

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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St. Ansgar Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Charlotte Gordon	President	2015
Gene Hertel	Vice President	2015
Ed Kleinwort	Board Member	2013
Matt Hanna	Board Member	2013
Bryan Shupe	Board Member	2013
Steve Groth	Board Member	2015
Tara Bork	Board Member	2013

(After September 2013 Election)

Charlotte Gordon	President	2015
Gene Hertel	Vice President	2015
Erin Neeley	Board Member	2017
Matt Hanna	Board Member	2017
Lindsey Falk	Board Member	2017
Steve Groth	Board Member	2015
Tara Bork	Board Member	2017

School Officials

Jody Gray	Superintendent	2014
Lisa Groth	Business Manager/District Secretary	2014
Patrick Rourick	Attorney	2014

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of St. Ansgar Community School District, St. Ansgar, Iowa, as of and for the year ended June 30, 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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of St. Ansgar Community School District as of June 30, 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Ansgar Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2015 on our consideration of St. Ansgar Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering St. Ansgar Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 6, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The St. Ansgar Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,105,909 in fiscal year 2013 to \$6,357,912 in fiscal year 2014, while General Fund expenditures increased from \$6,367,899 in fiscal year 2013 to \$6,717,170 in fiscal year 2014. This resulted in a decrease in the District's General Fund balance from \$2,708,692 at June 30, 2013 to \$2,349,434 at June 30, 2014, a 13.26% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state source revenues received as compared to the prior year. The increase in expenditures was due to an increase in negotiated salaries and benefits for District employees, increased costs for substitutes, increased numbers of staff taking health insurance, increased technology support, software, increased utility costs and purchasing a new math textbook series.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

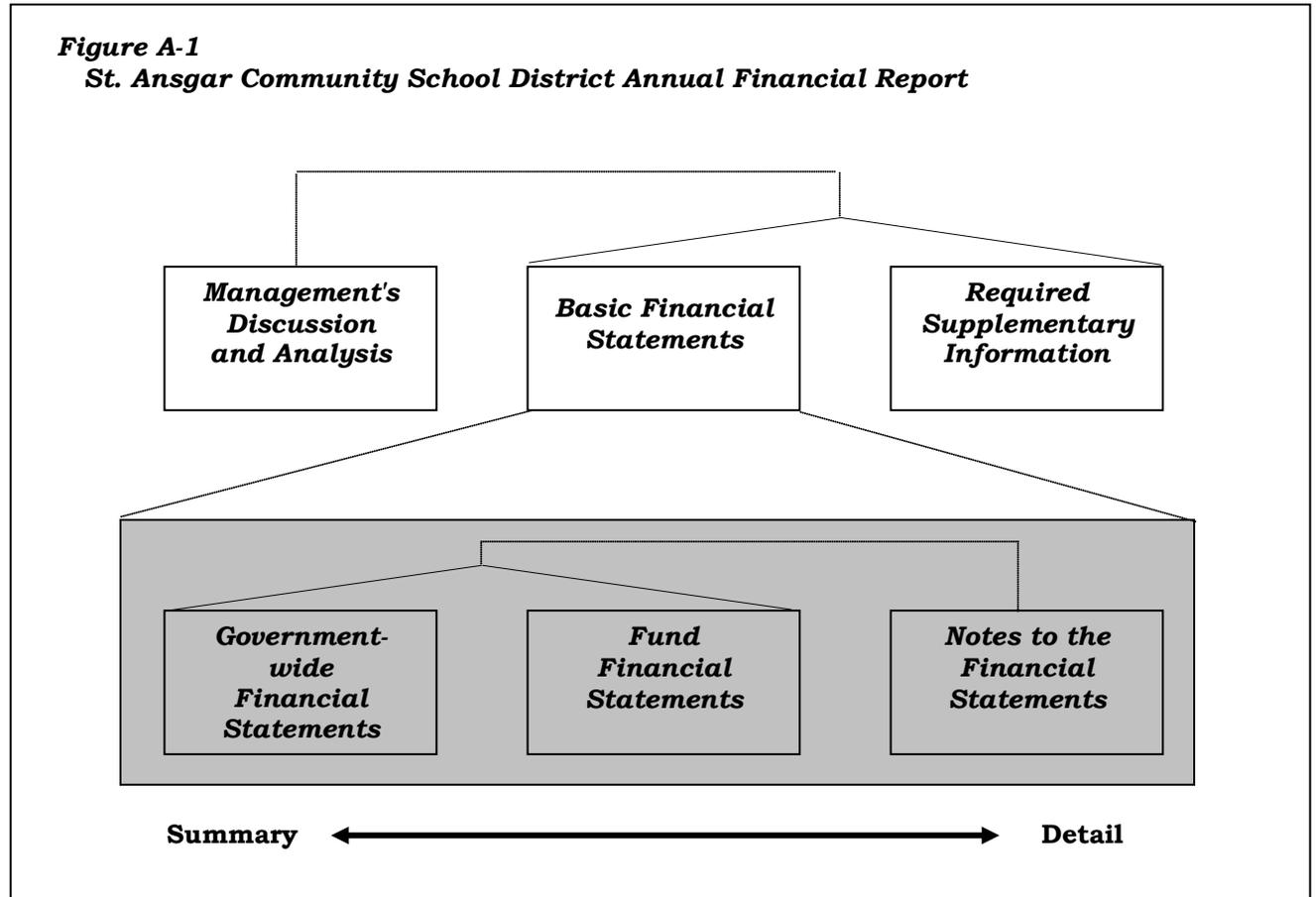


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 service and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • 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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, 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 is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in 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 the Private-Purpose Trust Fund and Agency Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds for which the District administers and accounts for the FFA dues and fees, and cornbowl fees and dues.

