

Sumner Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2013

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Sumner Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Roger Shaffer	President	2013
David Hassman	Vice President	2013
Steven Burrows	Board Member	2015
Linda Pagel	Board Member	2015
Sally Yungtum	Board Member	2013
School Officials		
Rick Pederson	Superintendent	2013
Beverly Weidemann	District Secretary/Business Manager	2013
John Tremaine	Attorney	2013

Independent Auditor's Report

To the Board of Education of
Sumner Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Sumner 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 Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

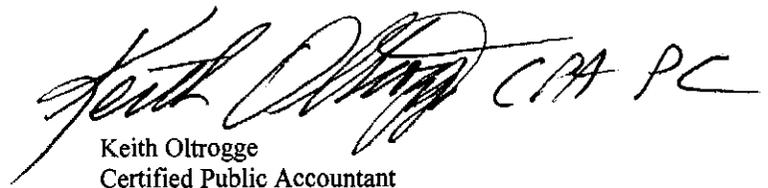
Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sumner Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 27, 2014 on my consideration of Sumner Community School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sumner Community School District's internal control over financial reporting and compliance.

 CMA PC
Keith Oltrogge
Certified Public Accountant

January 27, 2014

Sumner Community School District
Management's Discussion and Analysis

Year ended June 30, 2013

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,681,881 in fiscal 2012 to \$6,312,492 in fiscal 2013, and General Fund expenditures decreased from \$6,523,750 in fiscal 2012 to \$6,391,948 in fiscal 2013. The District's General Fund balance decreased from \$1,180,070 in fiscal year 2012 to \$1,100,016 in fiscal year 2013, a 6.8% decrease.
- The District's solvency ratio has decreased from 14.3% at June 30, 2012 to 13.9% at June 30, 2013. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Sumner Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

Figure A-1
Sumner Community School District Annual Financial Report

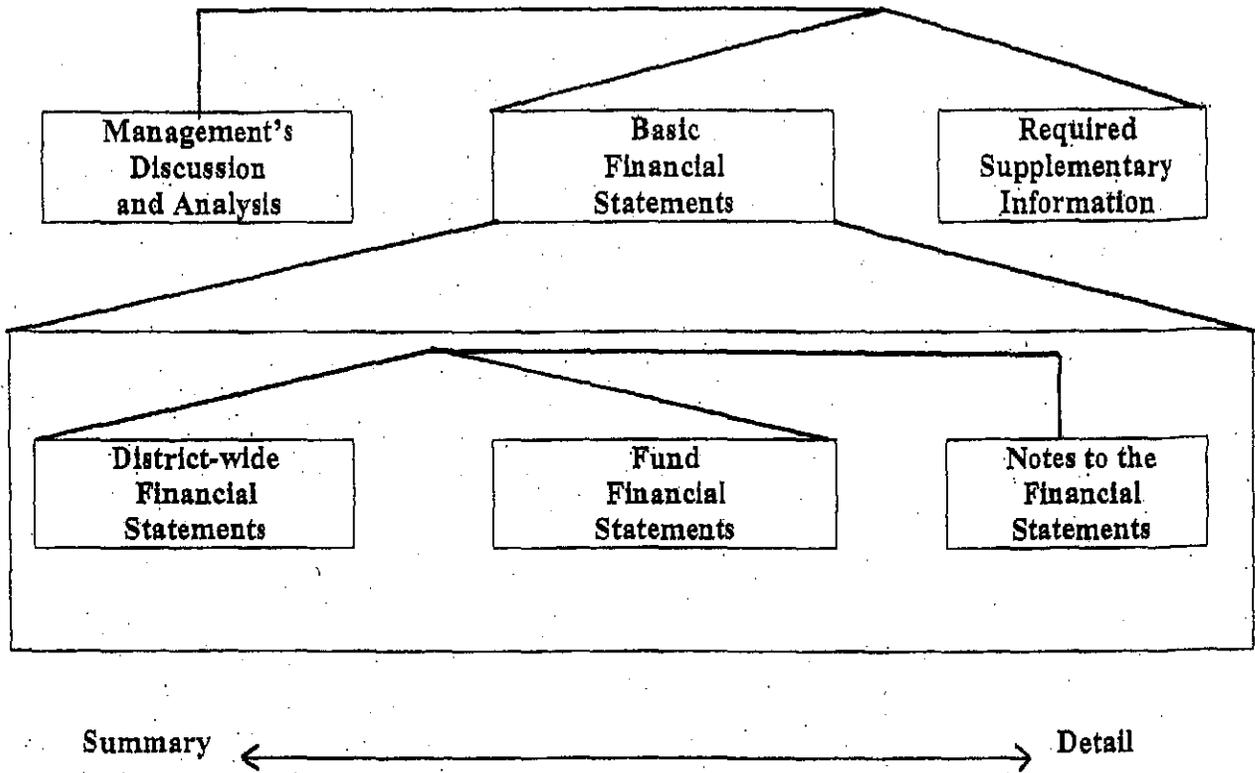


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund and one Internal Service Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$6,357,743	\$6,595,799	\$42,894	\$103,553	\$6,400,637	\$6,699,352	-4.5%
Capital assets	5,624,190	5,570,751	41,258	36,887	5,665,448	5,607,638	1.0%
Total assets	\$11,981,933	\$12,166,550	\$84,152	\$140,440	\$12,066,085	\$12,306,990	-2.0%
Long-term liabilities	\$3,248,409	\$4,805,038	\$11,272	\$-	\$3,259,681	\$4,805,038	-32.2%
Other liabilities	4,391,812	3,521,040	-	10,314	4,391,812	3,531,354	24.3%
Total liabilities	\$7,640,221	\$8,326,078	\$11,272	\$10,314	\$7,651,493	\$8,336,392	-8.3%
Net position:							
Net investment in capital assets	\$1,424,190	\$1,020,751	\$41,258	\$36,887	\$1,465,448	\$1,057,638	38.5%
Restricted	1,912,421	2,003,126	-	-	1,912,421	2,003,126	-4.6%
Unrestricted	1,005,101	816,595	31,622	93,239	1,036,723	909,834	13.9%
Total net position	\$4,341,712	\$3,840,472	\$72,880	\$130,126	\$4,414,592	\$3,970,598	11.1%

