

Fredericksburg Community School District

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

June 30, 2014

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Independent Auditor's Report

To the Board of Education of  
Fredericksburg 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 Fredericksburg Community School District, Fredericksburg, Iowa, as of and for the year ended June 30, 2014, 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 Fredericksburg Community School District, as of June 30, 2014, 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 36 through 38 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 Fredericksburg 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, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In 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 6, 2015 on my consideration of Fredericksburg 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 Fredericksburg Community School District's internal control over financial reporting and compliance.

  
Keith Oltrogge  
Certified Public Accountant

January 6, 2015

## **Fredericksburg Community School District**

### **Management's Discussion and Analysis**

**Year ended June 30, 2014**

Fredericksburg 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, 2014. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,453,104 in fiscal 2013 to \$3,705,174 in fiscal 2014, while General Fund expenditures increased from \$3,627,470 in fiscal 2013 to \$3,900,709 in fiscal 2014. The District's General Fund balance decreased from adjusted \$524,785 in fiscal 2013 to \$329,349 in fiscal 2014, a 37.3% decrease.
- The increase in General Fund revenues was attributable to an increase in revenues from local, state and federal revenue sources. The increase in expenditures was due to an increase in overall expenditures.
- The District's solvency ratio has decreased from 10.8% at June 30, 2013 to 5.3% at June 30, 2014. 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 Fredericksburg 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 Fredericksburg 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 Fredericksburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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**  
**Fredericksburg Community School District Annual Financial Report**

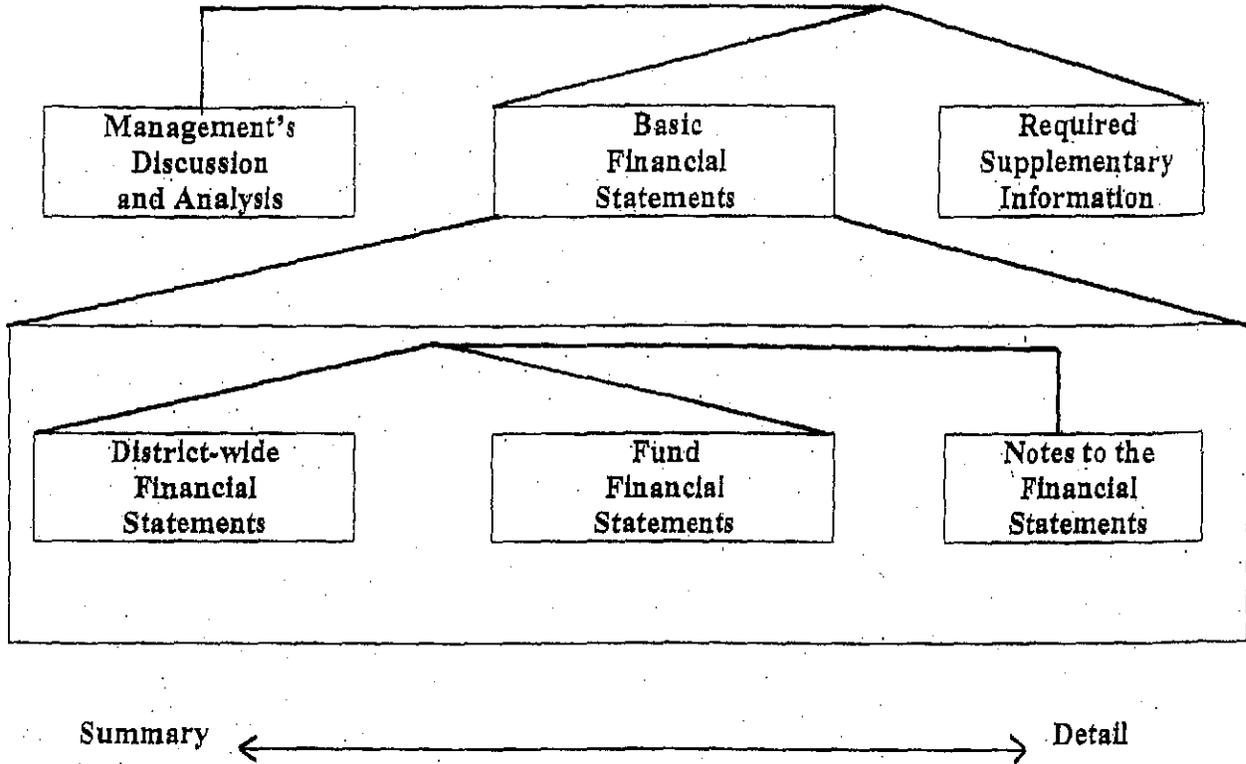


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. 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 has changed. Net position 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 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, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

3) *Fiduciary funds*: 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 this fund.

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2014 compared to June 30, 2013.

**Figure A-3**  
**Condensed Statement of Net Position**  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$1,927	\$3,724	\$66	\$46	\$1,993	\$3,770	-47.1%
Capital assets	5,666	5,782	12	15	5,678	5,797	-2.1%
Total assets	\$7,593	\$9,506	\$78	\$61	\$7,671	\$9,567	-19.8%
Long-term liabilities	\$63	\$399	\$-	\$-	\$63	\$399	-84.2%
Other liabilities	3,540	1,685	5	2	3,545	1,687	110.1%
Total liabilities	\$3,603	\$2,084	\$5	\$2	\$3,608	\$2,086	72.9%
Deferred inflows of resources	\$-	\$1,286	\$-	\$-	\$-	\$1,286	-100%
Net Position:							
Net investment in capital assets	\$2,205	\$2,162	\$12	\$15	\$2,217	\$2,177	1.8%
Restricted	1,568	1,597	-	-	1,568	1,597	-1.8%
Unrestricted	217	391	61	44	278	435	-36.1%
Total net position	\$3,990	\$4,150	\$73	\$59	\$4,063	\$4,209	-3.5%

The District’s combined net position decreased by approximately \$14,600 or 3.5%, over the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position decreased approximately \$29,000, or 1.8% over the prior year.

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 – decreased approximately \$157,000, or 36.1% due to General Fund expenditures exceeding revenue.