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

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

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental 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							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 8,090,593	8,436,272	59,199	28,738	8,149,792	8,465,010	-3.72%
Capital assets	4,161,366	3,997,162	34,626	30,766	4,195,992	4,027,928	4.17%
Total assets	12,251,959	12,433,434	93,825	59,504	12,345,784	12,492,938	-1.18%
Long-term liabilities	503,894	771,549	11,341	9,727	515,235	781,276	-34.05%
Other liabilities	866,999	834,719	6,083	6,966	873,082	841,685	3.73%
Total liabilities	1,370,893	1,606,268	17,424	16,693	1,388,317	1,622,961	-14.46%
Deferred inflows of resources	2,947,049	2,913,462	-	-	2,947,049	2,913,462	1.15%
Net position:							
Net investment in capital assets	3,861,366	3,402,162	34,626	30,766	3,895,992	3,432,928	13.49%
Restricted	1,941,399	1,993,379	-	-	1,941,399	1,993,379	-2.61%
Unrestricted	2,131,252	2,518,163	41,775	12,045	2,173,027	2,530,208	-14.12%
Total net position	\$ 7,934,017	7,913,704	76,401	42,811	8,010,418	7,956,515	0.68%

The District's combined net position increased by 0.68%, or \$53,903 from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased 2.61%, or \$51,980, from the prior year. This decrease is due primarily to the decrease in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund from 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 \$357,181, or 14.12%. This decrease in unrestricted net position was primarily due to a decrease in the fund balance of the General Fund.

Figure A-4 shows the changes 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							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 777,828	697,716	203,905	164,504	981,733	862,220	13.86%
Operating grants, contributions and restricted interest	578,995	577,993	164,749	149,604	743,744	727,597	2.22%
Capital grants, contributions and restricted interest	29,005	100,608	-	-	29,005	100,608	-71.17%
General revenues:							
Property tax	2,923,461	2,892,080	-	-	2,923,461	2,892,080	1.09%
Income surtax	264,633	239,399	-	-	264,633	239,399	10.54%
Statewide sales, services and use tax	561,279	533,218	-	-	561,279	533,218	5.26%
Unrestricted state grants	2,767,728	2,522,330	-	-	2,767,728	2,522,330	9.73%
Unrestricted investment earnings	18,937	20,303	57	73	18,994	20,376	-6.78%
Other	18,038	15,005	1,682	8,857	19,720	23,862	-17.36%
Total revenues	7,939,904	7,598,652	370,393	323,038	8,310,297	7,921,690	4.91%
Program expenses:							
Instructional	5,274,115	4,676,320	-	-	5,274,115	4,676,320	12.78%
Support services	2,238,865	2,217,373	1,458	-	2,240,323	2,217,373	1.04%
Non-instructional programs	8,057	-	343,402	361,111	351,459	361,111	-2.67%
Other expenses	390,497	378,663	-	-	390,497	378,663	3.13%
Total expenses	7,911,534	7,272,356	344,860	361,111	8,256,394	7,633,467	8.16%
Excess(Deficiency) of revenues over(under) expenses	28,370	326,296	25,533	(38,073)	53,903	288,223	-81.30%
Transfers	(8,057)	(7,022)	8,057	7,022	-	-	0.00%
Change in net position	20,313	319,274	33,590	(31,051)	53,903	288,223	-81.30%
Net position beginning of year	7,913,704	7,594,430	42,811	73,862	7,956,515	7,668,292	3.76%
Net position beginning of year	\$ 7,934,017	7,913,704	76,401	42,811	8,010,418	7,956,515	0.68%

In fiscal year 2014, local tax and unrestricted state grants accounted for 71.68% of the revenues from governmental activities, while charges for service and operating grants and contributions accounted for 99.53% of the revenue from business type activities.

The District's total revenues were approximately \$8.31 million, of which approximately \$7.94 million were from governmental activities and approximately \$0.37 million were from business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.91% increase in revenues and a 8.16% increase in expenditures. The increase in revenues is primarily due to increased unrestricted state grant and charge for service revenue received as compared to the prior year. The increase in expenditures is primarily due to the increase in negotiated salaries and benefits for District employees.

Governmental Activities

Revenues for governmental activities were \$7,939,904 and expenses totaled \$7,911,534 for the year ended June 30, 2014.

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.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,274,115	4,676,320	12.78%	4,173,377	3,643,367	14.55%
Support services	2,238,865	2,217,373	0.97%	2,209,435	2,116,515	4.39%
Non-instructional programs	8,057	-	100.00%	8,057	-	100.00%
Other expenses	390,497	378,663	3.13%	134,837	136,157	-0.97%
Totals	<u>\$ 7,911,534</u>	<u>7,272,356</u>	<u>8.79%</u>	<u>6,525,706</u>	<u>5,896,039</u>	<u>10.68%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$777,828.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$608,000.
- The net cost of governmental activities was financed with \$2,923,461 in property tax, \$264,633 in income surtax, \$561,279 in statewide sales, services and use tax, \$2,767,728 in unrestricted state grants, \$18,937 in interest income and \$18,038 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$370,393 and expenses totaled \$344,860. The District's business type activities are the School Nutrition Fund and the FFA Farm Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income, and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,049,005, below last year's ending combined fund balances of \$4,462,755. The primary reason for the decrease in combined fund balances is attributable to the decrease in the fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The General Fund balance decreased from \$2,708,692 at June 30, 2013 to \$2,349,434 at June 30, 2014. An increase in state source revenues was the primary reason for the increase in General Fund revenues compared to the previous year. Increased salary and benefits costs were the main contributing factor in the increase in fund expenditures incurred from the prior year. Although General Fund revenues increases during the year, total expenditures still outpaced total revenues ensuring a decrease in ending fund balance.
- The Management Levy Fund balance increased from \$631,959 at June 30, 2013 to \$690,479 at June 30, 2014. The primary reason for this increase in fund balance was an increase in local tax revenues sources coupled with a decrease in support service expenditures incurred as compared to the previous year.
- The Capital Projects Fund balance decreased from a balance of \$1,027,073 at June 30, 2013 to \$921,179 at June 30, 2014. This decrease can be largely attributed to an increase in capital outlay expenditures required during the year as well as increased monies needed to pay off the District's general obligation bond indebtedness.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$28,261 at June 30, 2013 to \$61,605 at June 30, 2014, representing an increase of approximately 117.99%. This increase in net position resulted primarily from an increase in charges for service and federal source revenues received coupled with a decrease in salaries and benefits paid to School Nutrition fund workers due to staff restructuring during the year.

The FFA Farm Fund net position increased from \$14,550 at June 30, 2013 to \$14,796 at June 30, 2014, representing an increase of approximately 1.69%. The increase in net position can be attributed to a decrease in expenditures incurred as compared to the previous year.

BUDGETARY HIGHLIGHTS

Over the course of the year, St Ansgar Community School District amended its budget one time to reflect additional expenditures associated with the District's 1:1 computer initiative, increased insurance, hot lunch and expenditures required for payments on the District's bonded indebtedness.