The District’s combined net position increased by nearly 11.1%, or \$443,994, over the prior year. The largest portion of the District’s net position is in the restricted net position.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position decreased by \$90,705 or 4.6%.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$126,889 or 13.9%.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$1,309,000	\$1,345,911	\$147,255	\$221,873	\$1,456,255	\$1,567,784	-7.2%
Operating grants, contributions and restricted interest	834,969	931,923	119,728	106,587	954,697	1,038,510	-8.1%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,249,218	2,463,691	-	-	2,249,218	2,463,691	-8.8%
Income surtax	299,633	242,406	-	-	299,633	242,406	23.6%
Statewide sales, services and use tax	391,459	431,134	-	-	391,459	431,134	-9.3%
Unrestricted state grants	2,379,164	2,349,026	-	-	2,379,164	2,349,026	1.2%
Unrestricted investment earnings	19,254	21,935	295	347	19,549	22,282	-12.3%
Other	80,700	83,366	-	-	80,700	83,366	-3.2%
Total revenues	\$7,563,397	\$7,869,392	\$267,278	\$328,807	\$7,830,675	8,198,199	-4.5%
Program expenses:							
Governmental activities:							
Instruction	\$5,154,857	\$5,116,416	\$520	\$-	\$5,155,377	\$5,116,416	0.7%
Support services	1,758,077	1,715,306	-	-	1,758,077	1,715,306	2.4%
Non-instructional programs	-	-	280,003	304,346	280,003	304,346	-8.0%
Other expenses	397,531	410,401	-	-	397,531	410,401	-3.2%
Total expenses	\$7,310,465	\$7,242,123	\$280,523	\$304,346	\$7,590,988	\$7,546,469	0.5%
Change in net position	\$252,932	\$627,269	-\$13,245	\$24,461	\$239,687	\$651,730	-63.3%

In fiscal year 2013, property tax and unrestricted state grants account for 59.1% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenue.

The District's total revenues were approximately \$7.8 million, of which approximately \$7.5 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.5% decrease in revenues and a 0.5% increase in expenses. Property tax decreased approximately \$214,500.

Governmental Activities

Revenues for governmental activities were \$7,563,397 and expenses were \$7,310,465 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services		Change	Net Cost of Services		Change
	2013	2012	2012-2013	2013	2012	2012-2013
Instruction	\$5,154,857	\$5,116,416	0.7%	\$3,146,979	\$2,964,267	6.1%
Support services	1,758,077	1,715,306	2.4%	1,621,986	1,589,621	2.0%
Non-instructional programs	-	-	-	-	-	-
Other expenses	397,531	410,401	-3.2%	397,531	410,401	-3.2%
Totals	\$7,310,465	\$7,242,123	0.9%	\$5,166,496	\$4,964,289	4.0%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,456,255.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$954,697.
- The net cost of governmental activities was financed with \$2,940,310 in property and other taxes and \$2,379,164 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$267,278 and expenses were \$280,523. The District's business type activities include the School Nutrition Fund and Internal Service-Self Funded Insurance. Fund Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,341,712, above last year's adjusted ending fund balances of \$4,081,446.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,180,070 to \$1,100,016 due, in part, to the decrease in local and state sources.
- The Debt Service Fund balance increased from \$787,879 at the end of the fiscal year 2012 to \$791,657 at the end of fiscal year 2013. The increase was due to operating transfers in for debt payments exceeding debt payments.
- Capital Projects Fund balance decreased from \$854,992 to \$815,862 due in part to the transfers out for debt service.

Proprietary Fund Highlights

- School Nutrition Fund net position decreased from \$85,675 at June 30, 2012 to \$72,880 at June 30, 2013, representing a decrease of approximately 15%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$73,595 less than budgeted receipts, a variance of 1.0%. The most significant variance resulted from the District receiving less in local sources.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$5,665,448, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 10.0% from last year. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$321,066.

The original cost of the District’s capital assets was \$11,672,200. Governmental funds account for \$11,609,113, with the remainder of \$63,087 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$3,261	\$3,261	\$-	\$-	\$3,261	\$3,261	-
Construction in process	-	3,870	-	-	-	3,870	-100%
Buildings	4,349,997	4,402,172	-	-	4,349,997	4,402,172	-1.2%
Improvements other than buildings	1,028,520	879,671	-	-	1,028,520	879,671	16.9%
Furniture and equipment	242,412	281,777	41,258	36,887	283,670	318,664	-11.0%
Totals	\$5,624,190	\$5,570,751	\$41,258	\$36,887	\$5,665,448	\$5,607,638	1.0%

Long-Term Debt

At June 30, 2013, the District had \$4,200,000 in general obligation and other long-term debt outstanding. This represents a decrease of 7.7% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District’s debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issued to 5 percent of the assessed value of all taxable property within the District. The District’s outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16.1 million.

**Figure A-7
Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-2013
General Obligation Capital Loan Note	\$1,430,000	\$1,615,000	-11.5%
Revenue Bonds	2,770,000	2,935,000	-5.7%
Totals	\$4,200,000	\$4,550,000	-7.7%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Funding to local school districts from federal and state agencies needs to be monitored closely, as possible decreases will result in less funding and may require budget adjustments in some areas in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bev Weidemann, District Secretary and Business Manager, Sumner Community School District, 802 West 6th Street, P.O. Box 178, Sumner IA 50674-0178.

Basic Financial Statements

Sumner Community School District

Statement of Net Position

June 30, 2013

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 3,435,690	\$ 34,802	\$ 3,470,492
Receivables:			
Property tax:			
Delinquent	19,783	-	19,783
Succeeding year	2,356,383	-	2,356,383
Income surtax	253,122	-	253,122
Accounts	77,119	1,573	78,692
Due from other governments	182,516	-	182,516
Inventories	-	6,519	6,519
Prepaid - OPEB	33,130	-	33,130
Capital assets, net of accumulated depreciation	5,624,190	41,258	5,665,448
Total Assets	\$ 11,981,933	\$ 84,152	\$ 12,066,085
Liabilities			
Due to other governments	\$ 145,760	\$ -	\$ 145,760
Accounts payable	90,572	-	90,572
Accrued interest	63,654	-	63,654
Deferred revenue-succeeding year property tax	2,356,383	-	2,356,383
Deferred revenue-other	-	3,351	3,351
Salaries and benefits payable	592,040	7,921	599,961
Long-term liabilities:			
Portion due within one year:			
General obligation capital note	190,000	-	190,000
Revenue bonds	190,000	-	190,000
Early retirement	60,372	-	60,372
Portion due after one year:			
General obligation capital note	1,240,000	-	1,240,000
Revenue bonds	2,580,000	-	2,580,000
Early retirement	131,440	-	131,440
Total Liabilities	\$ 7,640,221	\$ 11,272	\$ 7,651,493
Net Position			
Net investment in capital assets	\$ 1,424,190	\$ 41,258	\$ 1,465,448
Restricted for:			
Categorical funding	210,514	-	210,514
Capital projects	642,589	-	642,589
Physical plant and equipment	173,273	-	173,273
Student activities	94,388	-	94,388
Debt service	458,142	-	458,142
Debt service - sinking	333,515	-	333,515
Unrestricted	1,005,101	31,622	1,036,723
Total Net Position	\$ 4,341,712	\$ 72,880	\$ 4,414,592

See notes to financial statements.