Figure A-4 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

**Figure A-4**  
**Changes in Net Position**  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$1,215	\$1,122	\$102	\$99	\$1,317	\$1,221	7.9%
Operating grants, contributions and restricted interest	546	442	91	79	637	521	22.3%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
<b>General revenues:</b>							
Property tax	1,286	1,269	-	-	1,286	1,269	1.3%
Income surtax	138	95	-	-	138	95	45.3%
Statewide sales, service and use tax	217	246	-	-	217	246	-11.8%
Unrestricted state grants	868	864	-	-	868	864	0.5%
Unrestricted investment earnings	11	13	-	-	11	13	-15.4%
Other	28	18	-	-	28	18	55.5%
<b>Total revenues</b>	<b>\$4,309</b>	<b>\$4,069</b>	<b>\$193</b>	<b>\$178</b>	<b>\$4,502</b>	<b>\$4,247</b>	<b>6.0%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$3,079	\$2,832	-	\$-	\$3,079	\$2,832	8.7%
Support services	1,120	1,013	-	-	1,120	1,013	10.6%
Non-instructional programs	3	-	\$179	175	182	175	4.0%
Other expenses	267	253	-	-	267	253	5.5%
<b>Total expenses</b>	<b>\$4,469</b>	<b>\$4,098</b>	<b>\$179</b>	<b>\$175</b>	<b>\$4,648</b>	<b>\$4,273</b>	<b>8.8%</b>
Increase (Decrease) in net position	-\$160	-\$29	\$14	\$3	-\$146	-\$26	-461.5%
Sale of assets	1	-	-	-	1	-	100%
Increase (Decrease) in net position	-\$159	-\$29	\$14	\$3	-\$145	-\$26	457.7%
Net position beginning of year	\$4,149	4,190	\$59	\$56	\$4,208	\$4,246	-0.9%
Prior period adjustment	-	-12	-	-	-	-12	100%
Adjusted net position beginning of year	\$4,149	4,178	\$59	\$56	\$4,208	\$4,234	-0.6%
Net position end of year	\$3,990	4,149	\$73	\$59	\$4,063	\$4,208	-3.4%

In fiscal year 2014, property tax and unrestricted state grants account for 50% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$4.5 million, of which approximately \$4.3 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6% increase in revenues and an 8.8% increase in expenses. Property tax increased approximately \$17,000.

## Governmental Activities

Revenues for governmental activities were \$4,308,926 and expenses were \$4,468,671 for the year ended June 30, 2014. In a difficult budget year, the District used a portion of its reserves to meet its financial obligations.

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, 2014 compared to the year ended June 30, 2013.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$3,079	\$2,832	8.7%	\$1,356	\$1,304	4.0%
Support services	1,120	1,013	10.6%	1,082	976	10.9%
Non-instructional programs	3	-	100%	3	-	100%
Other expenses	267	253	5.5%	267	253	5.5%
<b>Totals</b>	<b>\$4,469</b>	<b>\$4,098</b>	<b>9.1%</b>	<b>\$2,708</b>	<b>\$2,533</b>	<b>6.9%</b>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,214,299.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$546,224.
- The net cost of governmental activities was financed with \$1,641,085 in property and other taxes and \$868,009 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$193,169, representing an 8.6% increase from the prior years, while expenses were \$178,978 a 2.5% increase from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,990,229, below last year's adjusted ending fund balances of \$4,149,875. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in revenue.

## Governmental Fund Highlights

The General Fund balance decreased from \$524,785 to \$329,349, due to the expenditures exceeding revenue.

The Capital Projects Fund balance decreased from \$628,538 in 2013 to \$601,329 in 2014 due to the expenditures exceeding revenue.

The Debt Service Fund balance increased from \$452,852 in 2013 to \$488,571 in 2014, due to the increase in the transfer from Capital Projects Funds.

## Proprietary Fund Highlights

School Nutrition Fund net position increased from \$58,643 at June 30, 2013 to \$72,834 at June 30, 2014, representing an increase of approximately 24.2%.

## BUDGETARY HIGHLIGHTS

The District's total revenues were \$148,489 more than total budgeted revenues, a variance of more than 3.4%. Local tax revenue increase caused the total amount received to be more than originally anticipated.

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, 2014, the District had invested \$5,665,630, 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 decrease of 2.1% 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 \$230,905.

The original cost of the District's capital assets was \$8,497,770. Governmental funds account for \$8,466,375, with the remainder of \$31,395 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
(Expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$18	\$18	\$-	\$-	\$18	\$18	-
Buildings and improvements	5,462	5,557	-	-	5,462	5,557	-1.7%
Improvements other than buildings	10	15	-	-	10	15	33.3%
Furniture and equipment	176	192	12	15	188	192	-2.1%
Totals	\$5,666	\$5,782	\$12	\$15	\$5,678	\$5,797	-2.1%

## Long-Term Debt

At June 30, 2014, the District had \$3,460,000 in total long-term debt outstanding. This represents a 4.4% decrease 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 issue 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 \$8.5 million.

**Figure A-7**  
**Outstanding Long-term Obligations**  
(Expressed in thousands)

	Total District		Total Change
	June 30, 2014	2013	June 30, 2013-2014
General obligation bonds	\$1,930	\$2,020	-4.5%
Revenue bonds	1,530	1,600	-4.4%
Total	\$3,460	\$3,620	-4.4%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The District has merged with Sumner Community School District on July 1, 2014, creating a new combined Sumner-Fredericksburg Community School District.

As the community's economy stabilizes, it is anticipated that the District's tax base and enrollment will remain steady.

## 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 Theresa Schulz, District Secretary, Fredericksburg Community School District, Fredericksburg IA 50630.