The District's revenues were \$400,880 more than budgeted revenues, a variance of 5.07%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$4,195,992, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 4.17% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$332,870.

The original cost of the District's capital assets was \$10,337,265. Governmental funds account for \$10,210,186 with the remainder of \$127,079 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$709,513 at June 30, 2014 as compared to \$559,631 at June 30, 2013. This increase is primarily due to the laptops for the District's 1:1 laptop initiative during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 105,408	105,408	-	-	105,408	105,408	0.00%
Buildings	3,110,779	3,153,096	-	-	3,110,779	3,153,096	-1.34%
Land improvements	270,292	209,793	-	-	270,292	209,793	28.84%
Machinery and equipment	674,887	528,865	34,626	30,766	709,513	559,631	26.78%
Total	\$ 4,161,366	3,997,162	34,626	30,766	4,195,992	4,027,928	4.17%

Long-Term Debt

At June 30, 2014, the District had \$515,235 in other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

At June 30, 2014, the District had \$300,000 in computer loan indebtedness payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

At June 30, 2014, the District had \$28,090 in compensated absences payable from the General Fund.

At June 30, 2014, the District had a total outstanding net OPEB liability of \$187,145. Governmental activities account for \$175,804 of this total, while business type activities account for the remaining \$11,341.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	2013-14
General obligation bonds	\$ -	595,000	-	-	-	595,000	-100.00%
Computer loan	300,000	-	-	-	300,000	-	100.00%
Compensated absences	28,090	25,755	-	-	28,090	25,755	9.07%
Net OPEB obligation	175,804	150,794	11,341	9,727	187,145	160,521	16.59%
Total	\$ 503,894	771,549	11,341	9,727	515,235	781,276	-34.05%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- At this time we are not aware of any new businesses locating in our district, nor are we aware of any businesses leaving our district. We have a low unemployment rate throughout our area and are experiencing a stable economic climate. Mitchell County has a strong Economic Development program which has continually enhanced economic growth throughout the county.
- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENT

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 4,536,604	52,536	4,589,140
Receivables:			
Property tax:			
Delinquent	23,170	-	23,170
Succeeding year	2,947,049	-	2,947,049
Income surtax	206,788	-	206,788
Accounts	-	2,165	2,165
Due from other governments	376,982	-	376,982
Inventories	-	4,498	4,498
Capital assets, net of accumulated depreciation	4,161,366	34,626	4,195,992
TOTAL ASSETS	12,251,959	93,825	12,345,784
LIABILITIES			
Accounts payable	224,055	-	224,055
Salaries and benefits payable	632,361	-	632,361
Advances from grantors	8,298	-	8,298
Accrued interest payable	2,285	-	2,285
Unearned revenue	-	6,083	6,083
Long-term liabilities:			
Portion due within one year:			
Computer loan payable	75,000	-	75,000
Compensated absences payable	28,090	-	28,090
Portion due after one year:			
Computer loan payable	225,000	-	225,000
Net OPEB liability	175,804	11,341	187,145
TOTAL LIABILITIES	1,370,893	17,424	1,388,317
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	2,947,049	-	2,947,049
NET POSITION			
Net investment of capital assets	3,861,366	34,626	3,895,992
Restricted for:			
Categorical funding	235,943	-	235,943
School infrastructure	507,496	-	507,496
Physical plant and equipment	413,683	-	413,683
Management levy purposes	690,479	-	690,479
Student activities	93,798	-	93,798
Unrestricted	2,131,252	41,775	2,173,027
TOTAL NET POSITION	\$ 7,934,017	76,401	8,010,418

SEE NOTES TO FINANCIAL STATEMENTS.

**ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 3,220,139	243,312	134,542	-	(2,842,285)	-	(2,842,285)
Special	785,120	86,676	29,124	-	(669,320)	-	(669,320)
Other	1,268,856	447,840	159,244	-	(661,772)	-	(661,772)
	5,274,115	777,828	322,910	-	(4,173,377)	-	(4,173,377)
Support services:							
Student	239,761	-	170	-	(239,591)	-	(239,591)
Instructional staff	259,295	-	255	-	(259,040)	-	(259,040)
Administration	660,351	-	-	-	(660,351)	-	(660,351)
Operation and maintenance of plant	649,512	-	-	29,005	(620,507)	-	(620,507)
Transportation	429,946	-	-	-	(429,946)	-	(429,946)
	2,238,865	-	425	29,005	(2,209,435)	-	(2,209,435)
Non-instructional programs:							
Food service operations	8,057	-	-	-	(8,057)	-	(8,057)
Long-term debt interest	21,935	-	-	-	(21,935)	-	(21,935)
Other expenses:							
AEA flowthrough	255,660	-	255,660	-	-	-	-
Depreciation (unallocated)*	112,902	-	-	-	(112,902)	-	(112,902)
	368,562	-	255,660	-	(112,902)	-	(134,837)
Total governmental activities	7,911,534	777,828	578,995	29,005	(6,525,706)	-	(6,525,706)
Business-Type activities:							
Support services:							
Operation and maintenance of plant	1,458	-	-	-	-	(1,458)	(1,458)
Non-instructional programs:							
Food service operations	336,928	197,185	164,749	-	-	25,006	25,006
Other enterprise operations	6,474	6,720	-	-	-	246	246
Total non-instructional programs:	343,402	203,905	164,749	-	-	25,252	25,252
Total business type activities	344,860	203,905	164,749	-	-	23,794	23,794
Total	\$ 8,256,394	981,733	743,744	29,005	(6,525,706)	23,794	(6,501,912)
General Revenues and Transfers:							
General Revenues:							
Property tax for:							
General purposes					\$ 2,574,620	-	2,574,620
Capital outlay					348,841	-	348,841
Income Surtax					264,633	-	264,633
Statewide sales, services and use tax					561,279	-	561,279
Unrestricted state grants					2,767,728	-	2,767,728
Unrestricted investment earnings					18,937	57	18,994
Other					18,038	1,682	19,720
Transfers					(8,057)	8,057	-
Total general revenues and transfers					6,546,019	9,796	6,555,815
Changes in net position					20,313	33,590	53,903
Net position beginning of year					7,913,704	42,811	7,956,515
Net position end of year					\$ 7,934,017	76,401	8,010,418