Sumner Community School District

Statement of Activities

Year Ended June 30, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,520,526	\$ 757,191	\$ 738,635	\$ -
Special instruction	647,248	123,182	79,864	-
Other instruction	987,083	295,883	13,123	-
	<u>\$ 5,154,857</u>	<u>\$ 1,176,256</u>	<u>\$ 831,622</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 130,031	\$ 15,099	\$ 3,347	\$ -
Instructional staff services	62,503	-	-	-
Administration services	612,011	58,765	-	-
Operation and maintenance of plant services	600,332	5,264	-	-
Transportation services	353,200	53,616	-	-
	<u>\$ 1,758,077</u>	<u>\$ 132,744</u>	<u>\$ 3,347</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 17,622	\$ -	\$ -	\$ -
Long-term debt interest	163,723	-	-	-
AEA flow-through	216,186	-	-	-
	<u>\$ 397,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 7,310,465</u>	<u>\$ 1,309,000</u>	<u>\$ 834,969</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 280,003	\$ 147,255	\$ 119,728	\$ -
Instructions:				
Internal service operations	520	-	-	-
	<u>\$ 280,523</u>	<u>\$ 147,255</u>	<u>\$ 119,728</u>	<u>\$ -</u>
Total Business Type Activities	<u>\$ 280,523</u>	<u>\$ 147,255</u>	<u>\$ 119,728</u>	<u>\$ -</u>
Total	<u>\$ 7,590,988</u>	<u>\$ 1,456,255</u>	<u>\$ 954,697</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -2,024,700	\$ -	\$ -2,024,700
-444,202	-	-444,202
-678,077	-	-678,077
<u>\$ -3,146,979</u>	<u>\$ -</u>	<u>\$ -3,146,979</u>
\$ -111,585	\$ -	\$ -111,585
-62,503	-	-62,503
-553,246	-	-553,246
-595,068	-	-595,068
-299,584	-	-299,584
<u>\$ -1,621,986</u>	<u>\$ -</u>	<u>\$ -1,621,986</u>
\$ -17,622	\$ -	\$ -17,622
-163,723	-	-163,723
-216,186	-	-216,186
<u>\$ -397,531</u>	<u>\$ -</u>	<u>\$ -397,531</u>
<u>\$ -5,166,496</u>	<u>\$ -</u>	<u>\$ -5,166,496</u>
\$ -	\$ -13,020	\$ -13,020
-	-520	-520
<u>\$ -</u>	<u>\$ -13,540</u>	<u>\$ -13,540</u>
<u>\$ -5,166,496</u>	<u>\$ -13,540</u>	<u>\$ -5,180,036</u>

Sumner Community School District

Statement of Activities

Year Ended June 30, 2013

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

- Property Tax Levied For:
 - General purposes
 - Capital outlay
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total General Revenues

Change in net position before other sources

Other Sources:

- Sale of assets

Change in net position

Net position beginning of year – restated (Note 13)

Prior period adjustment

Adjusted net position, beginning of year

Net Position End of Year

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 1,934,948	\$ -	\$ 1,934,948
314,270	-	314,270
299,633	-	299,633
391,459	-	391,459
2,379,164	-	2,379,164
19,254	295	19,549
80,700	-	80,700
<u>\$ 5,419,428</u>	<u>\$ 295</u>	<u>\$ 5,419,723</u>
\$ 252,932	\$ -13,245	\$ 239,687
7,334	-	7,334
<u>\$ 260,266</u>	<u>\$ -13,245</u>	<u>\$ 247,021</u>
\$ 4,082,878	\$ 130,126	\$ 4,213,004
-1,432	-44,001	-45,433
<u>\$ 4,081,446</u>	<u>\$ 86,125</u>	<u>\$ 4,167,571</u>
<u>\$ 4,341,712</u>	<u>\$ 72,880</u>	<u>\$ 4,414,592</u>

Sumner Community School District

Balance Sheet
Governmental Funds

June 30, 2013

Assets	General	Capital Projects	Debt Service	Non-Major	Total
Cash and Pooled Investments	\$ 1,771,059	\$ 672,395	\$ 791,655	\$ 200,581	\$ 3,435,690
Receivables:					
Property Tax:					
Delinquent	15,709	2,759	-	1,315	19,783
Succeeding year	1,849,619	326,765	-	179,999	2,356,383
Income surtax	253,122	-	-	-	253,122
Accounts	75,835	-	2	1,282	77,119
Due from other governments	36,058	146,458	-	-	182,516
Total Assets	\$ 4,001,402	\$ 1,148,377	\$ 791,657	\$ 383,177	\$ 6,324,613
Liabilities and Fund Balances					
Liabilities:					
Due to other governments	\$ 145,760	\$ -	\$ -	\$ -	\$ 145,760
Accounts payable	78,239	5,750	-	6,583	90,572
Salaries and benefits payable	574,646	-	-	17,394	592,040
Deferred Revenue:					
Succeeding year property tax	1,849,619	326,765	-	179,999	2,356,383
Other	253,122	-	-	-	253,122
Total Liabilities	\$ 2,901,386	\$ 332,515	\$ -	\$ 203,976	\$ 3,437,877
Fund Balances:					
Restricted for:					
Categorical funding	\$ 210,514	\$ -	\$ -	\$ -	\$ 210,514
Debt service - sinking	-	-	333,515	-	333,515
Debt service	-	-	458,142	-	458,142
Management levy purposes	-	-	-	84,813	84,813
Student activities	-	-	-	94,388	94,388
School infrastructure	-	642,589	-	-	642,589
Physical plant and equipment	-	173,273	-	-	173,273
Unassigned	889,502	-	-	-	889,502
Total Fund Balances	\$ 1,100,016	\$ 815,862	\$ 791,657	\$ 179,201	\$ 2,886,736
Total Liabilities and Fund Balances	\$ 4,001,402	\$ 1,148,377	\$ 791,657	\$ 383,177	\$ 6,324,613

See notes to financial statements.

