough	254,712		254,712
Depreciation (unallocated)	179,527		
	<u>726,503</u>		<u>254,712</u>
<b>Total governmental activities</b>	<u>8,470,676</u>	<u>655,553</u>	<u>1,312,905</u>
<b>Business-type activities</b>			
<b>Non-instructional programs</b>			
Nutrition services	392,049	150,043	202,697
Child care operations	45,665	44,209	
<b>Total business-type activities</b>	<u>437,714</u>	<u>194,252</u>	<u>202,697</u>
<b>Total</b>	<u>\$ 8,908,390</u>	<u>\$ 849,805</u>	<u>\$ 1,515,602</u>
<b>General revenues</b>			
Property taxes levied for			
General purposes			
Management			
Physical plant and equipment			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
<b>Total general revenues</b>			
Change in net position			
Net position, beginning of year, restated			
Net position, end of year			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (2,604,147)		\$ (2,604,147)
(1,025,177)		(1,025,177)
(476,868)		(476,868)
<u>(4,106,192)</u>		<u>(4,106,192)</u>
(133,494)		(133,494)
(112,666)		(112,666)
(719,704)		(719,704)
(566,109)		(566,109)
(392,262)		(392,262)
<u>(1,924,235)</u>		<u>(1,924,235)</u>
(292,264)		(292,264)
(179,527)		-
<u>(471,791)</u>		<u>(471,791)</u>
<u>(6,502,218)</u>	\$ -	<u>(6,502,218)</u>
	(39,309)	(39,309)
	(1,456)	(1,456)
	(40,765)	(40,765)
<u>(6,502,218)</u>	<u>(40,765)</u>	<u>(6,542,983)</u>
2,978,175		2,978,175
210,128		210,128
65,765		65,765
560,466		560,466
2,702,867		2,702,867
10,576	37	10,613
321,881		321,881
<u>6,849,858</u>	<u>37</u>	<u>6,849,895</u>
347,640	(40,728)	306,912
<u>6,149,153</u>	<u>52,982</u>	<u>6,202,135</u>
<u>\$ 6,496,793</u>	<u>\$ 12,254</u>	<u>\$ 6,509,047</u>

STARMONT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	General	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 950,218	\$ 780,437	\$ 527,883	\$ 2,258,538
Receivables				
Property tax				
Delinquent	49,347		4,566	53,913
Succeeding year	3,153,762		228,117	3,381,879
Accounts	9,667		689	10,356
Due from other governments	272,561	180,360		452,921
<b>Total assets</b>	<b>\$ 4,435,555</b>	<b>\$ 960,797</b>	<b>\$ 761,255</b>	<b>\$ 6,157,607</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 158,753	\$ 23,107	\$ 24,678	\$ 206,538
Salaries and benefits payable	701,132			701,132
Deferred revenue				
Succeeding year property tax	3,153,762		228,117	3,381,879
Other	57,468			57,468
<b>Total liabilities</b>	<b>4,071,115</b>	<b>23,107</b>	<b>252,795</b>	<b>4,347,017</b>
<b>Fund balances</b>				
Restricted for				
Categorical funding	64,755			64,755
Management levy purposes			270,806	270,806
Student activities			96,223	96,223
Capital projects		937,690		937,690
Physical plant and equipment			114,326	114,326
Other purposes			27,105	27,105
Unassigned	299,685			299,685
<b>Total fund balances</b>	<b>364,440</b>	<b>937,690</b>	<b>508,460</b>	<b>1,810,590</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,435,555</b>	<b>\$ 960,797</b>	<b>\$ 761,255</b>	<b>\$ 6,157,607</b>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

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<b>RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION</b>	
Total governmental fund balances	\$ 1,810,590
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 4,786,266	4,986,531
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	57,468
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Compensated absences	(19,245)
Early retirement	(128,118)
Net OPEB liability	(210,433)
	<hr/>
Net position of governmental activities per Exhibit A	<u>\$ 6,496,793</u>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2013

	General	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
<b>Local sources</b>				
Local property tax	\$ 2,978,175		\$ 275,893	\$ 3,254,068
Tuition	240,754			240,754
Other	470,856	\$ 564,523	265,733	1,301,112
<b>Intermediate sources</b>	5,479			5,479
State sources	3,514,375		96	3,514,471
Federal sources	476,630			476,630
<b>Total revenues</b>	<b>7,686,269</b>	<b>564,523</b>	<b>541,722</b>	<b>8,792,514</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular instruction	3,418,852		286,910	3,705,762
Special instruction	1,144,805			1,144,805
Other instruction	815,157			815,157
	<b>5,378,814</b>		<b>286,910</b>	<b>5,665,724</b>
<b>Support services</b>				
Student services	135,015			135,015
Instructional staff services	112,666			112,666
Administration services	667,972		52,569	720,541
Operation and maintenance plant services	517,355		48,577	565,932
Transportation services	338,054		31,640	369,694
	<b>1,771,062</b>		<b>132,786</b>	<b>1,903,848</b>
<b>Other</b>				
Facilities acquisition		292,530	35,233	327,763
AEA flowthrough	254,712			254,712
	<b>254,712</b>	<b>292,530</b>	<b>35,233</b>	<b>582,475</b>
<b>Total expenditures</b>	<b>7,404,588</b>	<b>292,530</b>	<b>454,929</b>	<b>8,152,047</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>281,681</b>	<b>271,993</b>	<b>86,793</b>	<b>640,467</b>
<b>FUND BALANCE, beginning of year</b>	<b>82,759</b>	<b>665,697</b>	<b>421,667</b>	<b>1,170,123</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 364,440</b>	<b>\$ 937,690</b>	<b>\$ 508,460</b>	<b>\$ 1,810,590</b>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2013

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds	\$	640,467
 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, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation	\$ (253,801)	
Capital outlays	<u>61,524</u>	(192,277)
 Certain revenue not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		
		25,802
 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 governmental funds.		
Compensated absences	(778)	
Early retirement	64,059	
Net OPEB liability	<u>(189,633)</u>	<u>(126,352)</u>
 Change in net position of governmental activities per Exhibit B	 \$	 <u><u>347,640</u></u>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2013

	School Nutrition	Child Care	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 15,686	\$ 3,198	\$ 18,884
Accounts receivable		230	230
Due from other governments	11,265		11,265
Inventories	8,548		8,548
<b>Total current assets</b>	<b>35,499</b>	<b>3,428</b>	<b>38,927</b>
<b>NONCURRENT ASSETS</b>			
Furniture and equipment	234,590		234,590
Less accumulated depreciation	(231,445)		(231,445)
<b>Total noncurrent assets</b>	<b>3,145</b>	<b>-</b>	<b>3,145</b>
<b>Total assets</b>	<b>\$ 38,644</b>	<b>\$ 3,428</b>	<b>\$ 42,072</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 2,854	\$ 8	\$ 2,862
Salaries and benefits payable	18,150	3,592	21,742
Deferred revenue	5,214		5,214
<b>Total liabilities</b>	<b>26,218</b>	<b>3,600</b>	<b>29,818</b>
<b>NET POSITION</b>			
Invested in capital assets	3,145		3,145
Unrestricted	9,281	(172)	9,109
<b>Total net position</b>	<b>12,426</b>	<b>(172)</b>	<b>12,254</b>
<b>Total liabilities and net position</b>	<b>\$ 38,644</b>	<b>\$ 3,428</b>	<b>\$ 42,072</b>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2013