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

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2014

	General	Management Levy	Capital Projects	Nomajor: Student Activity	Total
ASSETS					
Cash and pooled investments	\$ 2,951,545	691,318	782,634	88,070	4,513,567
Receivables:					
Property tax					
Delinquent	19,112	1,628	2,430	-	23,170
Succeeding year	2,370,346	200,000	376,703	-	2,947,049
Income surtax	206,788	-	-	-	206,788
Due from other governments	195,245	-	181,737	-	376,982
TOTAL ASSETS	\$ 5,743,036	892,946	1,343,504	88,070	8,067,556
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 175,966	2,467	45,622	-	224,055
Salaries and benefits payable	632,204	-	-	157	632,361
Advances from grantors	8,298	-	-	-	8,298
Total liabilities	816,468	2,467	45,622	157	864,714
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,370,346	200,000	376,703	-	2,947,049
Income surtax	206,788	-	-	-	206,788
Total deferred inflows of resources	2,577,134	200,000	376,703	-	3,153,837
Fund balances:					
Restricted for:					
Categorical funding	235,943	-	-	-	235,943
School infrastructure	-	-	507,496	-	507,496
Physical plant and equipment	-	-	413,683	-	413,683
Management levy purposes	-	690,479	-	-	690,479
Student activities	-	-	-	93,798	93,798
Unassigned:					
General	2,113,491	-	-	-	2,113,491
Student activities	-	-	-	(5,885)	(5,885)
Total fund balances	2,349,434	690,479	921,179	87,913	4,049,005
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,743,036	892,946	1,343,504	88,070	8,067,556

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	4,049,005
 <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 in the governmental funds.		4,161,366
Accounts receivable income surtax, are not yet available to finance expenditures of the current and, therefore, are recognized as deferred inflows of resources in the governmental funds.		206,788
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		23,037
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.		(2,285)
Long-term liabilities, including computer loan payable, compensated absences, and other postemployment benefits are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds.		(503,894)
		(503,894)
Net position of governmental activities(page 18)	\$	7,934,017
		7,934,017

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,634,283	200,706	348,841	-	3,183,830
Tuition	309,273	-	-	-	309,273
Other	132,254	5,775	28,399	432,841	599,269
State sources	3,123,348	93	564,618	-	3,688,059
Federal sources	155,209	-	-	-	155,209
Total revenues	<u>6,354,367</u>	<u>206,574</u>	<u>941,858</u>	<u>432,841</u>	<u>7,935,640</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,915,755	-	424,617	-	3,340,372
Special	760,898	-	-	-	760,898
Other	787,398	-	-	439,360	1,226,758
	<u>4,464,051</u>	<u>-</u>	<u>424,617</u>	<u>439,360</u>	<u>5,328,028</u>
Support services:					
Student	233,686	-	-	-	233,686
Instructional staff	251,523	-	-	599	252,122
Administration	643,095	12,492	8,663	-	664,250
Operation and maintenance of plant	499,427	126,387	5,496	-	631,310
Transportation	369,728	9,175	-	-	378,903
	<u>1,997,459</u>	<u>148,054</u>	<u>14,159</u>	<u>599</u>	<u>2,160,271</u>
Non-instructional programs					
Food service operations	-	-	8,057	-	8,057
Capital outlay	-	-	284,576	-	284,576
Long-term debt:					
Principal	-	-	-	595,000	595,000
Interest and fiscal charges	-	-	-	21,343	21,343
	<u>-</u>	<u>-</u>	<u>-</u>	<u>616,343</u>	<u>616,343</u>
Other expenditures:					
AEA flowthrough	255,660	-	-	-	255,660
Total expenditures	<u>6,717,170</u>	<u>148,054</u>	<u>731,409</u>	<u>1,056,302</u>	<u>8,652,935</u>
Excess(Deficiency) of revenues over(under) expenditures	(362,803)	58,520	210,449	(623,461)	(717,295)
Other financing sources(uses):					
Transfer in	-	-	-	616,343	616,343
Transfer out	-	-	(616,343)	-	(616,343)
Computer loan proceeds	-	-	300,000	-	300,000
Sale of equipment	3,545	-	-	-	3,545
Total other financing sources(uses)	<u>3,545</u>	<u>-</u>	<u>(316,343)</u>	<u>616,343</u>	<u>303,545</u>
Change in fund balances	(359,258)	58,520	(105,894)	(7,118)	(413,750)
Fund balances beginning of year	<u>2,708,692</u>	<u>631,959</u>	<u>1,027,073</u>	<u>95,031</u>	<u>4,462,755</u>
Fund balances end of year	<u>\$ 2,349,434</u>	<u>690,479</u>	<u>921,179</u>	<u>87,913</u>	<u>4,049,005</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ (413,750)

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

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

Capital outlay	\$ 492,877	
Depreciation expense	<u>(328,673)</u>	164,204

Proceeds from issuing long-term liabilities provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments are as follows:

Issued	(300,000)	
Repaid	<u>595,000</u>	295,000

Net change in Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (1,468)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (592)

Income surtax account receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. 4,264

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

Compensated absences	(2,335)	
Other postemployment benefits	<u>(25,010)</u>	<u>(27,345)</u>

Change in net position of governmental activities(page 19) \$ 20,313

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
	ASSETS			
Cash and pooled investments	\$ 37,740	14,796	52,536	23,037
Accounts receivable	2,165	-	2,165	-
Inventories	4,498	-	4,498	-
Capital assets, net of accumulated depreciation	34,626	-	34,626	-
TOTAL ASSETS	79,029	14,796	93,825	23,037
LIABILITIES				
Unearned revenue	6,083	-	6,083	-
Net OPEB liability	11,341	-	11,341	-
TOTAL LIABILITIES	17,424	-	17,424	-
NET POSITION				
Net investment in capital assets	34,626	-	34,626	-
Unrestricted	26,979	14,796	41,775	23,037
TOTAL NET POSITION	\$ 61,605	14,796	76,401	23,037