## **Basic Financial Statements**

## Fredericksburg Community School District

## Statement of Net Position

June 30, 2014

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,607,607	\$ 56,335	\$ 1,663,942
Receivables:			
Property tax:			
Delinquent	14,826	-	14,826
Income surtax	101,105	-	101,105
Accounts	118,989	1,077	120,066
Due from other governments	85,056	-	85,056
Inventories	-	7,949	7,949
Capital assets, net of accumulated depreciation	5,665,630	12,259	5,677,889
<b>Total Position</b>	<b>\$ 7,593,213</b>	<b>\$ 77,620</b>	<b>\$ 7,670,833</b>
<b>Liabilities</b>			
Accounts payable	\$ 27,460	\$ 457	\$ 27,917
Unearned revenue	-	4,329	4,329
Accrued interest	36,004	-	36,004
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	90,000	-	90,000
Revenue bonds	75,000	-	75,000
Early retirement	24,559	-	24,559
Portion due after one year:			
General obligation bonds	1,840,000	-	1,840,000
Revenue bonds	1,455,000	-	1,455,000
Net OPEB liability	54,961	-	54,961
<b>Total Liabilities</b>	<b>\$ 3,602,984</b>	<b>\$ 4,786</b>	<b>\$ 3,607,770</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 2,205,630	\$ 12,259	\$ 2,217,889
Restricted for:			
Categorical funding	122,679	-	122,679
Management levy purposes	241,975	-	241,975
Physical plant and equipment	419,007	-	419,007
Student activities	113,235	-	113,235
Capital projects	182,322	-	182,322
Debt service	348,855	-	348,855
Debt service – sinking	139,716	-	139,716
Unrestricted	216,810	60,575	277,385
<b>Total Net Position</b>	<b>\$ 3,990,229</b>	<b>\$ 72,834</b>	<b>\$ 4,063,063</b>

See notes to financial statements.

**Fredericksburg Community School District**

**Statement of Activities**

**Year Ended June 30, 2014**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 2,303,127	\$ 698,482	\$ 481,789	\$ -
Special instruction	377,701	403,332	40,815	-
Other instruction	397,474	76,517	21,943	-
	<u>\$ 3,078,302</u>	<u>\$ 1,178,331</u>	<u>\$ 544,547</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 83,326	\$ -	\$ 1,677	\$ -
Instructional staff services	108,769	-	-	-
Administration services	403,112	-	-	-
Operation and maintenance of plant services	322,816	915	-	-
Transportation services	201,579	35,053	-	-
	<u>\$ 1,119,602</u>	<u>\$ 35,968</u>	<u>\$ 1,677</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 3,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 16,696	\$ -	\$ -	\$ -
Long-term debt interest	142,063	-	-	-
AEA flow-through	108,500	-	-	-
	<u>\$ 267,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 4,468,671</u>	<u>\$ 1,214,299</u>	<u>\$ 546,224</u>	<u>\$ -</u>
<b>Business Type Activities:</b>				
Non-Instructional Programs:				
Food service operations	178,978	102,388	90,572	-
Total	<u>\$ 4,647,649</u>	<u>\$ 1,316,687</u>	<u>\$ 636,796</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -1,122,856	\$ -	\$ -1,122,856
66,446	-	66,446
-299,014	-	-299,014
<u>\$ -1,355,424</u>	<u>\$ -</u>	<u>\$ -1,355,424</u>
\$ -81,649	\$ -	\$ -81,649
-108,769	-	-108,769
-403,112	-	-403,112
-321,901	-	-321,901
-166,526	-	-166,526
<u>\$ -1,081,957</u>	<u>\$ -</u>	<u>\$ -1,081,957</u>
\$ -3,508	\$ -	\$ -3,508
\$ -16,696	\$ -	\$ -16,696
-142,063	-	-142,063
-108,500	-	-108,500
<u>\$ -267,259</u>	<u>\$ -</u>	<u>\$ -267,259</u>
\$ -2,708,148	\$ -	\$ -2,708,148
-	13,982	13,982
<u>\$ -2,708,148</u>	<u>\$ 13,982</u>	<u>\$ -2,694,166</u>

**Fredericksburg Community School District**

**Statement of Activities**

**Year Ended June 30, 2014**

	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
  - Debt service
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total General Revenues

Change in net position before sale of assets

Sale of assets

Change in net position

Net position beginning of year

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Position

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Governmental Activities	Business Type Activities	Total
\$ 1,084,049	\$ -	\$ 1,084,049
34,294	-	34,294
168,159	-	168,159
137,559	-	137,559
217,024	-	217,024
868,009	-	868,009
10,977	209	11,186
28,332	-	28,332
<hr/>		
\$ 2,548,403	\$ 209	\$ 2,548,612
<hr/>		
\$ -159,745	\$ 14,191	\$ -145,554
<hr/>		
\$ 99	\$ -	\$ 99
-159,646	14,191	145,455
<hr/>		
\$ 4,149,875	\$ 58,643	\$ 4,208,518
<hr/>		
\$ 3,990,229	\$ 72,834	\$ 4,063,063
<hr/>		

**Fredericksburg Community School District**

**Balance Sheet  
Governmental Funds**

**June 30, 2014**

	General	Capital Projects	Debt Service
<b>Assets</b>			
Cash and Pooled Investments	\$ 208,679	\$ 530,753	\$ 486,633
Receivables:			
Property Tax:			
Delinquent	11,686	395	1,938
Income surtax	101,105	-	-
Accounts	118,989	-	-
Due from other governments	14,875	70,181	-
<b>Total Assets</b>	<b>\$ 455,334</b>	<b>\$ 601,329</b>	<b>\$ 488,571</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 24,880	\$ -	\$ -
<b>Total Liabilities</b>	<b>\$ 24,880</b>	<b>\$ -</b>	<b>\$ -</b>
Deferred inflows of resources:			
Unavailable revenues:			
Other	\$ 101,105	\$ -	\$ -
<b>Total deferred inflows of resources</b>	<b>\$ 101,105</b>	<b>\$ -</b>	<b>\$ -</b>
Fund Balances:			
Restricted for:			
Categorical funding	\$ 122,679	\$ -	\$ -
Debt service	-	-	348,855
Debt service - sinking	-	-	139,716
Management levy purposes	-	-	-
Student activities	-	-	-
School infrastructure	-	182,322	-
Physical plant and equipment	-	419,007	-
Unassigned	206,670	-	-
<b>Total Fund Balances</b>	<b>\$ 329,349</b>	<b>\$ 601,329</b>	<b>\$ 488,571</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 455,334</b>	<b>\$ 601,329</b>	<b>\$ 488,571</b>

See notes to financial statements.