	School Nutrition	Child Care	Total
<b>OPERATING REVENUES</b>			
Local sources			
Charges for services	\$ 150,043	\$ 44,209	\$ 194,252
<b>OPERATING EXPENSES</b>			
Non-instructional programs			
Operations			
Salaries and benefits	167,821	44,520	212,341
Supplies	222,588	1,145	223,733
Depreciation	1,640		1,640
Total operating expenses	392,049	45,665	437,714
Operating loss	(242,006)	(1,456)	(243,462)
<b>NONOPERATING REVENUES</b>			
Interest income	37		37
State sources	3,055		3,055
Federal sources	199,642		199,642
Total nonoperating revenues	202,734	-	202,734
Change in net position	(39,272)	(1,456)	(40,728)
Net position, beginning of year	51,698	1,284	52,982
Net position, end of year	\$ 12,426	\$ (172)	\$ 12,254

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2013

	School Nutrition	Child Care	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sale of lunches and breakfasts	\$ 153,571		\$ 153,571
Cash received from miscellaneous operating activities		\$ 45,860	45,860
Cash payments to employees for services	(176,807)	(41,188)	(217,995)
Cash payments to suppliers for goods and services	(226,213)	(1,737)	(227,950)
Net cash (used in) provided by operating activities	(249,449)	2,935	(246,514)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State grants and federal grants received	191,432		191,432
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	37		37
Net (decrease) increase in cash	(57,980)	2,935	(55,045)
CASH, beginning of year	73,666	263	73,929
CASH, end of year	\$ 15,686	\$ 3,198	\$ 18,884
<b>Reconciliation of operating loss to net cash (used in) provided by operating activities</b>			
Operating loss	\$ (242,006)	\$ (1,456)	\$ (243,462)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities			
Depreciation	1,640		1,640
Decrease in accounts receivable	712	1,651	2,363
Increase (decrease) in accounts payable	1,012	(592)	420
Increase in inventories	(4,637)		(4,637)
(Decrease) increase in salaries and benefits payable	(4,433)	3,332	(1,101)
(Decrease) in compensated absences	(4,553)		(4,553)
Increase in deferred revenue	2,816		2,816
Net cash (used in) provided by operating activities	\$ (249,449)	\$ 2,935	\$ (246,514)

**Non-cash, noncapital financing activities:**

During the year ended June 30, 2013, the District received commodities valued at \$13,596.

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2013

	Private Purpose Trust Scholarship	Agency
<b>ASSETS</b>		
Cash and pooled investments	\$ 101,745	\$ 17,726
Receivables		
Accounts	90	
Total assets	\$ 101,835	\$ 17,726
<b>LIABILITIES AND NET POSITION</b>		
Liabilities		
Accounts payable		\$ 17,726
Total liabilities	\$ -	17,726
Net position		
Reserved for Scholarships	101,835	
Total liabilities and net position	\$ 101,835	\$ 17,726

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2013

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	Private Purpose Trust Scholarship
<b>Additions</b>	
Local sources	
Gifts and contributions	\$          90
Interest income	2,155
Gain on investments	1,861
<b>Total additions</b>	<b>4,106</b>
<b>Deductions</b>	
Instruction:	
Regular	
Scholarships awarded	2,430
<b>Change in net position</b>	<b>1,676</b>
<b>Net position beginning of year</b>	<b>100,159</b>
<b>Net position end of year</b>	<b>\$          101,835</b>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Starmont Community School District is a political subdivision of the State of Iowa. The District's primary purpose is to provide education from grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Arlington, Lamont and Strawberry Point, Iowa, and the predominately agricultural territory in the counties of Buchanan, Clayton, Delaware and Fayette. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a five-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fund raising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

b. Significant Accounting Policies

*Scope of Reporting Entity*

For financial reporting purposes, Starmont 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units which meet the Governmental Accounting Standards Board criteria.

*Joint Venture*

The District participates in a jointly governed organization that provides services to the District and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Schools Insurance Trust.

*Jointly Governed Organizations*

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

*District-wide Financial Statements*

The statement of net position (previously referred to as net assets) and the statement of activities report information on all non-fiduciary activities of the District. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*District-wide Financial Statements (Continued)*

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are 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. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund and the statewide sales, services and use tax-capital projects fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The funds of the financial reporting entity are described below:

*Governmental*

*General Fund*

The general fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

*Capital Projects Fund*

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 major fund in this category is statewide sales, services and use tax.

*Proprietary Funds*

*Enterprise Funds*

The District's proprietary funds are the school nutrition and child care funds. These funds are used to account for the operations of the food service and child care programs of the District.

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

*Private Purpose Trust Fund*

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.

*Agency Fund*

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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Measurement Focus*

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements.

On the District-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus as defined below in item b.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.
- b. The District-wide statements and proprietary fund financial statements are accounted for on economic resources measurement focus. This means that all assets and liabilities, whether current or non-current, associated with its activity are included on the statement of net position. In reporting the financial activity on the proprietary fund statements, the District applies all applicable GASB pronouncements.

*Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District-wide and proprietary fund financial statements are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and the expenses are recognized when they are incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.

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 funds are charges to customers for sales and services. Operating expenses for the 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Basis of Accounting (Continued)*

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants, and reimbursements from other governments) and interest revenue. Revenues from miscellaneous sources are generally recognized when they are received in cash, as they are generally not measurable until actually received (tuition, fees and sale of services).

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

The District maintains its financial records on the modified cash basis (also referred to as cash basis or cash transactions). The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

*Assets, Liabilities and Equity*

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. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term 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, have a maturity date no longer than three months.

*Property Tax Receivable*

Property taxes in the governmental fund 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 year 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 to the County Auditor by April 15 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 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 1 1/2% 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Equity (Continued)*

*Due from Other Governments*

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

*Inventories*

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

*Capital Assets*

Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. 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	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	5,000
Intangibles	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	2-20 years
Intangibles	2-20 years

*Salaries and Benefits Payable*

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2013 was used to calculate the salaries payable.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Equity (Continued)*

*Deferred Revenue*

In the fund financial statements certain revenues are measurable, however they are not available. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and unspent grant proceeds. 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 and customer credit balances in the school nutrition fund.

*Long-term Obligation*

In the District-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. Early retirement liability has been paid primarily by the governmental management levy fund.

*Compensated Absences*

District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. A liability is recorded when incurred in the District-wide financial statements. Employees are not paid for unused vacation and sick benefits when employment with the District ends. 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.

*Fund Balance*

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

Restricted fund balances are 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 fund balance is the remaining fund balance which is not included in other spendable classifications.

*Net Position*

Invested in capital assets consists of capital assets net of accumulated depreciation.

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net position.

Unrestricted net position represents the difference between assets and liabilities that are not restricted and can be used for future obligations of the District.

*Budgets and Budgetary Accounting*

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the instruction and non-instructional functions and the District exceeded its general fund unspent authorized budget.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Equity (Continued)*

*Management Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Pooled Investments

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

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

At June 30, 2013, the District had investments in certificates of deposit and mutual funds.