Sumner Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Position

June 30, 2013

Total fund balances of governmental funds (page 16)	\$ 2,886,736
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	5,624,190
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	253,122
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	33,130
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-63,654
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-4,391,812</u>
Net position of governmental activities (page 13)	<u>\$ 4,341,712</u>

Sumner Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2013

	General	Capital Projects	Debt Service	Non-Major	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,074,423	\$ 705,729	\$ -	\$ 149,433	\$ 2,929,585
Tuition	858,376	-	-	-	858,376
Other	254,324	5,014	1,728	289,521	550,587
Intermediate sources	-	-	-	-	-
State sources	2,977,882	88,683	-	81	3,066,646
Federal sources	147,487	-	-	-	147,487
Total Revenues	\$ 6,312,492	\$ 799,426	\$ 1,728	\$ 439,035	\$ 7,552,681
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,238,539	\$ 29,221	\$ -	\$ 98,882	\$ 3,366,642
Special instruction	647,248	-	-	-	647,248
Other instruction	645,811	-	-	305,492	951,303
	\$ 4,531,598	\$ 29,221	\$ -	\$ 404,374	\$ 4,965,193
Support Services:					
Student services	\$ 130,031	\$ -	\$ -	\$ -	\$ 130,031
Instructional staff services	61,151	-	-	-	61,151
Administration services	596,203	1,853	-	6,628	604,684
Operation and maintenance of plant services	535,008	21,799	-	52,977	609,784
Transportation services	321,771	3,280	-	15,833	340,884
	\$ 1,644,164	\$ 26,932	\$ -	\$ 75,438	\$ 1,746,534
Other Expenditures:					
Facilities acquisition	\$ -	\$ 269,266	\$ -	\$ -	\$ 269,266
Long-Term Debt:					
Principal	-	-	350,000	-	350,000
Interest and fees	-	-	167,587	-	167,587
AEA flow-through	216,186	-	-	-	216,186
	\$ 216,186	\$ 269,266	\$ 517,587	\$ -	\$ 1,003,039
Total Expenditures	\$ 6,391,948	\$ 325,419	\$ 517,587	\$ 479,812	\$ 7,714,766
Excess (deficiency) of revenues over (under) expenditures	\$ -79,456	\$ 474,007	\$ -515,859	\$ -40,777	\$ -162,085
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ -	\$ 519,637	\$ -	\$ 519,637
Operating transfers out	-	-519,637	-	-	-519,637
Sale of assets	834	6,500	-	-	7,334
Total Other Financing Sources (Uses)	\$ 834	\$ -513,137	\$ 519,637	\$ -	\$ 7,334
Net change in fund balances	\$ -78,622	\$ -39,130	\$ 3,778	\$ -40,777	\$ -154,751
Fund balances beginning of year	\$ 1,180,070	\$ 854,992	\$ 787,879	\$ 219,978	\$ 3,042,919
Prior period adjustment	-1,432	-	-	-	-1,432
Adjusted fund balances, beginning of year	\$ 1,178,638	\$ 854,992	\$ 787,879	\$ 219,978	\$ 3,041,487
Fund Balances End of Year	\$ 1,100,016	\$ 815,862	\$ 791,657	\$ 179,201	\$ 2,886,736

See notes to financial statements.

Sumner Community School District

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities

Year Ended June 30, 2013

Net change in fund balances – total governmental funds (page 18) \$ -154,751

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, these costs are not reported in the Statement of activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 369,033	
Depreciation expense	<u>-315,594</u>	53,439

Income surtax revenue not received until several months after the District’s fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 10,716

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

Repaid		350,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,864

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

Other postemployment benefits	\$ -66,228	
Early retirement	<u>63,226</u>	-3,002

Change in Net Position of Governmental Activities (page 15)		<u>\$ 260,266</u>
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Sumner Community School District

Statement of Net Position
Proprietary Funds

June 30, 2013

	<u>School Nutrition Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 34,802
Accounts receivable	1,573
Inventories	6,519
Total Current Assets	<u>\$ 42,894</u>
Non-Current Assets:	
Capital assets, net of accumulated depreciation	\$ 41,258
Total Assets	<u>\$ 84,152</u>
Liabilities	
Current Liabilities:	
Salaries and benefits payable	\$ 7,921
Deferred revenue	3,351
Total Current Liabilities	<u>\$ 11,272</u>
Total Liabilities	<u>\$ 11,272</u>
Net Position	
Net Investment in capital assets	\$ 41,258
Unrestricted	31,622
Total Net Position	<u>\$ 72,880</u>

Sumner Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2013

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 147,255
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 94,750
Benefits	14,542
Purchased services	1,753
Supplies	163,486
Depreciation	5,472
Total operating expenses	<u>\$ 280,003</u>
Operating loss	<u>\$ -132,748</u>
Non-operating revenues:	
State sources	\$ 2,434
Federal sources	117,294
Interest income	225
Total non-operating revenues	<u>\$ 119,953</u>
Change in net position	\$ -12,795
Net position beginning of year	<u>85,675</u>
Net Position End of Year	<u>\$ 72,880</u>

See notes to financial statements.

Sumner Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2013

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 148,693
Cash paid to employees for services	-108,917
Cash paid to suppliers for goods or services	-140,881
Net cash used by operating activities	<u>\$ -101,105</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,434
Federal grants received	93,181
Net cash provided by non-capital financing activities	<u>\$ 95,615</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -9,843</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 225</u>
Net decrease in cash and cash equivalents	\$ -15,108
Cash and cash equivalents beginning of year	<u>49,910</u>
Cash and Cash Equivalents End of Year	<u>\$ 34,802</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -132,748
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,113
Depreciation	5,472
Decrease in inventories	245
Decrease in accounts receivable	855
Increase in deferred revenue	582
Increase in accrued salaries and benefits	376
Net Cash Used by Operating Activities	<u>\$ -101,105</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$24,113 of federal commodities.

Sumner Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2013

	Internal Service
Operating revenues:	
Local sources:	
Other revenue	\$ -
Operating expenses:	
Instruction:	
Benefits	\$ 520
Operating income	\$ -520
Non-operating revenues:	
Interest income	70
Change in net position	\$ -450
Net position, beginning of year	44,451
Prior period adjustment	-44,001
Adjusted net position, beginning of year	\$ 450
Net Position End of Year	\$ -

See notes to financial statements.