Special Revenue			
Management Levy	Non-Major		Total
\$ 268,307	\$ 113,235	\$	1,607,607
807	-		14,826
-	-		101,105
-	-		118,989
-	-		85,056
<u>\$ 269,114</u>	<u>\$ 113,235</u>	<u>\$</u>	<u>1,927,583</u>
\$ 2,580	\$ -	\$	27,460
<u>\$ 2,580</u>	<u>\$ -</u>	<u>\$</u>	<u>27,460</u>
\$ -	\$ -	\$	101,105
<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>101,105</u>
\$ -	\$ -	\$	122,679
-	-		348,855
-	-		139,716
266,534	-		266,534
-	113,235		113,235
-	-		182,322
-	-		419,007
-	-		206,670
<u>\$ 266,534</u>	<u>\$ 113,235</u>	<u>\$</u>	<u>1,799,018</u>
<u>\$ 269,114</u>	<u>\$ 113,235</u>	<u>\$</u>	<u>1,927,583</u>

**Fredericksburg Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Position**

**June 30, 2014**

<b>Total fund balances of governmental funds (page 16)</b>	<b>\$ 1,799,018</b>
 <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	5,647,129
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.	101,105
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	-36,001
Long-term liabilities, including bonds and notes payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>-3,539,520</u>
<b>Net position of governmental activities (page 13)</b>	<b><u>\$ 3,971,731</u></b>

**Fredericksburg Community School District**

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

**Year Ended June 30, 2014**

	General	Capital Projects	Debt Service
Revenues:			
Local Sources:			
Local tax	\$ 1,133,284	\$ 251,318	\$ 168,159
Tuition	895,369	-	-
Other	262,434	13,919	1,604
Intermediate sources	-	-	-
State sources	1,288,917	18	90
Federal sources	125,170	-	-
Total Revenues	<u>\$ 3,705,174</u>	<u>\$ 265,255</u>	<u>\$ 169,853</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 2,083,296	\$ 48,955	\$ -
Special instruction	376,998	-	-
Other instruction	322,730	-	-
	<u>\$ 2,783,024</u>	<u>\$ 48,955</u>	<u>\$ -</u>
Support Services:			
Student services	\$ 82,425	\$ -	\$ -
Instructional staff services	107,868	-	-
Administration services	363,453	-	-
Operation and maintenance of plant services	279,733	4,136	-
Transportation services	175,706	-	-
	<u>\$ 1,009,185</u>	<u>\$ 4,136</u>	<u>\$ -</u>
Other Expenditures:			
Facilities acquisition	\$ -	\$ 70,447	\$ -
Long-Term Debt:			
Principal	-	-	160,000
Interest and fiscal charges	-	2,000	141,060
AEA flow-through	108,500	-	-
	<u>\$ 108,500</u>	<u>\$ 72,447</u>	<u>\$ 301,060</u>
Total Expenditures	<u>\$ 3,900,709</u>	<u>\$ 125,538</u>	<u>\$ 301,060</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ -195,535</u>	<u>\$ 139,717</u>	<u>\$ -131,207</u>
Other financing sources (uses):			
Operating transfers in (out)	\$ -	\$ -166,926	\$ 166,926
Sale of assets	99	-	-
Net change in fund balances	<u>\$ -195,436</u>	<u>\$ -27,209</u>	<u>\$ 35,719</u>
Fund balances beginning of year	524,785	628,538	452,852
Fund balances end of year	<u>\$ 329,349</u>	<u>\$ 601,329</u>	<u>\$ 488,571</u>

See notes to financial statements.

Special Revenue				
Management				
Levy	Non-Major			Total
\$ 70,037	\$ -	\$	\$	1,622,798
-	-			895,369
3,202	77,080			358,239
-	-			-
38	-			1,289,063
-	-			125,170
<u>\$ 73,277</u>	<u>\$ 77,080</u>	<u>\$</u>	<u>\$</u>	<u>4,290,639</u>
\$ -	\$ -	\$	\$	2,132,251
-	-			376,998
-	77,163			399,893
<u>\$ -</u>	<u>\$ 77,163</u>	<u>\$</u>	<u>\$</u>	<u>2,909,142</u>
\$ -	\$ -	\$	\$	82,425
-	-			107,868
33,678	-			400,131
33,248	130			317,247
9,788	-			185,494
<u>\$ 79,714</u>	<u>\$ 130</u>	<u>\$</u>	<u>\$</u>	<u>1,093,165</u>
\$ -	\$ -	\$	\$	70,447
-	-			160,000
-	-			143,060
-	-			108,500
<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>\$</u>	<u>482,007</u>
<u>\$ 79,714</u>	<u>\$ 77,293</u>	<u>\$</u>	<u>\$</u>	<u>4,484,314</u>
\$ -6,437	\$ -213	\$	\$	-193,675
\$ -	\$ -	\$	\$	-
-	-			99
\$ -6,437	\$ -213	\$	\$	-193,576
272,971	113,448			1,992,594
<u>\$ 266,534</u>	<u>\$ 113,235</u>	<u>\$</u>	<u>\$</u>	<u>1,799,018</u>

See notes to financial statements.

**Fredericksburg 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, 2014**

**Net change in fund balances – total governmental funds (page 18)** \$ -193,576

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

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

Expenditures for capital assets	\$ 114,067	
Depreciation/amortization expense	<u>-230,905</u>	-116,838

Income surtax revenue not received until several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.

18,287

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.

Repaid		160,000
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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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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

Early retirement	\$ -19,566	
Other postemployment benefits	<u>-8,950</u>	-28,516

**Change in Net Position of Governmental Activities (page 15)** \$ -159,646

## Fredericksburg Community School District

Statement of Net Position  
Proprietary Fund

June 30, 2014

	<u>School Nutrition</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and investments	\$ 56,335
Receivables	1,077
Inventories	7,949
<b>Total Current Assets</b>	<u>\$ 65,361</u>
<b>Non-Current Assets:</b>	
Capital assets, net of accumulated depreciation	\$ 12,259
<b>Total non-current assets</b>	<u>\$ 12,259</u>
<b>Total Assets</b>	<u>\$ 77,620</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 457
Unearned revenue	4,329
<b>Total Current Liabilities</b>	<u>\$ 4,786</u>
<b>Total Liabilities</b>	<u>\$ 4,786</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 12,259
Unrestricted	60,575
<b>Total Net Position</b>	<u>\$ 72,834</u>

See notes to financial statements.