Interest rate risk and custodial credit risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature with 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2013:

Governmental activities	
General fund	
Title I	\$ 28,032
Twenty-first century	111,629
State vocational aid	4,944
IDEA	8,767
Title II	33,154
Various programs	86,035
	272,561
Capital projects	
Statewide sales, services and use tax	180,360
	\$ 452,921
Business-type activities	
Summer food program	\$ 11,265
	\$ 11,265

NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

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

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental activities</b>				
Land	\$ 26,300			\$ 26,300
<b>Capital assets being depreciated</b>				
Buildings	8,376,883			8,376,883
Improvements	231,612	\$ 20,414		252,026
Furniture and equipment	1,147,633	41,110	\$ 71,155	1,117,588
<b>Total capital assets being depreciated</b>	<b>9,756,128</b>	<b>61,524</b>	<b>71,155</b>	<b>9,746,497</b>
<b>Less accumulated depreciation for:</b>				
Buildings	3,610,747	167,538		3,778,285
Improvements	44,574	11,989		56,563
Furniture and equipment	948,299	74,274	71,155	951,418
<b>Total accumulated depreciation</b>	<b>4,603,620</b>	<b>253,801</b>	<b>71,155</b>	<b>4,786,266</b>
<b>Total capital assets being depreciated, net</b>	<b>5,152,508</b>	<b>(192,277)</b>		<b>4,960,231</b>
<b>Governmental activities</b>				
Capital assets	\$ 5,178,808	\$ (192,277)	\$ None	\$ 4,986,531
<b>Business-type activities</b>				
Furniture and equipment	\$ 234,590			\$ 234,590
Less accumulated depreciation	229,805	\$ 1,640		231,445
<b>Business-type activities</b>				
Capital assets, net	\$ 4,785	\$ (1,640)	\$ None	\$ 3,145

Depreciation expense was charged to the governmental functions of the District as follows:

<b>Governmental activities</b>	
Instruction	
Regular	\$ 18,493
Support services	
Student support services	4,005
Operation and maintenance of plant	8,800
Transportation	42,976
Unallocated depreciation	179,527
<b>Total depreciation expense-governmental activities</b>	<b>\$ 253,801</b>
<b>Business-type activities</b>	
Food services	\$ 1,640

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities					
Other liabilities					
Compensated absences	\$ 18,467	\$ 19,245	\$ (18,467)	\$ 19,245	\$ 19,245
Early retirement	192,177		(64,059)	128,118	64,059
Governmental activities					
Long-term liabilities	\$ 210,644	\$ 19,245	\$ (82,526)	\$ 147,363	\$ 83,304
Business type activities					
Other liabilities					
Compensated absences	\$ 4,553	\$ None	\$ (4,553)	\$ None	\$ None

Early Retirement

The District offered a voluntary early retirement plan to its certified employees during prior years. During the year ended June 30, 2013, the District did not offer a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentive for each eligible employee is equal to the employee's base salary calculated by using the 2011-2012 year regular salary schedule, less any other additional pay.

Early retirement benefits will be paid in three equal installments over a three year period beginning in July following the start of retirement, with subsequent payments each July for two more years.

At June 30, 2013, the District has obligations to four participants with a total liability of \$128,118. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$64,059.

6. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the fiscal year. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and general fund receipts as security for the warrants issued. Repayments must be made when general fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2012-2013 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. The LIBOR rate at June 30, 2013 was .20%. A summary of the District's ISCAP activity for the year ended June 30, 2013 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2012-13 ONE	6/27/12	12/1/13	\$ None	\$ 200,000	\$ 200,000	\$ None

During the year ended June 30, 2013, the District paid \$726 of interest on the ISCAP warrants.

NOTES TO FINANCIAL STATEMENTS

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%, 5.38% and 4.50% of their annual covered salary and the District is required to contribute 8.67%, 8.07%, and 6.95% of annual covered salary for the years ended June 30, 2013, 2012 and 2011, respectively. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$593,699, \$332,023 and \$283,975 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

*Plan Description*

As explained in Note 9, the District is a member of the Northeast Iowa Schools Insurance Trust (trust) which provides medical and prescription drug benefits for retirees and their spouses. Starmont Community School District has 53 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through the trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$	72,157
Interest on net OPEB obligation		4,369
Adjustment to annual required contribution		136,355
Annual OPEB cost		212,881
Contributions made		(23,248)
Increase in net OPEB obligation		189,633
Net OPEB obligation beginning of year		20,800
Net OPEB obligation end of year	\$	210,433

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

For the year ended June 30, 2013, the District contributed \$23,248 to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed \$None of the premium costs for the OPEB obligation.

8. Other Postemployment Benefits (OPEB) (Continued)

*Annual OPEB Cost and Net OPEB Obligation (Continued)*

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 below as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 52,000	98.0%	\$ 5,400
June 30, 2012	55,300	72.0%	20,800
June 30, 2013	72,157	32.2%	210,433

*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 \$659,379, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$659,379. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.851 million, and the ratio of the UAAL to covered payroll was 23.1%. As of June 30, 2013, there were no trust fund assets.

*Actuarial Methods and Assumptions*

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provide 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 frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate 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 developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$543 to \$747, depending on the type of coverage, per month for retirees less than age 65 and the plan coverage terminates upon reaching Medicare eligibility (age 65). The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows: Plan 1—between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage, Plan 2—between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage and Plan 3—between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage. All plans include coinsurance and Plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2013, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2013 was unavailable as of January 8, 2014. The District contributions to the trust for the years ended June 30, 2013, 2012, and 2011 were \$705,143, \$749,413 and \$668,342, respectively, which equaled the required contributions each year. The employees paid \$21,358 in dental insurance for the year ended June 30, 2013.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the District's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage.

10. Risk Management

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

11. 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 \$254,712 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.

12. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 9, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

NOTES TO FINANCIAL STATEMENTS

13. Categorical Funding

The District's ending balances for categorical funding by project as of June 30, 2013 are as follows:

Project	Amount
Teacher Salary Supplement	\$ 2,072
Beginning Administrator Mentoring and Induction Program	499
Professional Development for Model Core Curriculum	11,295
Professional Development	17,013
Market Factor Incentive	5,525
Gifted and Talented Program	28,351
	\$ 64,755

14. Restatement

Beginning net position was restated to account for a decrease in capital assets of \$117,317 and accumulated depreciation of \$193,727 in the governmental funds. Beginning net position was also restated to account for early retirement benefits of \$48,401 in the governmental funds that were not reported in the prior year.

15. Subsequent Events

Management has evaluated subsequent events through January 8, 2014, the date on which the financial statements were available to be issued.

16. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the District. The statements which might impact the District are as follows:

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources, and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement 66, *Technical Corrections – 2012*, an amendment of GASB Statements 10 and 62, issued March 2012, effective for fiscal year ending June 30, 2014. The objective of this statement is to improve accounting and financial reporting for governmental entities by resolving conflicting guidance in GASB Statements 54 and 62, on risk financing activities and operating leases.

GASB Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

17. Accounting Change

Governmental Accounting Standards Board Statements No. 61 *The Financial Reporting Entity; Omnibus-an amendment of GASB Statements No. 14 and No. 3*; No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* were implemented during fiscal year 2013.