Sumner Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2013

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from collections	\$ -
Cash payments for employee benefits	-520
Net cash provided by operating activities	<u>\$ -520</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 70</u>
Net decrease in cash and cash equivalents	\$ -450
Cash and cash equivalents adjusted beginning of year	<u>450</u>
Cash and Cash Equivalents End of Year	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ -520
Adjustments to reconcile operating income to net cash used by operating activities	-
Net Cash Used by Operating Activities	<u>\$ -520</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:	
Current Assets:	
Cash	<u>\$ -</u>

Sumner Community School District

Statement of Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2013

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash and pooled investments	\$ 406,817
Accrued interest receivable	<u>235</u>
Total Assets	<u>\$ 407,052</u>
Liabilities	<u>\$ -</u>
Net position	<u>\$ 407,052</u>
Reserved for scholarships	<u>\$ 407,052</u>

Sumner Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2013

	Private Purpose Trust
	Scholarships
Additions:	
Local sources:	
Gifts and contributions	\$ 1,200
Interest income	17,030
Other income	9,893
Total additions	\$ 28,123
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	\$ 15,080
Change in net position	\$ 13,043
Net position beginning of year	394,009
Net Position End of Year	\$ 407,052

See notes to financial statements.

Sumner Community School District

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Sumner Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sumner, Iowa and portions of the predominately agricultural territories in Chickasaw, Fayette and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

Effective July 1, 2004, the Sumner Community School District and the Fredericksburg Community School District have entered into a whole grade sharing agreement. In February 2013, residents of both districts voted to merge the districts, effective July 1, 2014.

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

A. Reporting Entity

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

Jointly Governed Organization – 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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted net position consists of net position that do not meet the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

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

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

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

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

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

(3) **Inter-fund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 290,306
Debt Service	Capital Projects – Physical Plant and Equipment Levy	229,331
		<u>\$ 519,637</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,261	\$ -	\$ -	\$ 3,261
Construction in process	3,870	-	3,870	-
Total capital assets not being depreciated	<u>\$ 7,131</u>	<u>\$ -</u>	<u>\$ 3,870</u>	<u>\$ 3,261</u>
Capital assets being depreciated:				
Buildings	\$ 6,762,152	\$ 73,416	\$ -	\$ 6,835,568
Improvements other than buildings	936,796	206,324	-	1,143,120
Furniture and equipment	3,534,001	93,163	-	3,627,164
Total capital assets being depreciated	<u>\$ 11,232,949</u>	<u>\$ 372,903</u>	<u>\$ -</u>	<u>\$ 11,605,852</u>
Less accumulated depreciation for:				
Buildings	\$ 2,359,980	\$ 125,591	\$ -	\$ 2,485,571
Improvements other than buildings	57,125	57,475	-	114,600
Furniture and equipment	3,252,224	132,528	-	3,384,752
Total accumulated depreciation	<u>\$ 5,669,329</u>	<u>\$ 315,594</u>	<u>\$ -</u>	<u>\$ 5,984,923</u>
Total capital assets being depreciated, net	<u>\$ 5,563,620</u>	<u>\$ 57,309</u>	<u>\$ -</u>	<u>\$ 5,620,929</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,570,751</u>	<u>\$ 57,309</u>	<u>\$ 3,870</u>	<u>\$ 5,624,190</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 54,351	\$ 9,843	\$ 1,107	\$ 63,087
Less accumulated depreciation	17,464	5,472	1,107	21,829
Business Type Activities Capital Assets, Net	<u>\$ 36,887</u>	<u>\$ 4,371</u>	<u>\$ -</u>	<u>\$ 41,258</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

Other

Support services:

Administration

Transportation

Total Depreciation Expense – Governmental Activities

Business Type Activities:

Food service operations

\$ 209,744
58,205

3,886
43,759

\$ 315,594

\$ 5,472

(5) **Long-term Liabilities**

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General Obligation Capital Loan Note	\$ 1,615,000	\$ -	\$ 185,000	\$ 1,430,000	\$ 190,000
Revenue bond	2,935,000	-	165,000	2,770,000	190,000
Early retirement	255,038	16,158	79,384	191,812	60,372
Total	\$ 4,805,038	\$ 16,158	\$ 429,384	\$ 4,391,812	\$ 440,372

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2013 totaled \$79,384. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liability section representing the District's commitment to fund non-current early retirement, which consist of health insurance premiums at various current rates of \$175.00 to \$527.02 per month for a total of \$191,812 at June 30, 2013.

General Obligation Capital Loan Note

Details of the District's June 30, 2013 General Obligation Capital Loan Note indebtedness is as follows:

Year Ending June 30,	Issued May 1, 2012			
	Interest Rate	Principal	Interest	Total
2014	2.0%	\$190,000	\$39,881	\$229,881
2015	2.0%	195,000	36,081	231,081
2016	3.0%	195,000	32,181	227,181
2017	3.0%	200,000	26,331	226,331
2018	3.0%	210,000	20,331	230,331
2019	3.125%	215,000	14,031	229,031
2020	3.25%	225,000	7,313	232,313
Total		\$1,430,000	\$176,149	\$1,606,149

Revenue Bonds

Details of the District's June 30, 2013 Statewide Sales, Services and Use Tax Revenue bonded indebtedness are as follows:

Series 2008

Year Ending June 30,	Bond Issue of December 19, 2008			
	Interest Rate	Principal	Interest	Total
2014	3.90%	\$170,000	\$77,847	\$247,847
2015	3.95%	170,000	71,175	241,175
2016	4.00%	175,000	64,318	239,318
2017	4.05%	180,000	57,172	237,172
2018	4.10%	190,000	49,633	239,633
2019	4.15%	195,000	41,691	236,691
2020	4.20%	205,000	33,340	238,340
2021	4.25%	215,000	24,466	239,466
2022	4.30%	225,000	15,060	240,060
2023	4.35%	235,000	5,111	240,111
Total		\$1,960,000	\$439,813	\$2,399,813

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,750,000 bonds issued in December 2008. The bonds were issued for the purpose of financing a portion of the costs of a school addition and remodel. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,339,813. For the current year, \$165,000 of principal and \$84,339 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$479,970.

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

- a) \$258,338 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Revenue Bonds

Series 2010 A & B

Year Ending June 30,	Bond Issue of August 3, 2010			
	Interest Rate	Principal	Interest	Total
2014	4.20%	\$-	\$36,167	\$36,167
2015	4.20%	-	36,168	36,168
2016	4.20%	-	36,167	36,167
2017	4.20%	-	36,168	36,168
2018	4.20%	-	36,167	36,167
2019	4.20%	-	36,168	36,168
2020	4.20%	-	36,167	36,167
2021	4.20%	-	36,168	36,168
2022	4.20%	-	36,167	36,167
2023	4.20%	-	36,168	36,168
2024	4.20%	105,000	33,963	138,963
2025	4.25%	105,000	29,526	134,526
2026	4.30%	110,000	24,930	134,930
2027	4.45%	115,000	20,006	135,006
2028	4.55%	120,000	11,718	131,718
2029	4.65%	125,000	9,081	134,081
2030	4.75%	130,000	3,087	133,087
Total		\$810,000	\$493,986	\$1,303,986

The District has pledged future statewide sales, services and use tax revenues to repay the \$810,000 bonds issued in August 2010. The bonds were issued for the purpose of financing a portion of the costs to construct, furnish and equip an athletic facility addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,303,986. For the current year, no principal and \$36,168 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$479,970.