**Fredericksburg Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**

**Year Ended June 30, 2014**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 102,388
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 66,260
Benefits	10,953
Purchased services	5,959
Supplies	93,256
Depreciation	2,550
Total operating expenses	<u>\$ 178,978</u>
Operating loss	<u>\$ -76,590</u>
Non-operating revenues:	
State sources	\$ 1,665
Federal sources	88,907
Interest Income	209
Total non-operating revenues	<u>\$ 90,781</u>
Increase in net position	\$ 14,191
Net position beginning of year	<u>58,643</u>
Net position end of year	<u>\$ 72,834</u>

See notes to financial statements.

Fredericksburg Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2014

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 104,077
Cash paid to employees for services	-77,631
Cash paid to suppliers for goods or services	-82,424
Net cash used by operating activities	<u>\$ -55,978</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 1,665
Federal grants received	69,189
Net cash provided by non-capital financing activities	<u>\$ 70,854</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 209</u>
Net increase in cash and cash equivalents	\$ 15,085
Cash and cash equivalents beginning of year	<u>41,250</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 56,335</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -76,590
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	19,718
Depreciation	2,550
(Increase) in inventories	-3,296
(Increase) in accounts receivable	-801
Increase in unearned revenue	2,490
Increase in accounts payable	369
(Decrease) in salaries and benefits payable	<u>-418</u>
Net Cash Used by Operating Activities	<u><u>\$ -55,978</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2014, the District received \$19,718 of federal commodities.

See notes to financial statements.

**Fredericksburg Community School District**

**Statement of Fiduciary Net Position  
Fiduciary Funds**

**June 30, 2014**

	Private Purpose Trust <u>Scholarship</u>
<b>Assets</b>	
Cash and investments	\$ <u>8,464</u>
<b>Liabilities</b>	
None	\$ <u>-</u>
<b>Net position</b>	
Reserved for scholarships	\$ <u><u>8,464</u></u>

**Fredericksburg Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**

**Year Ended June 30, 2014**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 80
Interest income	67
Total additions	\$ 147
Deductions:	
Support services:	
Scholarships awarded	\$ 300
	\$ 300
Change in net position	\$ -153
Net position beginning of year	8,617
Net Position End of Year	\$ 8,464

## Fredericksburg Community School District

### Notes to Financial Statements

June 30, 2014

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

The Fredericksburg 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 Fredericksburg, Iowa and portions of the predominately agricultural territories in Chickasaw, Bremer and Fayette Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

Effective July 1, 2004, the Fredericksburg Community School District and the Sumner Community School District have entered into a whole grade sharing agreement. Voters of the two districts have approved a merger of those 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, Fredericksburg 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. Fredericksburg 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 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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 Management Levy is utilized to account for property taxes and other revenue to be used for early retirement and insurance of the District.

The District reports the following major proprietary fund:

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

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 is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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	\$ 2000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

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

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

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources 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.

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, 2014 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, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 166,926

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, 2014 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Re- Classified	Balance End Of Year
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 18,501	\$ -	\$ -	\$ -	\$ 18,501
Total capital assets not being depreciated	\$ 18,501	\$ -	\$ -	\$ -	\$ 18,501
Capital assets being depreciated:					
Buildings and improvements	\$ 7,049,760	\$ 50,765	\$ -	\$ -	\$ 7,100,525
Improvements other than buildings	77,226	-	-	-41,800	35,426
Furniture and equipment	1,206,821	63,302	-	41,800	1,311,923
Total capital assets being depreciated	\$ 8,333,807	\$ 114,067	\$ -	\$ -	\$ 8,447,874
Less accumulated depreciation for:					
Buildings and improvements	\$ 1,492,922	\$ 145,607	\$ -	\$ -	\$ 1,638,529
Improvements other than buildings	62,582	1,765	-	-38,456	25,891
Furniture and equipment	1,014,336	83,533	-	38,456	1,136,325
Total accumulated depreciation	\$ 2,569,840	\$ 230,905	\$ -	\$ -	\$ 2,800,745
Total capital assets being depreciated, net	\$ 5,763,967	\$ -116,838	\$ -	\$ -	\$ 5,647,129
Governmental activities capital assets, net	\$ 5,782,468	\$ -116,838	\$ -	\$ -	\$ 5,665,630

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 31,395	\$ -	\$ -	\$ 31,395
Less accumulated depreciation	16,586	2,550	-	19,136
Business type activities capital assets, net	\$ 14,809	\$ 2,550	\$ -	\$ 12,259

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 199,037
Special	6,696
Other	997

Support services:

Administrative services	2,884
Operation and maintenance of plant	6,375
Transportation	14,916

Total Depreciation Expense – governmental activities \$ 230,905

Business type activities:

Food service operations	<u>\$ 2,550</u>
-------------------------	-----------------

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 2,020,000	\$ -	\$ 90,000	\$ 1,930,000	\$ 90,000
Revenue bonds	1,600,000	-	70,000	1,530,000	75,000
Early retirement	4,993	23,310	3,744	24,559	24,559
Net OPEB liability	46,011	8,950	-	54,961	-
Total	\$ 3,671,004	\$ 32,260	\$ 163,744	\$ 3,539,520	\$ 189,559

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employees is equal to the employee's base salary calculated by using the current year regular salary schedule, less the BA base of the salary schedule. The early retirement expenditures for the year ended June 30, 2014 were \$3,744.

General Obligation Capital Note

Details of the District's June 30, 2014 General Obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issued May 1, 2011			
	Interest Rate	Principal	Interest	Total
2015	3.0%	\$90,000	\$75,370	\$165,370
2016	3.0%	95,000	72,670	167,670
2017	3.0%	95,000	69,820	164,820
2018	3.5%	100,000	66,970	166,970
2019	4.0%	105,000	63,470	168,470
2020	4.0%	110,000	59,270	169,270
2021	4.0%	110,000	54,870	164,870
2022	4.0%	115,000	50,470	165,470
2023	4.0%	120,000	45,870	165,870
2024	4.0%	125,000	41,070	166,070
2025	4.0%	130,000	36,070	166,070
2026	4.125%	135,000	30,870	165,870
2027	4.125%	140,000	25,302	165,302
2028	4.125%	145,000	19,526	164,526
2029	4.3%	155,000	13,546	168,546
2030	4.3%	160,000	6,880	166,880
Total		\$1,930,000	\$732,044	\$2,662,044

