

**STARMONT
COMMUNITY SCHOOL DISTRICT
ARLINGTON, IOWA**

FINANCIAL REPORT

JUNE 30, 2014

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STARMONT COMMUNITY SCHOOL DISTRICT
BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
Board of Education <u>(Before September 2013 Election)</u>			
Tina Pech	President	Winthrop, Iowa	2013
LeAnn Fenton	Vice President	Strawberry Point, Iowa	2015
Chris Henry	Board Member	Arlington, Iowa	2013
Shane Paris	Board Member	Strawberry Point, Iowa	2015
Kevin Powell	Board Member	Strawberry Point, Iowa	2015
Board of Education <u>(After September 2013 Election)</u>			
Kevin Powell	President	Strawberry Point, Iowa	2015
Shane Paris	Vice President	Strawberry Point, Iowa	2015
Gary Heaton	Board Member	Arlington, Iowa	2015
Kim Chapman	Board Member	Strawberry Point, Iowa	2017
Doug Puffett	Board Member	Strawberry Point, Iowa	2017

School Officials

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

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Starmont Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Starmont Community School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and funding progress for the retiree health plan on pages 5 through 5e and pages 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Starmont Community School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of governmental funds revenues and expenditures for 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of governmental funds revenues and expenditures for 2014 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual nonmajor fund financial statements, schedule of governmental funds revenues and expenditures for 2014 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Starmont Community School District as of and for the year ending June 30, 2013, none of which is presented herein, and we expressed unmodified opinion on those basic financial statements. The basic financial statements of Starmont Community School District as of and for the years ending June 30, 2005 through 2012, none of which are presented herein, were audited by other auditors whose reports expressed unmodified opinions on those financial statements for the years 2005 through 2009 and 2011 through 2012, and a modified opinion for 2010. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedule of revenues and expenditures of governmental funds for the years 2005 through 2013 on page 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2005 through 2013 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of revenues and expenditures of governmental funds for the year 2013 on page 40 is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived. In their opinion, the schedule of revenues and expenditures of governmental funds for the years 2005 through 2012 on page 40 was fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, on our consideration of Starmont Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Starmont Community School District's internal control over financial reporting and compliance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 13, 2014

**STARMONT COMMUNITY SCHOOL DISTRICT
ARLINGTON, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2014**

Management of Starmont Community School District provides this management's discussion and analysis of Starmont Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014.

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

FINANCIAL HIGHLIGHTS

In total, governmental net position increased by \$638,571. Property taxes increased approximately by \$104,000 and grant operating revenue increased approximately by \$124,000. District program expenses were 1.5% or approximately \$131,000 less in 2014 than in 2013.

General fund revenues accounted for \$7,934,967 in revenue or 88.1% of all revenues. General fund expenditures accounted for \$7,227,512 in expenditures or 88.3% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

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

The statement of net position and statement of activities provide information about the activities of Starmont Community School District as a whole and present an overall view of the District's finances and a longer-term view of those finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Starmont Community School District's operations in more detail than the District-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Starmont Community School District, the general fund and statewide sales, services and use tax-capital project fund are the more significant funds.

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

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

Other supplementary information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The District-wide financial statements report information about the District as a whole using accounting methods similar to the accounting used by most private-sector companies. The statement of net position includes all of the District's assets, 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 statement of net position presents all of the District's assets, deferred inflows of resources and liabilities, with the difference reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (Continued)

Governmental Funds (Continued)

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

Proprietary Funds

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

Fiduciary Funds

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

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

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

DISTRICT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net position of the District as a whole. The Starmont Community School District's net position at the end of fiscal year 2014 for governmental activities was \$7,135,364 and for business-type activities were \$47,985.

	Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2014	2013	2014	2013	2014	2013		
Current and other assets	\$ 6,981	\$ 6,158	\$ 74	\$ 39	\$ 7,055	\$ 6,197	13.85%	
Capital assets	5,043	4,986	2	3	5,045	4,989	1.12%	
Total assets	12,024	11,144	76	42	12,100	11,186	8.17%	
Long-term debt outstanding	392	357			392	357	9.80%	
Other liabilities	1,085	908	25	25	1,110	933	18.97%	
Total liabilities	1,477	1,265	25	25	1,502	1,290	16.43%	
Deferred inflows of resources	3,412	3,382	3	5	3,415	3,387	0.83%	
Net position								
Net investment in capital assets	5,043	4,987	2	3	5,045	4,990	1.10%	
Restricted	1,594	1,511			1,594	1,511	5.49%	
Unrestricted (deficit)	498	(1)	46	9	544	8	6700.00%	
Total net position	\$ 7,135	\$ 6,497	\$ 48	\$ 12	\$ 7,183	\$ 6,509	10.35%	

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the change in net position for the years ending June 30, 2014 and 2013:

	Changes in Net Position (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program revenue							
Charges for service	\$ 786	\$ 655	\$ 225	\$ 194	\$ 1,011	\$ 849	19.08%
Operating grants	1,437	1,313	227	203	1,664	1,516	9.76%
General revenue							
Property taxes	3,358	3,254			3,358	3,254	3.20%
Sales tax and surtax	556	560			556	560	-0.71%
Unrestricted state grants	2,734	2,703			2,734	2,703	1.15%
Unrestricted investment earnings	16	11			16	11	45.45%
Other revenue	90	322			90	322	-72.05%
Total revenues	<u>8,977</u>	<u>8,818</u>	<u>452</u>	<u>397</u>	<u>9,429</u>	<u>9,215</u>	<u>2.32%</u>
Program expenses:							
Instruction	5,661	5,816			5,661	5,816	-2.67%
Student support	1,988	2,107			1,988	2,107	-5.65%
Non-instructional programs			416	438	416	438	-5.02%
Other expenses	690	547			690	547	26.14%
Total expenses	<u>8,339</u>	<u>8,470</u>	<u>416</u>	<u>438</u>	<u>8,755</u>	<u>8,908</u>	<u>-1.72%</u>
Increase (decrease) in net position	638	348	36	(41)	674	307	119.54%
Net position Beginning of Year	<u>6,497</u>	<u>6,149</u>	<u>12</u>	<u>53</u>	<u>6,509</u>	<u>6,202</u>	<u>4.95%</u>
Net position End of Year	<u>\$ 7,135</u>	<u>\$ 6,497</u>	<u>\$ 48</u>	<u>\$ 12</u>	<u>\$ 7,183</u>	<u>\$ 6,509</u>	<u>10.35%</u>

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$2,654,669, an \$844,079 increase from the 2013 fiscal year end balance of \$1,810,590. The District received \$213,000 more than the prior fiscal year.

- The general fund received more revenue during fiscal year 2014 through state and federal sources. The general fund expenditures decreased in instructional functional area \$275,160 compared to prior year. Overall expenditures decreased by \$177,076. The ending fund balance showed an increase of \$782,495 to \$1,146,935.
- The statewide sales, services and use tax received more revenue during fiscal year 2014 through local option sales tax. The capital project fund expenditures increased due to more capital projects during the year. Overall expenditures increased by \$136,592 compared to prior year. Some of the bigger projects the District incurred were repairing the parking lot, roof repairs on several sections of the building and new pump for the high school well. The ending fund balance showed a smaller increase of \$142,455 from prior year of \$271,993 for an ending balance of \$1,080,145.

BUDGETARY HIGHLIGHTS

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

The following chart shows the original and amended budget for fiscal 2014 as well as the actual revenue and expenditures for the year:

		Budgetary Comparison Schedule (Expressed in Thousands)			
		Budget Amounts			
		Actual	Original	Final	Variance
Revenues					
Local sources	\$	5,009	\$ 4,982	\$ 4,982	\$ 27
Intermediate sources		1	10	10	(9)
State sources		3,715	3,823	3,823	(108)
Federal sources		733	575	575	158
Total revenues	\$	9,458	\$ 9,390	\$ 9,390	\$ 68
Expenditures					
Instruction	\$	5,451	\$ 5,713	\$ 5,713	\$ 262
Student support		2,115	2,216	2,216	101
Non-instructional programs		416	400	550	134
Other expenses		616	825	825	209
Total expenditures	\$	8,598	\$ 9,154	\$ 9,304	\$ 706

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, Starmont Community School District had \$5,043,084 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$1,505, invested in equipment in the school nutrition fund.