Required Supplementary Information

STARMONT COMMUNITY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE OF  
REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
For the Year Ended June 30, 2013

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
<b>REVENUES</b>			
Local sources	\$ 4,795,934	\$ 194,289	\$ 4,990,223
Intermediate sources	5,479		5,479
State sources	3,514,471	3,055	3,517,526
Federal sources	476,630	199,642	676,272
<b>Total revenues</b>	<b>8,792,514</b>	<b>396,986</b>	<b>9,189,500</b>
<b>EXPENDITURES/EXPENSES</b>			
Instruction	5,665,724		5,665,724
Support services	1,903,848		1,903,848
Non-instructional		437,714	437,714
Other	582,475		582,475
<b>Total expenditures/expenses</b>	<b>8,152,047</b>	<b>437,714</b>	<b>8,589,761</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>640,467</b>	<b>(40,728)</b>	<b>599,739</b>
<b>FUND BALANCE, beginning of year</b>	<b>1,170,123</b>	<b>52,982</b>	<b>1,223,105</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 1,810,590</b>	<b>\$ 12,254</b>	<b>\$ 1,822,844</b>

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Amended Final	
\$ 4,650,770	\$ 4,650,770	\$ 339,453
10,000	10,000	(4,521)
4,017,505	4,017,505	(499,979)
332,642	332,642	343,630
9,010,917	9,010,917	178,583
5,341,024	5,575,000	(90,724)
2,082,389	2,082,389	178,541
325,000	370,000	(67,714)
498,088	725,000	142,525
8,246,501	8,752,389	162,628
764,416	258,528	341,211
1,016,868	1,016,868	206,237
\$ 1,781,284	\$ 1,275,396	\$ 547,448

STARMONT COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2013

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This budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$505,888.

During the year ended June 30, 2013, expenditures in the instruction and non-instructional functions exceeded the amounts budgeted and the District exceeded its general fund unspent authorized budget.

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 (in thousands)

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 634	\$ 634	0.0%	\$ 3,269	19.4%
2011	July 1, 2010	-	\$ 603	\$ 603	0.0%	\$ 3,286	18.4%
2012	July 1, 2010	-	\$ 587	\$ 587	0.0%	\$ 3,192	18.4%
2013	July 1, 2012	-	\$ 659	\$ 659	0.0%	\$ 2,851	23.1%

See Note 8 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

STARMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

	Special Revenue	Capital Projects Physical Plant and Equipment Levy	Total Nonmajor Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 414,642	\$ 113,241	\$ 527,883
Receivables			
Property tax			
Delinquent	3,481	1,085	4,566
Succeeding year	160,000	68,117	228,117
Accounts	689		689
<b>Total assets</b>	<b>\$ 578,812</b>	<b>\$ 182,443</b>	<b>\$ 761,255</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 24,678		\$ 24,678
Deferred revenue			
Succeeding year property tax	160,000	\$ 68,117	228,117
<b>Total liabilities</b>	<b>184,678</b>	<b>68,117</b>	<b>252,795</b>
<b>Fund balances</b>			
Restricted for			
Booster clubs	27,105		27,105
Student activities	96,223		96,223
Management levy	270,806		270,806
Physical plant and equipment		114,326	114,326
	394,134	114,326	508,460
<b>Total liabilities and fund balances</b>	<b>\$ 578,812</b>	<b>\$ 182,443</b>	<b>\$ 761,255</b>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2013

	Special Revenue	Capital Projects Physical Plant and Equipment Levy	Total
<b>REVENUES</b>			
Local sources			
Property taxes	\$ 210,128	\$ 65,765	\$ 275,893
Other	265,297	436	265,733
State sources	73	23	96
<b>Total revenues</b>	<b>475,498</b>	<b>66,224</b>	<b>541,722</b>
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular instruction	286,910		286,910
Support services			
Administration services	52,569		52,569
Operation and maintenance plant services	48,577		48,577
Transportation services	9,852	21,788	31,640
Other			
Facilities acquisition		35,233	35,233
<b>Total expenditures</b>	<b>397,908</b>	<b>57,021</b>	<b>454,929</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>77,590</b>	<b>9,203</b>	<b>86,793</b>
<b>FUND BALANCE, beginning of year</b>	<b>316,544</b>	<b>105,123</b>	<b>421,667</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 394,134</b>	<b>\$ 114,326</b>	<b>\$ 508,460</b>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2013

	Management Levy	Student Activity	Donations	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 267,325	\$ 120,212	\$ 27,105	\$ 414,642
Receivables				
Property tax				
Delinquent	3,481			3,481
Succeeding year	160,000			160,000
Accounts		689		689
Total assets	<u>\$ 430,806</u>	<u>\$ 120,901</u>	<u>\$ 27,105</u>	<u>\$ 578,812</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable		\$ 24,678		\$ 24,678
Deferred revenue				
Succeeding year property tax	\$ 160,000			160,000
Total liabilities	<u>160,000</u>	<u>24,678</u>	<u>\$ -</u>	<u>184,678</u>
<b>Fund balances</b>				
Restricted	<u>270,806</u>	<u>96,223</u>	<u>27,105</u>	<u>394,134</u>
Total liabilities and fund balances	<u>\$ 430,806</u>	<u>\$ 120,901</u>	<u>\$ 27,105</u>	<u>\$ 578,812</u>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2013

	Management Levy	Student Activity	Donations	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>				
Local sources				
Local property tax	\$ 210,128			\$ 210,128
Other	8,012	\$ 257,117	\$ 168	265,297
State sources	73			73
<b>Total revenues</b>	<b>218,213</b>	<b>257,117</b>	<b>168</b>	<b>475,498</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular instruction	64,059	222,851		286,910
Support services				
Administration services	52,569			52,569
Operation and maintenance plant services	48,577			48,577
Transportation services	9,852			9,852
<b>Total expenditures</b>	<b>175,057</b>	<b>222,851</b>	-	<b>397,908</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>43,156</b>	<b>34,266</b>	<b>168</b>	<b>77,590</b>
<b>FUND BALANCE, beginning of year</b>	<b>227,650</b>	<b>61,957</b>	<b>26,937</b>	<b>316,544</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 270,806</b>	<b>\$ 96,223</b>	<b>\$ 27,105</b>	<b>\$ 394,134</b>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 For the Year Ended June 30, 2013

	Balance June 30, 2012	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2013
Athletics	\$ (29,628)	\$ 90,612	\$ 94,436	\$ (33,452)
Clubs and Organizations	20,641	72,836	56,434	37,043
General Activity	4,196	40,249	28,389	16,056
Classes	3,024	4,849	5,229	2,644
Elementary	37,321	42,442	35,906	43,857
Middle	26,403	6,129	2,457	30,075
	<u>\$ 61,957</u>	<u>\$ 257,117</u>	<u>\$ 222,851</u>	<u>\$ 96,223</u>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES-  
 AGENCY FUND  
 June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,308	\$ 97,072	\$ 82,654	\$ 17,726
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,308	\$ 97,072	\$ 82,654	\$ 17,726

See Independent Auditor's Report.