Revenue Bonds

Details of the District's June 30, 2014 Statewide Sales, Services and Use Tax Revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued May 1, 2010			
	Interest Rate	Principal	Interest	Total
2015	2.25%	\$75,000	\$59,446	\$134,446
2016	2.5%	75,000	57,665	132,665
2017	3.0%	75,000	55,603	130,603
2018	3.25%	80,000	53,177	133,177
2019	3.5%	80,000	50,478	130,478
2020	3.8%	85,000	47,462	132,462
2021	4.1%	90,000	44,048	134,048
2022	4.1%	90,000	40,402	130,402
2023	4.1%	95,000	36,610	131,610
2024	4.1%	100,000	32,612	132,612
2025	4.25%	105,000	28,331	133,331
2026	4.25%	105,000	23,869	128,869
2027	4.45%	110,000	19,190	129,190
2028	4.45%	115,000	14,184	129,184
2029	4.65%	120,000	8,835	128,835
2030	4.65%	130,000	3,023	133,023
<b>Total</b>		<b>\$1,530,000</b>	<b>\$574,935</b>	<b>\$2,104,935</b>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,700,000 of bonds issued in May 2010. The bonds were issued for the purpose of financing a portion of the costs of the middle school addition project. 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 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,104,935. For the current year, \$132,490 in principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$217,023.

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

- a) \$137,637 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 purposes.

The District complied with all of the revenue bonds provisions during the year ended June 30, 2014.

During the year ended June 30, 2014, the District paid principal, interest and fees under the agreements of \$303,060.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$196,190, \$162,509, and \$152,061, respectively, equal to the required contributions for each year.

**(7) 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 32 active and 1 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligations:

Annual required contribution	\$	18,275
Interest on net OPEB obligation		1,150
Adjustment to annual required contribution		-4,657
Annual OPEB cost	\$	14,768
Contributions made		-5,818
Increase in net OPEB obligation	\$	8,950
Net OPEB obligation beginning of year		46,011
Net OPEB obligation end of year	\$	54,961

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, 2014.

For the year ended June 30, 2014, the District contributed \$206,640 to the medical plan. Plan members eligible for benefits contributed \$2,435, or 1.1% 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 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$14,573	17.7%	\$11,992
June 30, 2011	\$14,643	21.7%	\$23,452
June 30, 2012	\$15,707	9.1%	\$37,737
June 30, 2013	\$15,566	42.3%	\$46,011
June 30, 2014	\$14,768	60.6%	\$54,961

**Funded Status and Funding Progress** – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$97,425, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$97,425. The covered payroll (annual payroll of active employees covered by the plan) was \$1,832,535 and the ratio of the UAAL to covered payroll was 5.3%. As of June 30, 2014, 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 July 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 \$201.94 per month for retirees less than age 65 and \$201.94 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.

**(8) Risk Management**

Fredericksburg 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 \$108,500 for the year ended June 30, 2014 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, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented Programs	\$ 17,958
Dropout Prevention	20,859
Beginning Teacher Mentoring	757
Teacher Salary Supplement	1,972
Core Curriculum	12,386
Professional Development	13,073
Early Reading	11,002
Preschool	38,726
Teacher Leadership Grant	5,946
Total	<u>\$ 122,679</u>

**(11) Subsequent Events**

The District has evaluated subsequent events through January 6, 2015 which is the date that the financial statements were available to be issued.

Effective July 1, 2014 all assets, liabilities and net position fund balances were combined with the Sumner Community School District creating a new Sumner-Fredericksburg Community School District.

**(12) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**Required Supplementary Information**

**Fredericksburg Community School District**

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

**Required Supplementary Information**

**Year Ended June 30, 2014**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 2,876,406	\$ 102,597	\$ 2,979,003
Intermediate sources	-	-	-
State sources	1,289,063	1,665	1,290,728
Federal sources	125,170	88,907	214,077
Total Revenues	<u>\$ 4,290,639</u>	<u>\$ 193,169</u>	<u>\$ 4,483,808</u>
Expenditures:			
Instruction	\$ 2,909,142	\$ -	\$ 2,909,142
Support services	1,093,165	-	1,093,165
Non-instructional programs	-	178,978	178,978
Other expenditures	482,007	-	482,007
Total Expenditures	<u>\$ 4,484,314</u>	<u>\$ 178,978</u>	<u>\$ 4,663,292</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -193,675	\$ 14,191	\$ -179,484
Other financing sources net	99	-	99
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	\$ -193,576	\$ 14,191	\$ -179,385
Balance Beginning of Year	1,992,594	58,643	2,051,237
Balances End of Year	<u>\$ 1,799,018</u>	<u>\$ 72,834</u>	<u>\$ 1,871,852</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance	
\$	2,845,994	\$	133,009
	-		-
	1,316,325		-25,597
	173,000		41,077
\$	4,335,319	\$	148,489
<hr/>			
\$	3,112,000	\$	202,858
	1,341,400		248,235
	182,500		3,522
	609,255		127,248
\$	5,245,155	\$	581,863
<hr/>			
\$	-909,836	\$	730,352
	-		99
<hr/>			
\$	-909,836	\$	730,451
	1,820,211		231,026
<hr/>			
\$	910,375	\$	961,477
<hr/>			

**Fredericksburg Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2014**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function 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.

**Fredericksburg Community School District**

**Schedule of Funding Progress for the  
Retiree Health Plan**

**Required Supplementary Information**

**June 30, 2014**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$126,485	\$126,485	0.0%	\$1,410,046	8.9%
2011	July 1, 2009	-	\$126,485	\$126,485	0.0%	\$1,463,481	8.6%
2012	July 1, 2009	-	\$126,485	\$126,485	0.0%	\$1,553,978	8.1%
2013	July 1, 2012	-	\$111,893	\$111,893	0.0%	\$1,650,781	6.7%
2014	July 1, 2012	-	\$97,425	\$97,425	0.0%	\$1,832,535	5.3%

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

**Supplementary Information**

## Fredericksburg Community School District

Combining Balance Sheet  
Non-Major Funds

June 30, 2014

	Special Revenue
	Student Activity
<b>Assets</b>	
Cash and pooled investments	\$ 113,235
<b>Total Assets</b>	<u>\$ 113,235</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>	
Liabilities	\$ -
Total Liabilities	<u>\$ -</u>
Fund Balances:	
Restricted for:	
Student activities	\$ 113,235
Total Fund Balance	<u>\$ 113,235</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 113,235</u>

See accompanying independent auditor's report.