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	FFA Farm	Total	
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 197,185	6,720	203,905	-
Miscellaneous	1,682	-	1,682	500
TOTAL OPERATING REVENUES	198,867	6,720	205,587	500
OPERATING EXPENSES:				
Support Services:				
Operation and maintenance of plant:				
Services	1,458	-	1,458	-
Non-instructional programs:				
Food service operations:				
Salaries	118,937	-	118,937	-
Benefits	45,187	-	45,187	-
Supplies	168,367	-	168,367	-
Other	240	-	240	-
Depreciation	4,197	-	4,197	-
Other enterprise operations:				
Services	-	-	-	1,992
Supplies	-	6,474	6,474	-
Total non-instructional programs	336,928	6,474	343,402	1,992
TOTAL OPERATING EXPENSES	338,386	6,474	344,860	1,992
OPERATING INCOME(LOSS)	(139,519)	246	(139,273)	(1,492)
NON-OPERATING REVENUES:				
State sources	3,357	-	3,357	-
Federal sources	161,392	-	161,392	-
Interest	57	-	57	24
TOTAL NON-OPERATING REVENUES	164,806	-	164,806	24
Change in net position before other financing sources	25,287	246	25,533	(1,468)
Other financing sources:				
Capital contributions	8,057	-	8,057	-
Change in net position	33,344	246	33,590	(1,468)
Net position beginning of year	28,261	14,550	42,811	24,505
Net position end of year	\$ 61,605	14,796	76,401	23,037

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Business Type Activities - Enterprise Funds			Governmental
	School Nutrition	FFA Farm	Total	Activities- Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 196,593	-	196,593	-
Cash received from the sale of crops	-	6,720	6,720	-
Cash received from miscellaneous operating activities	1,682	-	1,682	500
Cash payments to employees for services	(162,510)	-	(162,510)	-
Cash payments to suppliers for goods or services	(152,323)	(6,474)	(158,797)	(1,992)
Net cash provided by(used in) operating activities	(116,558)	246	(116,312)	(1,492)
Cash flows from non-capital financing activities:				
State grants received	3,357	-	3,357	-
Federal grants received	145,181	-	145,181	-
Net cash provided by non-capital financing activities	148,538	-	148,538	-
Cash flows from investing activities:				
Interest on investments	57	-	57	24
Net increase(decrease) in cash and cash equivalents	32,037	246	32,283	(1,468)
Cash and cash equivalents beginning of year	5,703	14,550	20,253	24,505
Cash and cash equivalents end of year	\$ 37,740	14,796	52,536	23,037
Reconciliation of operating loss to net cash used in operating activities:				
Operating income(loss)	\$ (139,519)	246	(139,273)	(1,492)
Adjustments to reconcile operating income(loss) to net cash Provided by(used in) operating activities:				
Commodities consumed	16,211	-	16,211	-
Depreciation	4,197	-	4,197	-
Decrease in inventories	1,531	-	1,531	-
Decrease in accounts receivable	291	-	291	-
Decrease in unearned revenue	(883)	-	(883)	-
Increase in other postemployment benefits	1,614	-	1,614	-
Net cash provided by(used in) operating activities	(116,558)	246	(116,312)	(1,492)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$16,211.

During the year ended June 30, 2014, the School Nutrition Fund received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund of \$8,057.

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	<u>\$ 152,149</u>	<u>11,011</u>
LIABILITIES		
Due to other groups	<u>-</u>	<u>11,011</u>
NET POSITION		
Restricted for scholarships	<u>152,149</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Donations	\$ 1,200
Interest	2,013
Stock dividends	76
Total additions	<u>3,289</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>6,240</u>
Change in net position	(2,951)
Net position beginning of year	<u>155,100</u>
Net position end of year	<u>\$ 152,149</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

Restricted net position 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

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

The District also reports the following non-major proprietary funds:

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

The District also reports an Internal Service Fund is used to account for the partially self-funded health insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash

flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 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, machinery, equipment, and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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 receivables and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. 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 at June 30, 2014 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$18,120 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

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

At June 30, 2014, the District's investment in common stock is as follows:

Name of Stock	Number of Shares	Fair Value
Coca Cola	33	\$1,398
Principal Financial Group	471	\$23,776
Dominion Resources, Inc.	114	\$8,153
Total	<u>618</u>	<u>\$33,327</u>

(3) Interfund Transfers

The detail of 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	<u>\$ 616,343</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type activities:				
Machinery and equipment	\$ 119,022	8,057	-	127,079
Less accumulated depreciation	88,256	4,197	-	92,453
Business type activities capital assets, net	<u>\$ 30,766</u>	<u>3,860</u>	<u>-</u>	<u>34,626</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 105,408	-	-	105,408
Capital assets being depreciated:				
Buildings	5,727,107	52,201	-	5,779,308
Land improvements	288,804	78,883	-	367,687
Machinery and equipment	3,595,990	361,793	-	3,957,783
Total capital assets being depreciated	9,611,901	492,877	-	10,104,778
Less accumulated depreciation for:				
Buildings	2,574,011	94,518	-	2,668,529
Land improvements	79,011	18,384	-	97,395
Machinery and equipment	3,067,125	215,771	-	3,282,896
Total accumulated depreciation	5,720,147	328,673	-	6,048,820
Total capital assets being depreciated, net	3,891,754	164,204	-	4,055,958
Governmental activities capital assets, net	\$ 3,997,162	164,204	-	4,161,366
Governmental activities:				
Instruction:				
Regular				\$ 108,211
Special				3,735
Other				23,817
Support services:				
Administration				22,879
Operation and maintenance				12,548
Transportation				44,581
				215,771
Unallocated depreciation				112,902
Total governmental activities depreciation expense				\$ 328,673
Business-type activities:				
Food services				\$ 4,197

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 595,000	-	595,000	-	-
Computer loan	-	300,000	-	300,000	75,000
Compensated Absences	25,755	28,090	25,755	28,090	28,090
Net OPEB Liability	150,794	25,010	-	175,804	-
Total	\$ 771,549	353,100	620,755	503,894	103,090
Business Type Activities:					
Net OPEB liability	\$ 9,727	1,614	-	11,341	-

Computer Loan Payable

During the year ended June 30, 2014 the District entered into a loan agreement for the purchase of computers as part of the District’s one to one laptop initiative. Details of the District’s June 30, 2014 computer loan indebtedness are as follows:

Year Ending June 30,	Computer Loan Dated September 25, 2013				
	Interest Rates		Principal	Interest	Total
2015	1.00 %	\$	75,000	3,000	78,000
2016	1.00		75,000	2,250	77,250
2017	1.00		75,000	1,500	76,500
2018	1.00		75,000	750	75,750
Total		\$	300,000	7,500	307,500

(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 salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$356,598, \$342,845, and \$298,063, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

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

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 38,987
Interest on net OPEB obligation	4,013
Adjustment to annual required contribution	(11,611)
Annual OPEB cost	<u>31,389</u>
Contributions made	(4,765)
Increase in net OPEB obligation	26,624
Net OPEB obligation beginning of year	<u>160,521</u>
Net OPEB obligation end of year	<u>\$ 187,145</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$4,765 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	52,774	8.75%	133,546
2013	32,044	15.82%	160,521
2014	31,389	15.18%	187,145

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 \$278,475, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$278,475. The covered payroll (annual payroll of active employees covered by the plan) was \$3,209,369 and the ratio of the UAAL to covered payroll was 8.7%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

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

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

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and vision.