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

- a) \$81,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax revenue shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

(6) **Other Postemployment Benefits (OPEB)**

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 49 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit 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 which, 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 County’s net OPEB obligations:

Annual required contribution	\$	134,511	
Interest on net OPEB obligation		-2,484	
Adjustment to annual required contribution		14,480	
Annual OPEB cost	\$	146,507	
Contributions made		-80,279	
Increase in net OPEB obligation	\$	66,228	
Net OPEB obligation beginning of year		-99,358	*
Net OPEB obligation end of year	\$	-33,130	*

*Negative means prepaid (asset)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$363,995 to the medical plan. Plan members eligible for benefits contributed \$87,391, or 19.3% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$69,188	1.49%	-\$33,982
June 30, 2011	\$68,946	1.58%	-\$40,057
June 30, 2012	\$69,294	1.37%	-\$25,409
June 30, 2013	\$134,511	59.6%	\$66,228

Funded Status and Funding Progress – As of July 1, 2012, the actuarial accrued liability was \$656,468, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$656,468. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,829,732 and the ratio of the UAAL to covered payroll was 35.8%. 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 provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 1, 2012 actuarial valuation date, the unit credit 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 RP2000 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 \$593.43 per month for retirees less than age 65 and \$150 to \$250 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the years ended June 30, 2013, 2012 and 2011. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$285,067, \$229,489 and \$189,468, respectively, equal to the required contributions for each year.

(8) Risk Management

Sumner 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.

(9) 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 \$216,186 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.

(10) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Teacher Salary Supplement	\$ 24,252
Core Curriculum	26,617
Professional Development	661
Dropout Prevention	12,143
Voluntary Preschool	146,841
	<u>\$ 210,514</u>

(11) Subsequent Events

The District has evaluated subsequent events through January 27, 2014 which is the date that the financial statements were available to be issued.

(12) Related Party Activity

The District had transactions totaling \$63 with District officials or employees.

(13) Restatement of Net Position

The levy for the District's income surtaxes applicable to and collected during the year ended June 30, 2012 were levied and certified during the year ended June 30, 2011. Under the modified accrual basis of accounting as described in Note 1 to the financial statements, because those taxes were not collected within sixty days after year end for application to current obligations, those taxes were properly deferred in the fund financial statements. However, those taxes related directly to the fiscal year ended June 30, 2012 and should have been recognized as revenue in the District-wide financial statements which are prepared on the full accrual basis of accounting, as described in Note 1 to the financial statements.

The District has corrected this item for the year ended June 30, 2013 and the effects of this correction on the related financial statement item are as follows:

	<u>Net Position, Governmental Activities</u>
Balance as reported at June 30, 2012	\$ 3,840,472
Adjustments:	
Income surtax recognition	<u>242,406</u>
Balance as restated on July 1, 2012	<u>\$ 4,082,878</u>

Required Supplementary Information

Sumner Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 4,338,548	\$ 147,480
Intermediate sources	-	-
State sources	3,066,646	2,434
Federal sources	147,487	117,294
Total Receipts	<u>\$ 7,552,681</u>	<u>\$ 267,208</u>
Disbursements:		
Instruction	\$ 4,965,193	\$ -
Support services	1,746,534	-
Non-instructional programs	-	280,003
Other expenditures	1,003,039	-
Total Disbursements	<u>\$ 7,714,766</u>	<u>\$ 280,003</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -162,085	\$ -12,795
Other financing sources, net	<u>7,334</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>\$ -154,751</u>	<u>\$ -12,795</u>
Balances beginning of year	\$ 3,042,919	\$ 85,675
Prior period adjustment	-1,432	-
Adjusted beginning of year <i>balances</i>	<u>\$ 3,041,487</u>	<u>\$ 85,675</u>
Balances End of Year	<u>\$ 2,886,736</u>	<u>\$ 72,880</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Budgeted To Actual Variance
\$	4,486,028	\$ 4,656,093	\$ -170,065
	-	4,000	-4,000
	3,069,080	3,053,391	15,689
	264,781	180,000	84,781
\$	7,819,889	\$ 7,893,484	\$ -73,595
\$	4,965,193	\$ 5,325,000	\$ 359,807
	1,746,534	2,857,000	1,110,466
	280,003	360,000	79,997
	1,003,039	1,103,963	100,924
\$	7,994,769	\$ 9,645,963	\$ 1,651,194
\$	-174,880	\$ -1,752,479	\$ 1,577,599
	7,334	-	7,334
\$	-167,546	\$ -1,752,479	\$ 1,584,933
\$	3,128,594	\$ 2,850,445	\$ 278,149
	-1,432	-	-1,432
\$	3,127,162	\$ 2,850,445	\$ 276,717
\$	2,959,616	\$ 1,097,966	\$ 1,861,650

Sumner Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2013

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

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

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

Sumner Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	June 1, 2009	-	\$868	\$868	0.0%	\$2,493	34.8%
2011	June 1, 2009	-	\$772	\$772	0.0%	\$2,313	33.4%
2012	June 1, 2009	-	\$672	\$672	0.0%	\$2,543	27.4%
2013	June 1, 2012	-	\$656	\$656	0.0%	\$1,830	35.8%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Sumner Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 100,832	\$ 99,749	\$ 200,581
Receivables:			
Property Tax:			
Delinquent	1,315	-	1,315
Succeeding year	179,999	-	179,999
Accounts	60	1,222	1,282
Total Assets	\$ 282,206	\$ 100,971	\$ 383,177
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ 6,583	\$ 6,583
Salaries and benefits payable	17,394	-	17,394
Deferred revenue:			
Succeeding year property tax	179,999	-	179,999
Total Liabilities	\$ 197,393	\$ 6,583	\$ 203,976
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 84,813	\$ -	\$ 84,813
Student activities	-	94,388	94,388
Total Fund Balances	\$ 84,813	\$ 94,388	\$ 179,201
Total Liabilities and Fund Balances	\$ 282,206	\$ 100,971	\$ 383,177

Sumner Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local Sources:			
Local tax	\$ 149,433	\$ -	\$ 149,433
Other	4,774	284,747	289,521
State sources	81	-	81
Total Revenues	<u>\$ 154,288</u>	<u>\$ 284,747</u>	<u>\$ 439,035</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 98,882	\$ -	\$ 98,882
Other instruction	-	305,492	305,492
Support Services:			
Administrative	6,628	-	6,628
Operation & maintenance of plant services	52,977	-	52,977
Transportation services	15,833	-	15,833
Total Expenditures	<u>\$ 174,320</u>	<u>\$ 305,492</u>	<u>\$ 479,812</u>
Net change in fund balance	\$ -20,032	\$ -20,745	\$ -40,777
Fund balances beginning of year	104,845	115,133	219,978
Fund Balances End of Year	<u>\$ 84,813</u>	<u>\$ 94,388</u>	<u>\$ 179,201</u>

See accompanying independent auditor's report.