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

**Year Ended June 30, 2014**

	Special Revenue
	Student Activity
Revenues:	
Local Sources:	
Other	\$ 77,080
Total Revenues	\$ 77,080
Expenditures:	
Current:	
Instruction:	
Other instruction	\$ 77,163
Support Services:	
Operation and maintenance of plant services	130
Total Expenditures	\$ 77,293
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -213
Fund balances beginning of year	\$ 113,448
Fund Balances end of year	\$ 113,235

See accompanying independent auditor's report.

## Fredericksburg Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
<b>Assets</b>			
Cash and pooled investments	\$ 112,141	\$ 418,612	\$ 530,753
Receivables:			
Property Tax:			
Delinquent	-	395	395
Due from other governments	70,181	-	70,181
<b>Total Assets</b>	<b>\$ 182,322</b>	<b>\$ 419,007</b>	<b>\$ 601,329</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -
Fund Balances:			
Restricted for:			
School infrastructure	\$ 182,322	\$ -	\$ 182,322
Physical plant and equipment	-	419,007	419,007
Total fund balances	\$ 182,322	\$ 419,007	\$ 601,329
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 182,322</b>	<b>\$ 419,007</b>	<b>\$ 601,329</b>

See accompanying independent auditor's report.

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

**Year Ended June 30, 2014**

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local Sources:			
Local tax	\$ 217,024	\$ 34,294	\$ 251,318
Other	1,860	12,059	13,919
State sources	-	18	18
Total Revenues	<u>\$ 218,884</u>	<u>\$ 46,371</u>	<u>\$ 265,255</u>
Expenditures:			
Instruction:			
Regular instruction	\$ -	\$ 48,955	\$ 48,955
Support services:			
Operation and maintenance of plant services	-	4,136	4,136
Other Expenditures:			
Facilities acquisition	27,597	42,850	70,447
Long Term Debt:			
Interest and fiscal charges	2,000	-	2,000
Total Expenditures	<u>\$ 29,597</u>	<u>\$ 95,941</u>	<u>\$ 125,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 189,287</u>	<u>\$ -49,570</u>	<u>\$ 139,717</u>
Other Financing Sources (Uses):			
Operating transfers in (out)	<u>\$ -166,926</u>	<u>\$ -</u>	<u>\$ -166,926</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 22,361</u>	<u>\$ -49,570</u>	<u>\$ -27,209</u>
Fund balances beginning of year	<u>\$ 159,961</u>	<u>\$ 468,577</u>	<u>\$ 628,538</u>
Fund Balances End of Year	<u>\$ 182,322</u>	<u>\$ 419,007</u>	<u>\$ 601,329</u>

See accompanying independent auditor's report.

## Fredericksburg Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Year	Revenues	Expenditures	Inter- Fund Transfers	Balance End of Year
Athletics	\$ 62,669	\$ 8,427	\$ 13,108	\$ -	\$ 57,988
Miscellaneous General Supply	-	-	4,428	4,428	-
Music	6,647	6,629	6,799	1,059	7,536
Student Council	277	-	442	165	-
FCCLA	388	-	-	-388	-
Art Club	18	-	18	-	-
Snack – activity	3,416	7,459	8,392	-	2,483
Pictures	1,399	149	-	-	1,548
Flowers and pop	1,748	1,177	1,093	-	1,832
Book Fair	45	5,873	5,455	-	463
Interest	1,479	563	-	-	2,042
Jump Rope for Heart	42	-	-	-42	-
Miscellaneous – juice machine	3,112	1,545	1,128	-	3,529
PBIS	474	1,444	1,883	-	35
Field trip	1,619	-	2,056	437	-
Elementary	297	2,004	1,426	-	875
Friends of the Cougar's Den	28,205	27,966	23,521	-	32,650
School store – ELP	-	63	63	-	-
OM Team	518	-	-	-518	-
RIF - Activity	36	-	-	-36	-
PE Uniforms	-	1,542	2,212	670	-
Student Activities	-	10,327	3,158	-4,915	2,254
Band	1,059	1,912	2,111	-860	-
<b>Total</b>	<b>\$ 113,448</b>	<b>\$ 77,080</b>	<b>\$ 77,293</b>	<b>\$ -</b>	<b>\$ 113,235</b>

**Fredericksburg Community School District**

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

**For the Last Ten Years**

	Modified Accrual Basis			
	2014	2013	2012	2011
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 1,622,798	\$ 1,587,883	\$ 1,526,553	\$ 1,508,222
Tuition	895,369	820,327	957,901	652,643
Other	358,239	332,907	258,175	420,900
State sources	1,289,063	1,212,154	1,325,003	1,240,284
Federal sources	125,170	93,732	158,805	164,973
<b>Total</b>	<b>\$ 4,290,639</b>	<b>\$ 4,047,003</b>	<b>\$ 4,226,437</b>	<b>\$ 3,987,022</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,132,251	\$ 2,069,850	\$ 2,023,150	\$ 2,069,796
Special instruction	376,998	312,053	422,817	390,601
Other instruction	399,893	347,061	252,293	297,517
<b>Support services:</b>				
Student services	82,425	81,809	88,739	93,100
Instructional staff services	107,868	85,041	81,902	82,074
Administrative services	400,131	375,271	375,588	463,912
Operation and maintenance of plant services	317,247	264,487	255,654	240,667
Transportation services	185,494	171,246	173,923	246,836
Central support services	-	-	-	-
<b>Other expenditures:</b>				
Facilities acquisition	70,447	219,392	2,213,403	2,078,581
<b>Long-term debt:</b>				
Principal	160,000	135,000	135,000	-
Interest and other charges	143,060	146,810	152,774	129,745
AEA flow-through	108,500	103,740	104,366	117,959
<b>Total</b>	<b>\$ 4,484,314</b>	<b>\$ 4,311,760</b>	<b>\$ 6,279,609</b>	<b>\$ 6,210,788</b>

See accompanying independent auditor's report.