The District’s contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$744,126.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

St. Ansgar 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 \$255,660 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) Property Lease

The District currently has a lease with Rosalee Lowe for rental of a storage facility for two buses that are kept in Stacyville. Payment is \$1,020 per year until either the District or the landlord terminates the lease.

The District currently has a lease with Darren Marsh and Mullenbach Rental for rental of storage facilities for District equipment. Payment is \$450 per year until either the District or the landlord terminates the lease.

(11) Deficit Fund Balance

At June 30, 2014, there were two accounts within the Student Activity Fund with a total combined deficit unassigned balance of \$5,885.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited english proficiency weighting	\$ 1,066
At-risk supplemental weighting	38,545
Gifted and talented	4,945
Returning dropout and dropout prevention	36,817
Teacher salary supplement	22,399
Four-year old preschool state aid	12,577
Successful progression for early readers	14,167
Professional development for model core curriculum	8,618
Professional development	87,526
Teacher leadership grants	7,381
Iowa child abuse prevention	1,105
Model core curriculum	797
Total	<u>\$ 235,943</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	<u>Net investment in Capital Assets</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	2,113,491
Capital assets, net of accumulated depreciation	4,161,366	-
Computer loan capitalized indebtedness	(300,000)	-
Unassigned student activities	-	(5,885)
Income surtax	-	206,788
Accrued interest payable	-	(2,285)
Internal service fund	-	23,037
Compensated absences	-	(28,090)
Net OPEB liability	-	(175,804)
Net position (Exhibit A)	<u>\$ 3,861,366</u>	<u>2,131,252</u>

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to 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.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,092,372	205,644	4,298,016	4,636,289	4,636,289	(338,273)
State sources	3,688,059	3,357	3,691,416	2,960,864	2,960,864	730,552
Federal sources	155,209	161,392	316,601	308,000	308,000	8,601
Total revenues	7,935,640	370,393	8,306,033	7,905,153	7,905,153	400,880
Expenditures:						
Instruction	5,328,028	-	5,328,028	5,275,000	5,600,000	271,972
Support services	2,160,271	1,458	2,161,729	2,333,100	2,500,000	338,271
Non-instructional programs	8,057	343,402	351,459	367,000	450,000	98,541
Other expenditures	1,156,579	-	1,156,579	1,250,838	1,700,000	543,421
Total expenditures/expenses	8,652,935	344,860	8,997,795	9,225,938	10,250,000	1,252,205
Excess(Deficiency) of revenues over(under) expenditures/expenses	(717,295)	25,533	(691,762)	(1,320,785)	(2,344,847)	1,653,085
Other financing sources, net	303,545	8,057	311,602	-	-	311,602
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(413,750)	33,590	(380,160)	(1,320,785)	(2,344,847)	1,964,687
Balances beginning of year	4,462,755	42,811	4,505,566	4,356,466	4,356,466	(149,100)
Balances end of year	\$ 4,049,005	76,401	4,125,406	3,035,681	2,011,619	1,815,587

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,024,062.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED 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	-	\$ 453,786	\$ 453,786	0.0%	\$ 2,920,813	15.5%
2011	July 1, 2009	-	453,786	453,786	0.0%	2,905,350	15.6%
2012	July 1, 2009	-	429,004	429,004	0.0%	2,914,795	14.7%
2013	July 1, 2012	-	295,648	295,648	0.0%	3,237,536	9.1%
2014	July 1, 2012	-	278,475	278,475	0.0%	3,209,639	8.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	Student Activity	Debt Service	
REVENUES:			
Local sources:			
Other	\$ 432,841	-	432,841
EXPENDITURES:			
Current:			
Instruction:			
Other	439,360	-	439,360
Support services:			
Instructional staff	599	-	599
Long-term debt:			
Principal	-	595,000	595,000
Interest and fiscal charges	-	21,343	21,343
TOTAL EXPENDITURES	439,959	616,343	1,056,302
Deficiency of expenditures under revenues	(7,118)	(616,343)	(623,461)
Other financing sources:			
Transfer in	-	616,343	616,343
Change in fund balances	(7,118)	-	(7,118)
Fund balances beginning of year	95,031	-	95,031
Fund balances end of year	\$ 87,913	-	87,913