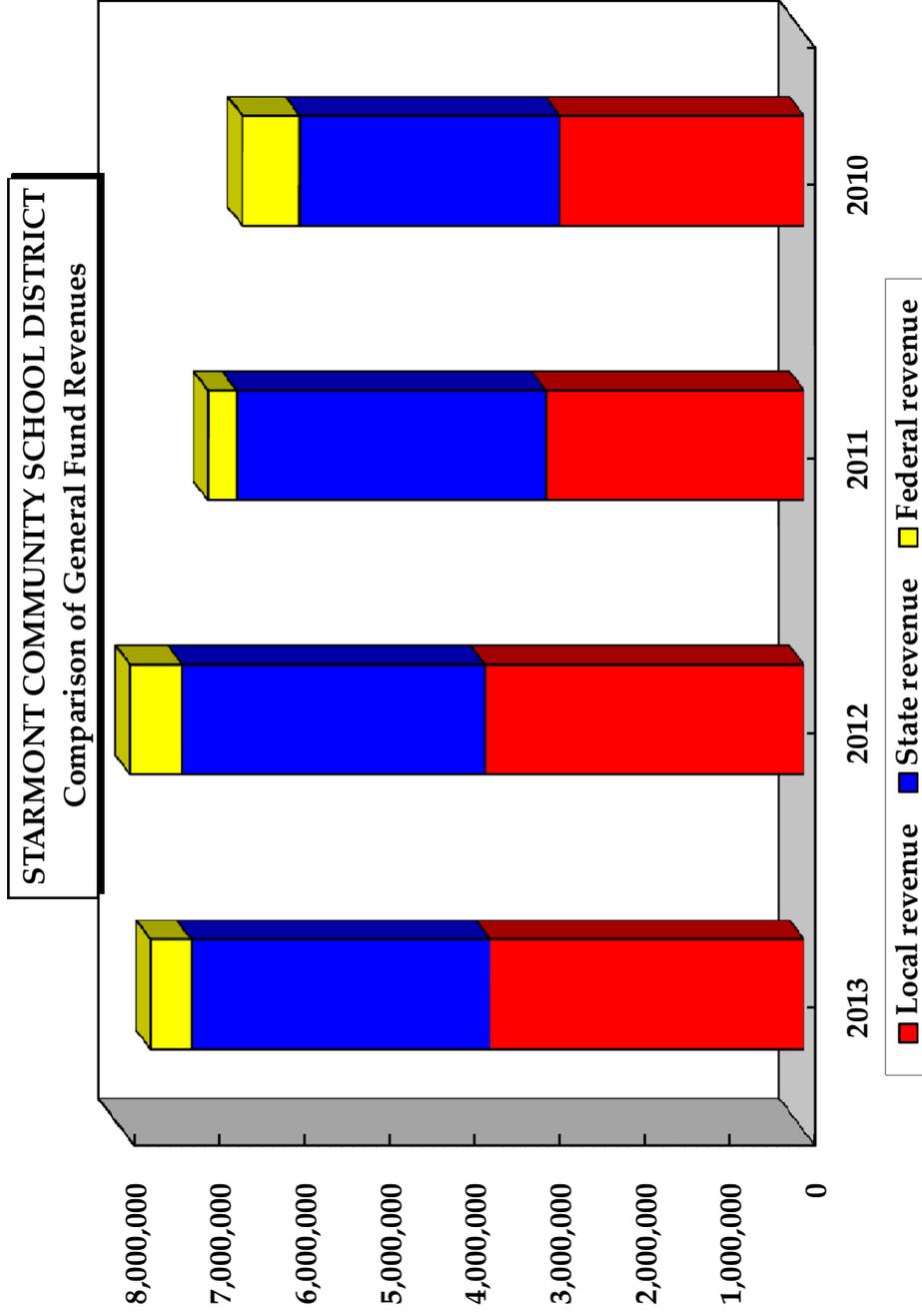
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STARMONT COMMUNITY SCHOOL DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
 GOVERNMENTAL FUNDS  
 For the Years Ended June 30,

	Modified Accrual			
	2013	2012	2011	2010
<b>REVENUES</b>				
Local sources				
Local tax	\$ 3,254,068	\$ 3,720,195	\$ 3,463,472	\$ 3,431,337
Tuition	240,754	358,964	342,301	373,136
Other	1,301,112	607,138	379,624	366,928
Intermediate sources	5,479			
State sources	3,514,471	3,554,729	3,706,545	3,055,448
Federal sources	476,630	613,219	332,891	715,569
<b>Total revenues</b>	<b>\$ 8,792,514</b>	<b>\$ 8,854,245</b>	<b>\$ 8,224,833</b>	<b>\$ 7,942,418</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular instruction	\$ 3,705,762	\$ 3,026,126	\$ 3,185,436	\$ 3,237,429
Special instruction	1,144,805	1,400,476	1,005,017	930,719
Other instruction	815,157	938,358	1,169,518	1,014,629
Support services				
Student services	135,015	173,565	176,324	154,689
Instructional staff services	112,666	82,333	111,538	39,147
Administration services	720,541	804,505	688,191	692,802
Operation and maintenance plant services	565,932	568,726	530,252	487,367
Transportation services	369,694	341,541	340,671	306,434
Central support			75,678	41,795
Other				
Facilities acquisition	327,763	341,491	222,085	538,187
Long-term debt				
Principal				480,000
Interest and fiscal charges				11,840
AEA flowthrough	254,712	256,275	292,228	286,458
<b>Total expenditures</b>	<b>\$ 8,152,047</b>	<b>\$ 7,933,396</b>	<b>\$ 7,796,938</b>	<b>\$ 8,221,496</b>

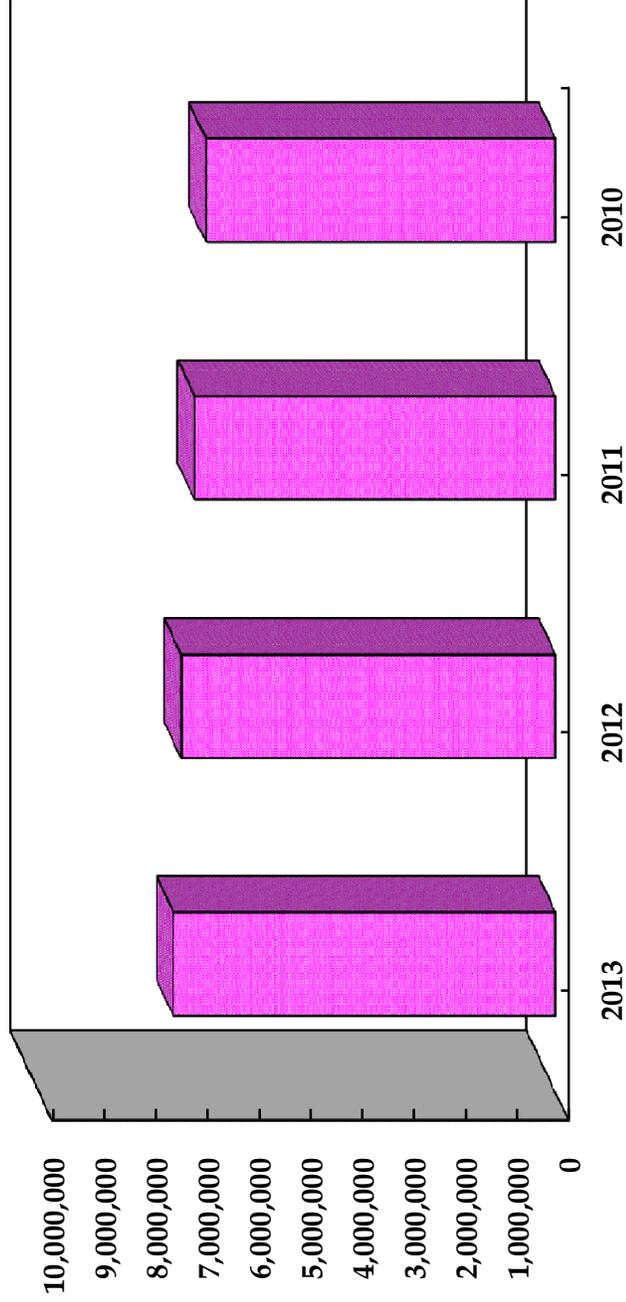
See Independent Auditor's Report.