Sumner Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash and pooled investments	\$ 496,131	\$ 176,264	\$ 672,395
Receivables:			
Property Tax:			
Delinquent	-	2,759	2,759
Succeeding year	-	326,765	326,765
Due from other governments	146,458	-	146,458
Total Assets	\$ 642,589	\$ 505,788	\$ 1,148,377
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 5,750	\$ 5,750
Deferred revenue:			
Succeeding year property tax	-	326,765	326,765
Total Liabilities	\$ -	\$ 332,515	\$ 332,515
Fund Balances:			
Restricted for:			
School infrastructure	\$ 642,589	\$ -	\$ 642,589
Physical plant and equipment	-	173,273	173,273
Total fund balances	\$ 642,589	\$ 173,273	\$ 815,862
Total Liabilities and Fund Balances	\$ 642,589	\$ 505,788	\$ 1,148,377

Sumner Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local Sources:			
Local tax	\$ 391,459	\$ 314,270	\$ 705,729
Other	3,697	1,317	5,014
State sources	88,511	172	88,683
Total Revenues	<u>\$ 483,667</u>	<u>\$ 315,759</u>	<u>\$ 799,426</u>
Expenditures:			
Instruction:			
Regular instruction	\$ -	\$ 29,221	\$ 29,221
Support Services:			
Administration services	1,853	-	1,853
Operation and maintenance of plant services	5,589	16,210	21,799
Transportation services	3,280	-	3,280
Other Expenditures:			
Facilities acquisition	258,638	10,628	269,266
Total Expenditures	<u>\$ 269,360</u>	<u>\$ 56,059</u>	<u>\$ 325,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 214,307</u>	<u>\$ 259,700</u>	<u>\$ 474,007</u>
Other Financing Sources (Uses):			
Sale of assets	\$ -	\$ 6,500	\$ 6,500
Operating transfers (out)	-290,306	-229,331	-519,637
Total other financing sources (uses)	<u>\$ -290,306</u>	<u>\$ -222,831</u>	<u>\$ -513,137</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -75,999</u>	<u>\$ 36,869</u>	<u>\$ -39,130</u>
Fund balances beginning of year	718,588	136,404	854,992
Fund Balances End of Year	<u>\$ 642,589</u>	<u>\$ 173,273</u>	<u>\$ 815,862</u>

See accompanying independent auditor's report.

Sumner Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues And Inter-fund Transfers	Expenditures	Intra- fund Transfers	Balance End of Year
Annual	\$ 302	\$ 16,430	\$ 6,477	\$ -	\$ 10,255
Senior High Athletics	9,934	113,689	118,478	-	5,145
Wellness	569	-	40	-	529
Drama and Speech	-	4,000	3,466	-	534
Class of 2015	374	1,451	483	-	1,342
Class of 2012	1,567	-	-	-	1,567
Class of 2013	2,628	566	2,994	-	200
Class of 2014	1,176	6,685	5,619	-	2,242
Class of 2016	-	737	192	-	545
Durant D.O.O.R.S.	20,434	33,828	31,524	-	22,738
Durant Activities	23,214	4,465	9,471	-	18,208
Future Farmers of America	28,882	27,412	48,043	-	8,251
Future Homemakers of America – Senior High	1,362	6,911	5,880	-	2,393
General	618	12,264	11,693	-	1,189
Instrumental Music	1,134	4,292	4,826	-	600
Senior High Activities	71	2,852	1,608	-	1,315
Get a Grip	1,144	840	1,081	-	903
National Honor Society	112	315	407	-	20
RIF	698	-	-	-	698
Spanish Fundraising	2,253	-	-	-	2,253
Student Senate-Senior High	-	8,783	8,684	-	99
Vocal Music	12,093	33,585	32,316	-	13,362
District FFA	6,568	5,642	12,210	-	-
Total	\$ 115,133	\$ 284,747	\$ 305,492	\$ -	\$ 94,388

Sumner Community School District

Combining Balance Sheet
Private Purpose Trusts
Scholarships

June 30, 2013

	Sandra Trout Scholarship	Vay Hurmency Scholarship	Michael Buhr Scholarship
Assets			
Cash	\$ -	\$ 9,361	\$ 26,295
Investments	332,478	-	-
Accrued interest receivable	-	-	117
Total Assets	\$ 332,478	\$ 9,361	\$ 26,412
Liabilities and Fund Balances			
Reserved for scholarship	\$ 332,478	\$ 9,361	\$ 26,412
Total Liabilities and Fund Balances	\$ 332,478	\$ 9,361	\$ 26,412

See accompanying independent auditor's report.

Boehm-Kooper Scholarship		Schult Scholarship		Other Scholarship		Total	
\$	1,442	\$	36,991	\$	250	\$	74,339
	-		-		-		332,478
	-		118		-		235
<u>\$</u>	<u>1,442</u>	<u>\$</u>	<u>37,109</u>	<u>\$</u>	<u>250</u>	<u>\$</u>	<u>407,052</u>
\$	1,442	\$	37,109	\$	250	\$	407,052
<u>\$</u>	<u>1,442</u>	<u>\$</u>	<u>37,109</u>	<u>\$</u>	<u>250</u>	<u>\$</u>	<u>407,052</u>

Sumner Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2013

	Sandra Trout Scholarship	Marilyn Leyh Scholarship	Vay Hurmeny Scholarship	Michael Buhr Scholarship
Revenues:				
Local Sources:				
Interest on investments	\$ 16,102	\$ 4	\$ 63	\$ 608
Contributions/Other	9,893	-	-	-
Total Revenues	<u>\$ 25,995</u>	<u>\$ 4</u>	<u>\$ 63</u>	<u>\$ 608</u>
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships	\$ 12,500	\$ 215	\$ 65	\$ 750
Total Expenditures	<u>\$ 12,500</u>	<u>\$ 215</u>	<u>\$ 65</u>	<u>\$ 750</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 13,495	\$ -211	\$ -2	\$ -142
Fund balances beginning of year	318,983	211	9,363	26,553
Fund Balances End of Year	<u>\$ 332,478</u>	<u>\$ -</u>	<u>\$ 9,361</u>	<u>\$ 26,411</u>

See accompanying independent auditor's report.