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 9,520	8,475	4,634	34	13,395
Speech	581	-	550	-	31
Vocal Music	758	1,832	6,121	4,476	945
Choir Robes	4,504	885	-	15	5,404
Band and Choir Trip	17,017	175,791	158,617	(20,776)	13,415
Vocal Music Activities	12,342	6,907	36,926	20,819	3,142
Instrument Rent	5	545	523	-	27
High School Band	614	2,226	3,496	4,484	3,828
Middle School Band	3	-	-	-	3
Band Uniforms	942	1,648	1,252	4	1,342
Music Concessions	1,230	11,745	4,458	(8,517)	-
Cheerleaders	1,520	10,484	9,168	119	2,955
Baseball	3,428	3,011	5,353	2,509	3,595
Softball	2,399	728	1,900	2,509	3,736
Baseball/Softball Concessions	3,792	8,383	4,097	(5,000)	3,078
HS Athletics	939	95,727	104,506	4,444	(3,396)
MS Athletics	(746)	3,026	6,012	1,243	(2,489)
MS Student Council	298	2,077	2,118	-	257
HS Student Council	-	2,242	2,215	-	27
Elem. Student Council	2,182	358	-	6	2,546
Annual	1,732	5,249	8,674	2,610	917
Art Club	1,733	-	-	4	1,737
German Club	144	825	556	(110)	303
Industrial Arts Club	3,961	362	364	11	3,970
Revolving Shop - MS	282	-	-	-	282
MS Activities	79	-	-	-	79
Class of 2014	12,048	-	-	(12,048)	-
Class of 2015	-	32,113	21,903	1,262	11,472
Class of 2016	-	151	-	-	151
Class of 2017	2,527	-	-	(2,527)	-
Class of 2018	-	-	4,433	4,433	-
FCCLA	798	466	183	2	1,083
Stand Club	-	858	852	-	6
Saints Pride	303	-	-	-	303
Student Book Club	265	-	-	-	265
FFA stock	-	1,743	-	-	1,743
FFA	2,752	44,219	42,009	9	4,971
Student Activities	-	3,330	3,137	(193)	-
Milk Machines	1,514	680	450	4	1,748
Towel Rental	-	2,940	2,940	-	-
Insurance	-	9	9	-	-
Petty Cash	100	-	-	-	100
Community Education	218	-	-	-	218
Student Extended Learning	-	-	157	157	-
Computer Club	800	547	1,066	-	281
Special Olympics	4,447	3,259	1,280	17	6,443
Total	\$ 95,031	432,841	439,959	-	87,913

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 325,759	456,875	782,634
Receivables:			
Property tax:			
Delinquent	-	2,430	2,430
Succeeding year	-	376,703	376,703
Due from other governments	181,737	-	181,737
TOTAL ASSETS	\$ 507,496	836,008	1,343,504
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	45,622	45,622
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	376,703	376,703
Fund balances:			
Restricted for:			
School infrastructure	507,496	-	507,496
Physical plant and equipment	-	413,683	413,683
Total fund balances	507,496	413,683	921,179
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 507,496	836,008	1,343,504

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	348,841	348,841
Other	1,702	26,697	28,399
State sources	561,279	3,339	564,618
TOTAL REVENUES	562,981	378,877	941,858
EXPENDITURES:			
Current:			
Instruction:			
Regular	71,472	353,145	424,617
Support services:			
Administration	-	8,663	8,663
Operation and maintenance of plant	-	5,496	5,496
Non-instructional programs:			
Food service operations	-	8,057	8,057
Other expenditures:			
Capital outlay	76,006	208,570	284,576
TOTAL EXPENDITURES	147,478	583,931	731,409
Excess(Deficiency) of revenues over(under) expenditures	415,503	(205,054)	210,449
Other financing sources(uses):			
Transfer out	(616,343)	-	(616,343)
Computer loan proceeds	-	300,000	300,000
TOTAL OTHER FINANCING SOURCES(USES)	(616,343)	300,000	(316,343)
Change in fund balance	(200,840)	94,946	(105,894)
Fund balances beginning of year	708,336	318,737	1,027,073
Fund balances end of year	\$ 507,496	413,683	921,179

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION -
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund									
	Kulik Scholarship	Ramsay Scholarship	Sheka Scholarship	Arnold Scholarship	Maurine Moore Scholarship	Vocal Music Memorials	Band Memorials	FFA Scholarship	Ali Smith Scholarship	Total
ASSETS										
Cash and pooled investments	\$ 10,056	10,585	20,173	102,431	6,873	225	225	600	981	152,149
LIABILITIES										
	-	-	-	-	-	-	-	-	-	-
NET POSITION										
Restricted for scholarships	\$ 10,056	10,585	20,173	102,431	6,873	225	225	600	981	152,149

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT CHANGES IN FIDUCIARY NET POSITION -
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund										
	Kulik Scholarship	Ramsay Scholarship	Sheka Scholarship	Arnold Scholarship	Maurine Moore Scholarship	Vocal Music Memorials	Band Memorials	FFA Scholarship	Ali Smith Scholarship	Pope Scholarship	Total
Additions:											
Local sources:											
Donations	\$ -	-	-	-	-	-	-	600	600	-	1,200
Interest	167	26	260	1,512	48	-	-	-	-	-	2,013
Stock dividends	76	-	-	-	-	-	-	-	-	-	76
TOTAL ADDITIONS	243	26	260	1,512	48	-	-	600	600	-	3,289
DEDUCTIONS:											
Instruction:											
Regular:											
Scholarships awarded	190	-	500	2,000	200	-	-	900	2,200	250	6,240
Change in net position	53	26	(240)	(488)	(152)	-	-	(300)	(1,600)	(250)	(2,951)
Net position beginning of year	10,003	10,559	20,413	102,919	7,025	225	225	900	2,581	250	155,100
Net position end of year	\$ 10,056	10,585	20,173	102,431	6,873	225	225	600	981	-	152,149

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>FFA</u>				
ASSETS				
Cash and pooled investments	\$ 3,203	1,800	5,003	-
LIABILITIES				
Due to other groups	\$ 3,203	1,800	5,003	-
<u>CORNBOWL</u>				
ASSETS				
Cash and pooled investments	\$ -	16,425	5,414	11,011
LIABILITIES				
Due to other groups	\$ -	16,425	5,414	11,011
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 3,203	18,225	10,417	11,011
LIABILITIES				
Due to other groups	\$ 3,203	18,225	10,417	11,011