Modified Accrual					
2009	2008	2007	2006	2005	2004
\$ 3,154,146	\$ 3,116,869	\$ 3,123,692	\$ 3,237,183	\$ 3,223,515	\$ 3,112,323
310,458	336,016	304,705	264,920	267,575	281,318
433,836	326,378	405,111	361,255	338,652	386,887
3,656,798	3,595,897	3,249,708	3,320,090	3,304,236	3,318,245
264,448	211,370	286,433	450,135	412,781	624,760
<u>\$ 7,819,686</u>	<u>\$ 7,586,530</u>	<u>\$ 7,369,649</u>	<u>\$ 7,633,583</u>	<u>\$ 7,546,759</u>	<u>\$ 7,723,533</u>
\$ 3,264,965	\$ 3,320,934	\$ 3,210,255	\$ 3,042,684	\$ 2,848,767	\$ 2,929,285
963,902	947,664	958,126	877,718	846,947	1,092,102
1,056,644	967,278	897,360	868,440	864,244	731,187
142,101	176,021	166,603	157,106	167,889	140,093
39,464	53,547	68,584	104,580	102,330	98,399
720,703	852,861	988,136	731,733	716,653	623,621
573,349	543,131	550,559	572,437	839,606	513,752
364,346	318,043	411,636	339,875	25,189	363,704
414,510	254,409	312,778	475,096	150,406	29,386
470,000	450,000	440,000	430,000	425,000	400,000
25,421	37,130	47,918	57,080	65,945	93,401
265,962	261,316	255,118	248,778	247,899	252,357
<u>\$ 8,301,367</u>	<u>\$ 8,182,334</u>	<u>\$ 8,307,073</u>	<u>\$ 7,905,527</u>	<u>\$ 7,300,875</u>	<u>\$ 7,267,287</u>



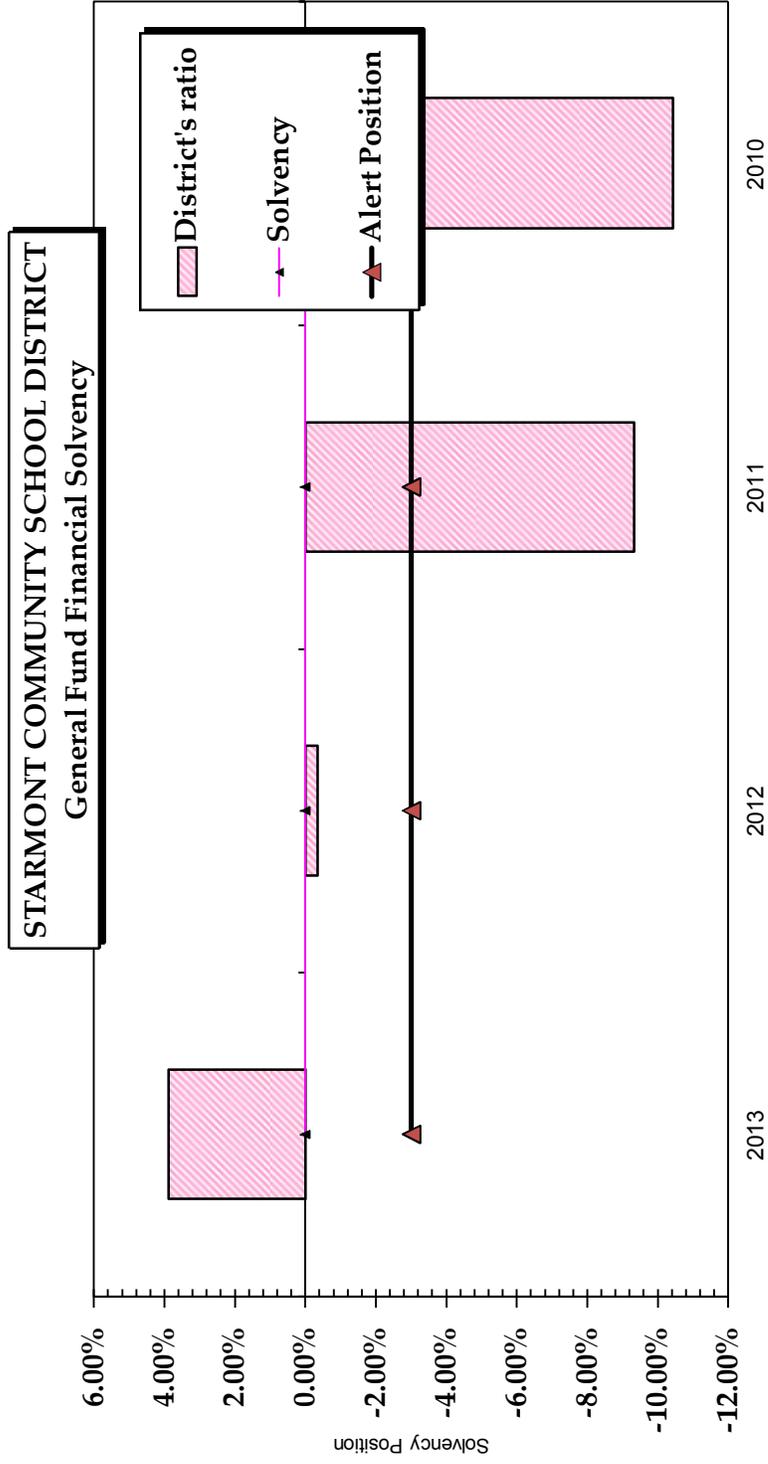
See Independent Auditor's Report.