## Modified Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 1,438,578	\$ 1,588,031	\$ 1,543,440	\$ 1,491,417	\$ 1,483,959	\$ 1,432,914
621,334	654,237	749,798	752,551	1,103,150	977,609
573,860	663,199	627,353	702,997	166,874	252,730
1,089,861	1,342,794	1,299,832	1,212,974	1,169,719	1,208,715
274,432	134,950	102,689	115,484	82,295	131,631
<u>\$ 3,998,065</u>	<u>\$ 4,383,211</u>	<u>\$ 4,323,112</u>	<u>\$ 4,275,423</u>	<u>4,005,997</u>	<u>\$ 4,003,599</u>
\$ 1,923,719	\$ 1,900,282	\$ 1,945,079	\$ 1,947,026	\$ 1,893,862	\$ 1,872,978
408,098	444,464	353,162	369,818	327,348	395,636
264,398	285,705	268,159	285,298	204,123	223,023
82,125	79,767	91,705	94,978	64,465	58,176
104,329	105,262	97,112	45,177	49,158	57,276
412,728	413,037	396,572	432,958	525,125	380,874
227,570	259,067	249,156	239,558	307,109	329,201
207,383	210,953	184,771	238,656	107,322	94,491
-	-	-	-	18,366	17,820
164,002	53,591	69,356	149,204	96,390	25,344
-	105,000	105,000	100,000	100,000	100,000
93,167	4,075	7,225	10,225	12,725	14,725
116,361	107,518	106,867	104,285	100,271	101,118
<u>\$ 4,003,880</u>	<u>\$ 3,968,721</u>	<u>\$ 3,874,164</u>	<u>\$ 4,017,183</u>	<u>\$ 3,806,264</u>	<u>\$ 3,670,662</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  
Fredericksburg 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 Fredericksburg Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 6, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Fredericksburg 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 Fredericksburg Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Fredericksburg 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 thru I-E-14 to be material weaknesses.

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 consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-F-14 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fredericksburg 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, 2014 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.

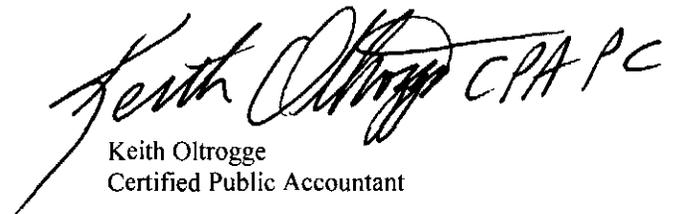
## Fredericksburg Community School District's Responses to the Findings

Fredericksburg Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Fredericksburg 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 Fredericksburg 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 6, 2015

Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2014

**Part I – Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

- I-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts and disbursements, and preparation of the bank reconciliation are all done by the same person.

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

Response – We will continue to review our procedures and make changes to improve internal control where possible.

Conclusion – Response accepted.

- I-B-14 School Nutrition Fund Accounts – I noted the Enterprise, School Nutrition Fund revenue and expenses classifications as required by the Iowa Department of Education were not accurately recorded in the general ledger. The District records student meal deposits as student lunch revenue and then allocates the breakfast, adult and ala carte revenues at year end. The District records food costs in one account and then allocates them at year end.

Recommendation – The District should record meal deposits in an unearned revenue liability account. On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category to ensure more accurate revenue classifications. The District should record expenses for food in the correct accounts as the purchases are made.

Response – We are implementing changes in procedures for fiscal year 2015 which will correct this problem.

Conclusion – Response accepted.

- I-C-14 Disbursement Approval – For 9 of 35 general fund and 9 of 15 student activity fund disbursements tested there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent's approval of claims for payment, such as the Superintendent's initials and date of approval.

Response – We will ensure all expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2014

**Part I – Findings Related to the General Purpose Financial Statements (continued):**

**INTERNAL CONTROL DEFICIENCIES:**

I-D-14 Supporting Documentation – I noted three instances of checks being written to a vendor without an invoice or supporting documentation.

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

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response accepted.

I-E-14 Employees Who Officiate Athletic Events – I noted the District had payrolled employees who officiated athletic events for the school. The District paid the employees with Student Activity Fund accounts payable checks instead of paying them through regular payroll where applicable taxes could be applied.

Recommendation – These payments should be paid through the payroll system in order to be included in the quarterly Federal 941 reports and W-2s.

Response – We will pay district employee officials through payroll instead of the Activity Fund.

Conclusion – Response accepted.

I-F-14 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2014

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

- II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the certified budget amounts.
- II-B-14 Questionable Expenditures – No expenditures, I believe, may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-14 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-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bill Glen – Employee Spouse	Official	\$110
Jim Wright – Employee Spouse	Judge	75
Steven Craford - Employee	Consulting	500

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

- II-E-14 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-14 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted.
- II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**Fredericksburg Community School District**

**Schedule of Findings**

**Year Ended June 30, 2014**

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

II-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	159,961	
Revenues/transfers in:				
Sales tax revenues	\$	175,005		
Other local revenues		1,860		
School infrastructure supplement		42,019	218,884	
			<hr/>	
			\$	378,845
Expenditures/transfers out:				
School infrastructure construction	\$	27,597		
Other		2,000		
Transfers to other funds:				
Debt service fund		166,926	196,523	
			<hr/>	
Ending balance			<u>\$</u>	<u>182,322</u>

For the year ended June 30, 2014, 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	\$ 1.3634	\$ 217.023
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-M-14 Enterprise Fund, School Nutrition – I noted in my testing of revenues for the Enterprise Fund, School Nutrition that the District records all meal sales and related revenues into one general ledger account for sale of student lunches. The matching expenses were also just recorded in one food purchase account.

Recommendation – The Iowa Department of Education requires any school district operating as a school authority to utilize the uniform chart of accounts in Iowa to record and track meal revenues and expenses. The District should record all meal account deposits to an unearned revenue account, then periodically allocate the earned portion of meal deposits to the proper accounts, including student lunches, student breakfasts, ala carte and adult lunches and breakfasts. Matching expenses also need to be recorded. This would allow the District to better track meal revenues and expenses and protect the underlying assets. It would also bring the District into compliance with Iowa Department of Education guidelines.

Response – We will properly adjust our revenue and expense recognition and coding in the School Nutrition Fund to comply with the Iowa Department of Education requirements.

Conclusion – Response accepted.

II-N-14 Sales Tax – Sales tax was paid by the District on one disbursement tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made.

Conclusion – Response acknowledged.