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,183,830	3,666,572	3,729,391	3,992,675	3,727,641	3,679,077	3,651,327	3,326,800	3,146,241	2,885,208
Tuition	309,273	322,215	407,976	373,940	308,778	352,628	310,045	211,470	183,288	128,749
Other	599,269	582,761	482,417	575,049	562,274	605,150	524,160	533,807	472,661	361,648
Intermediate sources	-	5,000	-	5,000	5,000	6,000	5,000	-	-	-
State sources	3,688,059	2,857,108	2,989,490	2,904,753	2,580,760	3,009,217	3,092,944	2,956,993	2,771,584	2,767,428
Federal sources	155,209	166,844	264,042	229,514	485,434	195,796	122,340	156,961	147,855	171,815
Total	\$ 7,935,640	7,600,500	7,873,316	8,080,931	7,669,887	7,847,868	7,705,816	7,186,031	6,721,629	6,314,848
Expenditures:										
Instruction:										
Regular	\$ 3,340,372	2,920,839	3,070,766	2,720,407	2,819,866	3,141,931	2,894,492	3,188,377	2,939,467	2,764,925
Special	760,898	728,065	833,251	699,545	822,001	794,433	659,961	717,157	671,818	691,043
Other	1,226,758	1,101,452	653,864	1,093,416	721,737	616,562	869,642	593,694	685,481	577,227
Support services:										
Student	233,686	220,696	162,090	138,027	135,058	69,315	133,895	127,565	122,449	115,147
Instructional staff	252,122	187,946	146,301	136,112	124,221	98,714	91,124	209,929	187,880	129,933
Administration	664,250	628,529	619,039	548,581	499,346	589,566	671,303	746,539	670,406	549,271
Operation and maintenance of plant	631,310	606,545	530,881	546,969	469,660	429,654	435,533	451,359	477,599	484,627
Transportation	378,903	590,585	392,949	394,861	348,804	372,720	423,135	366,153	367,380	304,032
Non-instructional programs	8,057	7,022	13,411	6,113	-	-	-	1,072	1,778	434
Capital outlay	284,576	208,054	486,357	357,376	91,942	187,753	237,707	327,064	139,833	121,152
Long-term debt:										
Principal	595,000	250,000	240,000	230,000	225,000	220,000	215,000	210,000	205,000	2,435,000
Interest and fiscal charges	21,343	28,918	36,118	42,508	48,195	53,365	57,772	61,342	63,710	196,094
Other expenditures										
AEA flow-through	255,660	242,506	251,551	280,034	278,690	238,867	233,639	226,566	212,020	211,638
Total	\$ 8,652,935	7,721,157	7,436,578	7,193,949	6,584,520	6,812,880	6,923,203	7,226,817	6,744,821	8,580,523

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of St. Ansgar Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2015.

Internal Control Over Financial Reporting

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

Our 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Ansgar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

St. Ansgar Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 6, 2015
Newton, Iowa

ST. ANSGAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

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

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

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

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - During the year ended June 30, 2014, District expenditures did not exceed the amounts budgeted.

II-B-14 Questionable Disbursement - We noted during our audit instances of disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Fundraiser Prizes: We noted during our audit expenditures for awards/prizes to be given to student for being top sellers in District fundraisers which were purchased from the Annual account within the Student Activity Fund. Giving incentive prizes to students does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to individual students as performance incentives, for being top sellers in fund raisers or for good behavior to be in compliance with the Attorney General's opinion dated April 25, 1979.

Response - The district will discontinue the practice of giving awards/prizes to students as performance incentives from the Annual account.

Conclusion - Response accepted.

Prom Prizes: We noted during our audit that the District's Class of 2015 account in the Student Activity Fund reimbursed parents of students for prom prizes purchased from the parents personal credit cards. They purchases lacked appropriate purchase orders, and were also subject to sales tax which was reimbursed by the District.

Recommendation - Prizes given to students paid for by the District does not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. The District should refrain from purchasing prizes to be given to students. Also, the District is a tax-exempt entity so reimbursements for sales tax would not appear to meet public purpose as defined in Attorney General's opinion dated April 25, 1979.

Response - The district will work with the parents to follow the appropriate purchase procedures for Prom so that purchase orders are used. The district is in the process of implementing a P-Card program and hopefully this will help to insure that all district purchases are not subject to sales tax. The district will work with the parents to try to refrain from purchasing prizes from the Prom account.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joni DeMaris, Secretary Spouse is owner of Al's Electric	Purchased services	\$15,870
Lisa Groth, Business Manager Daughter works at Office Concepts	Purchased services	\$2,825
Rosalee Lowe, Bus Driver Landlord	Building rent	\$1,020
Jennifer Nielsen, Aide Co-owner of Striking Designs	Purchased services	\$1,000
Dave Juhl, Transportation Director Jolene Juhl, Bus driver Mike Juhl, Sub bus driver Co-owners St Ansgar Landscaping	Purchased services	\$9,879
Ed Kleinwort, Board Member Shareholder in St. Ansgar Mills	Purchased services	\$653
Lindsey Falk, Board Member Co-Owner of L R Falk Construction	Purchased services	\$7,519

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse and daughter of District employees do not appear to represent a conflict of interest.

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

The above transaction with Board Member, Ed Kleinwort, does not appear to represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa. However, the transactions with Board Member, Lindsey Falk, do appear to represent a conflict of interest per Chapter 279.7A of the Code of Iowa.

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods of the school district where the board member would derive a benefit of over \$2,500.

In the future, the board of directors should require competitive bids from area businesses. The competitive bids should be presented and acted upon by the District's entire board of directors. Board members that have an affiliation with businesses should recuse himself/herself from voting on the approval of the bid. The approval of the bid with any recusals of board members should be noted in the district board minutes to avoid the appearance of a conflict of interest. We recommend the District contact its legal counsel regarding these issues.

Response - The board of directors will advertise for competitive bids from area businesses. The bids will be acted upon by the District's entire board of directors. We will recommend that board members that have an affiliation with businesses should recuse themselves from voting on the approval of these bids. The District will contact legal counsel regarding these issues.

Conclusion - Response accepted.

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 that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported was overstated by 1.00 student.

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

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

Conclusion - Response accepted.

II-H-14 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District received dividends from stock owned in Principal, Coca Cola and

Dominion Resources Inc. These are instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

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

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

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

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-14 Financial Condition - During our audit we noted that the District had two accounts in the Special Revenue: Student Activity Fund with a deficit unassigned fund balance totaling \$5,885 at June 30, 2014.

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

Response - The District will work on limiting purchases to ensure this account has a positive balance at the end of the next fiscal year. The football concession stand profit is now going into the Athletic Accounts and sports are no longer having individual fundraisers. General Athletic fundraisers are held with this money going into the Athletic Accounts to help fund the sports.

Conclusion - Response accepted.

II-M-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		\$ 708,336
Revenues:		
Sales tax revenues	\$ 561,279	
Other local revenues	<u>1,702</u>	<u>562,981</u>
		1,271,317
Expenditures/transfers out:		
School infrastructure construction	\$ 5,822	
Equipment	138,832	
Other	2,824	
Transfers to other funds:		
Debt service fund	<u>616,343</u>	<u>763,821</u>
Ending balance		<u>\$ 507,496</u>

For the year ended June 30, 2014, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Debt service levy	<u>\$ 1.77170</u>	<u>\$ 616,343</u>