**STAR MONT COMMUNITY SCHOOL DISTRICT  
Comparison of General Fund Expenditures**



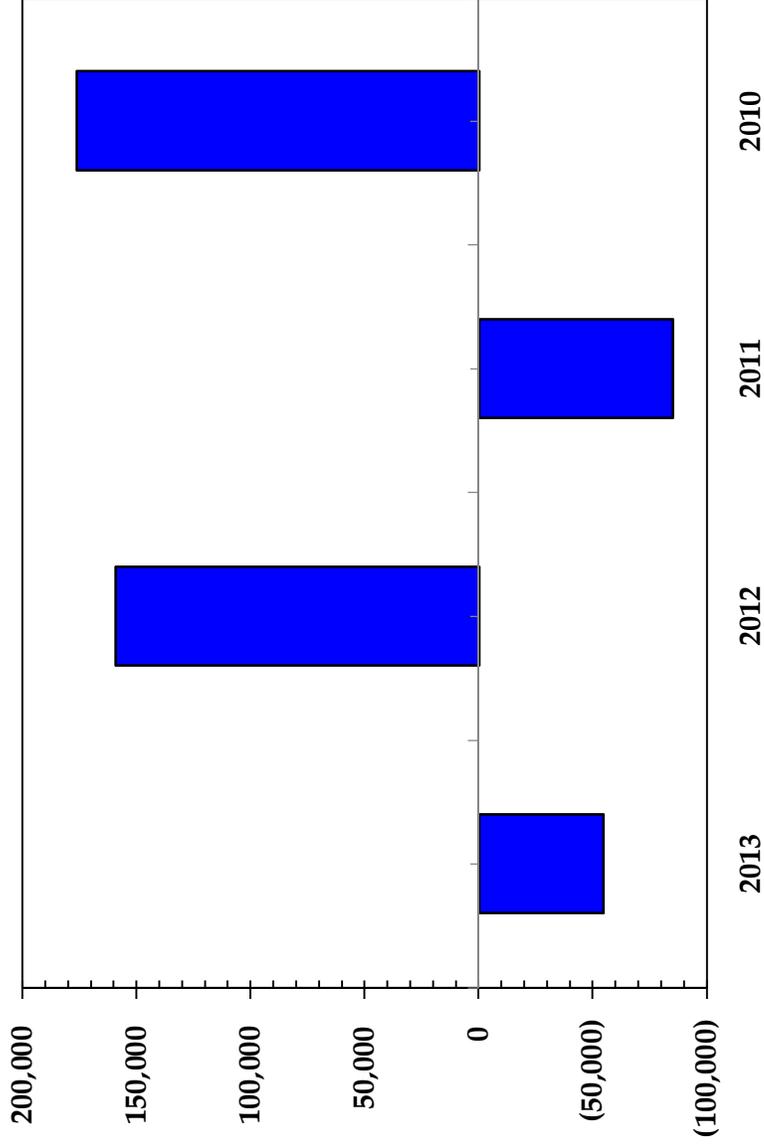
Totals By Year

See Independent Auditor's Report.



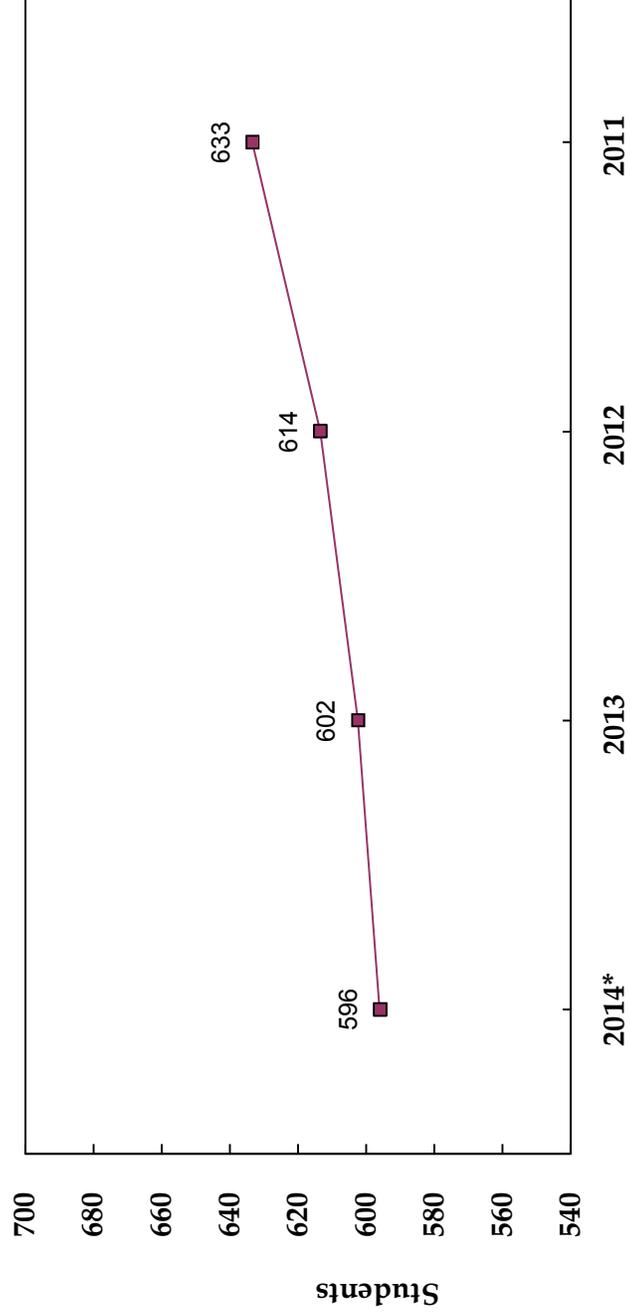
See Independent Auditor's Report.

**STARMONT COMMUNITY SCHOOL DISTRICT  
Spending Authority**



See Independent Auditor's Report.