Boehm- Kooper Scholarship	Schult Scholarship	Other Scholarship	Total
\$ 14	\$ 239	\$ -	\$ 17,030
-	200	1,000	11,093
<u>\$ 14</u>	<u>\$ 439</u>	<u>\$ 1,000</u>	<u>\$ 28,123</u>
\$ 400	\$ 400	\$ 750	\$ 15,080
<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 750</u>	<u>\$ 15,080</u>
\$ -386	\$ 39	\$ 250	\$ 13,043
1,828	37,071	-	394,009
<u>\$ 1,442</u>	<u>\$ 37,110</u>	<u>\$ 250</u>	<u>\$ 407,052</u>

Sumner Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Ten Years

	Modified Accrual Basis			
	2013	2012	2011	2010
Revenues:				
Local Sources:				
Local tax	\$ 2,929,585	\$ 3,137,231	\$ 2,983,099	\$ 2,567,818
Tuition	858,376	865,676	681,366	561,519
Other	550,587	585,536	620,435	599,158
Intermediate sources	-	-	-	-
State sources	3,066,646	3,024,875	2,688,831	2,444,149
Federal sources	147,487	256,074	316,863	494,092
Total	\$ 7,552,681	\$ 7,869,392	\$ 7,290,594	\$ 6,666,736
Expenditures:				
Instruction:				
Regular instruction	\$ 3,366,642	\$ 3,173,489	\$ 3,055,917	\$ 3,129,733
Special instruction	647,248	935,793	659,291	641,284
Other instruction	951,303	972,412	967,567	872,316
Support services:				
Student services	130,031	122,710	136,975	139,473
Instructional staff services	61,151	71,513	78,868	42,673
Administrative services	604,684	606,132	679,955	754,957
Operation and maintenance of plant services	609,784	590,293	542,998	566,754
Transportation services	340,884	302,033	345,898	324,464
Community services	-	-	-	18
Non Instructional	-	-	-	-
Other expenditures:				
Facilities acquisition	269,266	759,384	2,642,477	183,703
Long-term debt:				
Principal	350,000	355,232	345,232	147,575
Interest and other charges	167,587	177,370	165,515	102,362
AEA flow-through	216,186	222,306	241,797	241,181
Total	\$ 7,714,766	\$ 8,288,667	\$ 9,862,490	\$ 7,146,493

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
\$ 2,608,950	2,426,054	\$ 2,413,845	\$ 2,164,041	\$ 1,930,846	\$ 2,265,510
573,371	613,436	696,324	634,134	880,670	92,712
590,621	678,405	679,375	640,375	677,495	425,685
-	-	-	-	-	-
2,814,059	2,745,951	2,579,016	2,568,348	2,487,815	2,329,940
216,216	195,733	144,293	157,338	158,224	187,912
<u>\$ 6,803,217</u>	<u>6,659,579</u>	<u>\$ 6,512,853</u>	<u>\$ 6,164,236</u>	<u>\$ 6,135,050</u>	<u>\$ 5,301,759</u>
\$ 3,119,882	3,198,040	\$ 3,121,780	\$ 3,127,274	\$ 2,951,053	\$ 2,234,590
656,765	622,677	636,844	532,899	540,067	727,572
746,301	692,401	689,225	683,425	787,337	462,787
117,200	91,393	72,475	104,834	93,681	84,280
66,299	64,397	97,984	78,312	89,416	65,738
568,158	694,268	481,305	479,332	491,477	437,929
621,286	574,069	569,804	536,358	603,205	589,771
316,809	258,990	235,251	273,653	204,611	144,118
13	7	-	-	-	-
8,847	-	-	-	-	-
866,721	666,854	106,046	126,178	41,006	7,750
180,150	5,150	5,150	5,150	35,150	35,150
117,866	-	-	-	2,100	4,200
206,541	203,395	191,362	187,237	186,960	188,375
<u>\$ 7,592,838</u>	<u>7,071,641</u>	<u>\$ 6,207,226</u>	<u>\$ 6,134,652</u>	<u>\$ 6,026,063</u>	<u>\$ 4,982,260</u>

**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**

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

To the Board of Education of
Sumner Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sumner Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 27, 2014.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sumner Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

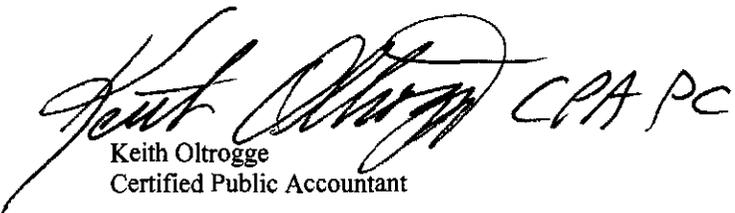
Sumner Community School District's Responses to Findings

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

Purpose of this Report

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

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


Keith Oltrogge
Certified Public Accountant

January 27, 2014

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2013

Part I – Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2013

Part II - Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget – Disbursements for the year ended June 30, 2013 did not exceed the certified budget amounts.

II-B-13 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

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

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Diane Bolts, Employee Owner Lilacs & Lane	Supplies	\$63

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions do not appear to represent conflicts of interest.

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

II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

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

II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

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

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2013

Part II - Other Findings Related to Statutory Reporting (continued):

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

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

Beginning balance		\$	718,588
Revenues/transfers in:			
Sales tax revenues	\$	391,459	
Other local revenues		3,697	
School infrastructure supplemental amount		88,511	483,667
			<hr/>
		\$	1,202,255
Expenditures/transfers out:			
School infrastructure	\$	258,638	
Equipment		8,869	
Other		1,853	
Transfers to other funds:			
Debt service fund		290,306	559,666
			<hr/>
Ending balance		\$	<u>642,589</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.451	\$ 479,969
Physical plant and equipment levy	1.174	252,879
Public educational and recreational levy	-	-

II-M-13 Student Activity Fund – Account balance for previously graduated classes.

Recommendations – The District should transfer previously graduated class fund to other activities.

Response – We will reallocate the activities.

Conclusion – Response accepted.