**STARMONT COMMUNITY SCHOOL DISTRICT**  
**Student Enrollment Data**

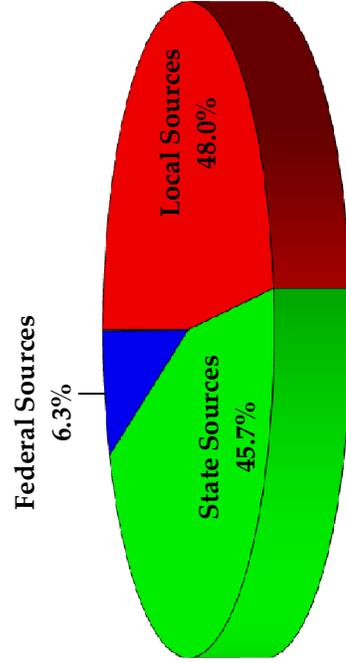


Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified Enrollment Form

\*I has not been audited

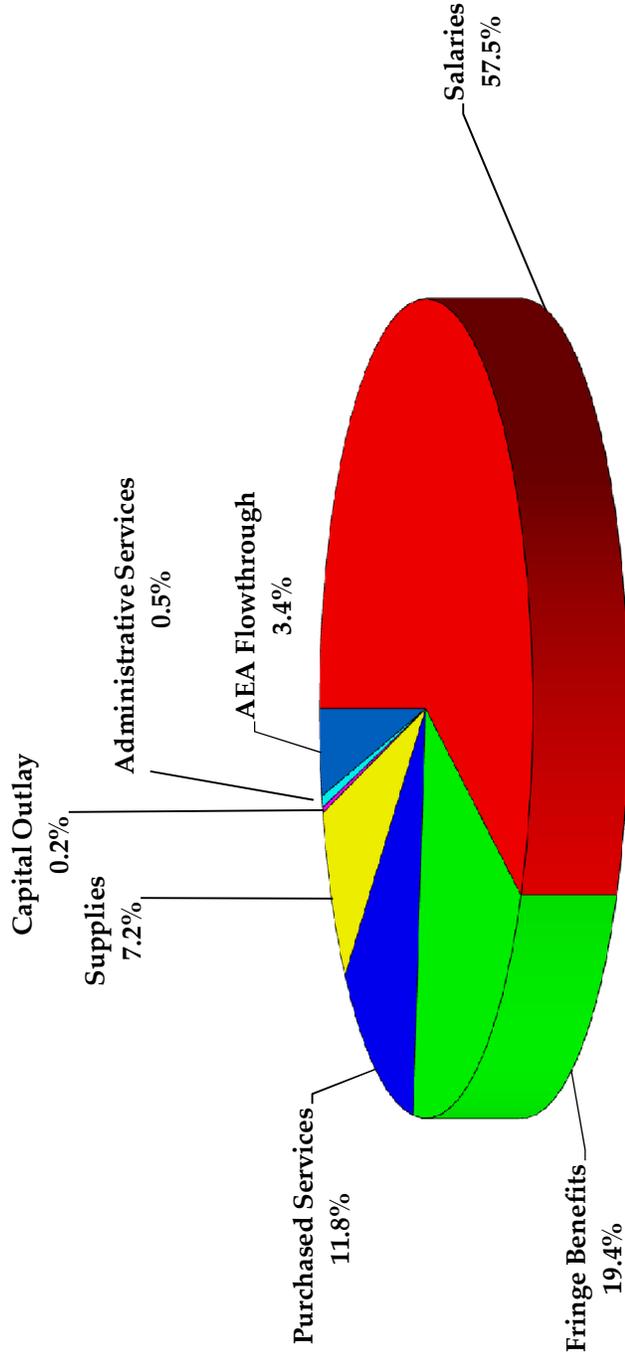
See Independent Auditor's Report.

**STAR MONT COMMUNITY SCHOOL DISTRICT**  
**General Fund Revenue Analysis Year Ended June 30, 2013**



See Independent Auditor's Report.

**STARMONT COMMUNITY SCHOOL DISTRICT  
General Fund Expenditure Analysis Year Ended June 30, 2013**



See Independent Auditor's Report.

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  
Starmont Community School District  
Arlington, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Starmont Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Starmont Community School District's basic financial statements and have issued our report thereon dated January 8, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a 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 that 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described below that we consider to be a significant deficiency.

### Overlapping Duties

The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

### Recommendation

While we do recognize the District is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

### Response and Corrective Action Planned

Management is cognizant of this limitation and will implement additional controls where possible.

### Conclusion

Response acknowledged.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Starmont Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Starmont Community School District's Response to Finding

Starmont Community School District's response to the finding identified in our audit is described above. Starmont Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

*Haasler, Nelson & Co., P.C.*

Decorah, Iowa  
January 8, 2014

## MANAGEMENT LETTER

To the Board of Education  
Starmont Community School District  
Arlington, Iowa

In planning and performing our audit of the financial statements of Starmont Community School District for the year ended June 30, 2013, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 13 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 8, 2014 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated January 8, 2014, on the financial statements of the Starmont Community School District. Comment numbers 7, 14, 15 and 16 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Expenditures for the year ended June 30, 2013 exceeded the amended budget amount in the instruction and non-instructional functions. The District also exceeded its general fund unspent authorized budget for the year ended June 30, 2013 by approximately \$54,000.

Recommendation

The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the general fund unspent authorized budget over expenditure.

Response and Corrective Action Planned

We are giving Board members monthly financial reports for them to compare actual to the budget each month. The District is preparing a work out plan as required by Iowa Department of Education.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

3. Travel Expense

No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.

4. Business Transactions

We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2013.

5. **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.
6. **Board Minutes**  
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.
7. **Certified Enrollment**  
No variances in the basic enrollment data certified to the Iowa Department of Education were noted. However, the District did not have student count enrollment information available to support information input on the Department of Education's Project Easier and Certified Enrollment database.  
**Recommendation**  
The District should maintain the supporting documentation for the student count enrollment information entered in the Department of Education's Project Easier and Certified Enrollment database.  
**Response and Corrective Action Planned**  
The District will maintain the supporting documentation for certified enrollment.  
**Conclusion**  
Response accepted.
8. **Supplementary Weighting**  
No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. **Deposits and Investments**  
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. **Certified Annual Report**  
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.
11. **Categorical Funding**  
No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. **Student Activity Fund**  
No instances of noncompliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), for money in the student activity fund which should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program were noted.

13. Statewide Sales, Services and Use Tax

No instances of noncompliance 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		\$	665,697
Statewide sales, services and use tax	\$	560,466	
Other local revenue		<u>4,057</u>	564,523
Expenditures/transfers out:			
School infrastructure:			
Equipment			<u>292,530</u>
Ending balance		\$	<u><u>937,690</u></u>

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

14. Disbursements

During our audit, we noted various items not in compliance with District procedures. From a total of ninety disbursements tested, we noted forty-two disbursements not in compliance with District procedures, including

- Two invoices that did not match the amount of the disbursement,
- Ten that did not document approval for actual payment,
- Three that did not have proper endorsement by the vendor,
- Twenty-five disbursements were printed without dual signatures,
- One invoice that was not cancelled after it had been paid,
- One invoice where the purpose of the trip was not stated on the invoice.

The majority of these items were local business charges and other reoccurring monthly payments that received previous and post Board approval.

From a total of twenty-five payroll disbursements we noted

- One didn't have complete documentation for deductions,
- One had hand-written additional hours written on the bottom of the timecard,
- One employee was paid forty cents per hour too much and,
- Twenty-five timecards are not being signed by the employee or supervisor.

After subsequent review it appeared all tested disbursements were appropriate expenditures of public funds.

Recommendation

We recommend all invoices are properly authorized with signature approval and marked that it has been paid. We also recommend the purchase order be signed and attached to all applicable disbursements. We recommend for payroll disbursements that all deductions and payments have complete authorization documentation.

14. Disbursements (Continued)

Response and Corrective Action Planned

We are complying with the recommendations.

Conclusion

Response accepted.

15. Child Care Receipts

From a total of ten receipts tested for the child care enterprise fund we noted four receipts not in compliance with the District procedures, including one receipt which did not foot properly and three receipts where the sign in/out sheet for parents were not available.

Recommendation

We recommend each receipt is reviewed to verify accuracy of the amount to be received from the families and all documentation should be stored in a proper manner to be reviewed and verified.

Response and Corrective Action Planned

We are complying with the recommendations.

Conclusion

Response accepted.

16. Financial Condition

The general fund had a deficit unassigned net position of \$643. In addition, the child care enterprise fund had a deficit net position of \$172 at June 30, 2013. The District exceeded their authorized budget (spending authority) for FY2013 which is not in compliance with Chapter 257.7 of the Code of Iowa.

Recommendation

The District should continue to investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition and to be in compliance with Chapter 257.7 of the Code of Iowa.

Response and Corrective Action Planned

Management is monitoring revenue and expenditures to correct these issues. The District is preparing a workout plan as required by Iowa Department of Education.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Starmont 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.

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
January 8, 2014