The District’s governmental activities had depreciation expense of \$286,304 for fiscal 2014 and total accumulated depreciation of \$5,011,625 as of June 30, 2014. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the District had no general obligation bonded indebtedness outstanding. Other obligations include compensated absences and early retirement. More detailed information about the District’s long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The District had one support staff leave and that position was not replaced.
- The District had one teacher leave and that was only replaced with a 1/2 time position.
- Salaries for FY15 should be lower as four highly paid teachers took retirement and they were replaced with teachers that are lower on the pay scale.
- The Board of Education approved an early retirement package during FY15. This action will continue to reduce wages.
- The District continues to share a transportation director with a neighboring district and looks for ways to reduce transportation costs.
- There was an increase in enrollment for FY15 of 7.64 students.
- The District will continue to monitor the requirements of ACA as that could have a financial impact on the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

STARMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,018,453	\$ 59,395	\$ 3,077,848
Receivables			
Property tax			
Delinquent	59,484		59,484
Succeeding year	3,411,649		3,411,649
Accounts	16,155	607	16,762
Due from other governments	474,840	6,286	481,126
Inventories		8,548	8,548
Capital assets, non-depreciable	33,780		33,780
Capital assets, net of accumulated depreciation	5,009,304	1,505	5,010,809
	<u>\$ 12,023,665</u>	<u>\$ 76,341</u>	<u>\$ 12,100,006</u>
Total assets			
LIABILITIES			
Accounts payable	\$ 154,325	\$ 380	\$ 154,705
Salaries and benefits payable	724,104	18,920	743,024
Advances from grantors	27,015		27,015
Long-term liabilities			
Portion due within one year			
Early retirement	137,609		137,609
Compensated absences	41,285	6,060	47,345
Portion due after one year			
Early retirement	147,099		147,099
Net OPEB liability	245,215		245,215
	<u>1,476,652</u>	<u>25,360</u>	<u>1,502,012</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	3,411,649		3,411,649
Unspent hot lunch proceeds		2,996	2,996
	<u>3,411,649</u>	<u>2,996</u>	<u>3,414,645</u>
Total deferred inflows of resources			
NET POSITION			
Net investment in capital assets	5,043,084	1,505	5,044,589
Restricted for			
Capital projects	1,080,145		1,080,145
Management levy purposes	236,674		236,674
Physical plant and equipment	22,440		22,440
Student activities	141,142		141,142
Other purposes	113,997		113,997
Unrestricted	497,882	46,480	544,362
	<u>7,135,364</u>	<u>47,985</u>	<u>7,183,349</u>
Total net position			
Total liabilities, deferred inflows of resources and net position	<u>\$ 12,023,665</u>	<u>\$ 76,341</u>	<u>\$ 12,100,006</u>

See Notes to Financial Statements.

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STARMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities			
Instruction			
Regular instruction	\$ 3,763,533	\$ 617,046	\$ 929,386
Special instruction	1,228,071	162,671	1,592
Other instruction	669,237	55	240,871
	<u>5,660,841</u>	<u>779,772</u>	<u>1,171,849</u>
Support services			
Student services	193,159		
Instructional staff services	189,041		
Administration services	694,312		
Operation and maintenance plant services	553,484		
Transportation services	357,677	6,002	
	<u>1,987,673</u>	<u>6,002</u>	
Other			
Facilities acquisition	188,344		
AEA flowthrough	265,560		265,560
Depreciation (unallocated)	236,761		
	<u>690,665</u>		<u>265,560</u>
Total governmental activities	<u>8,339,179</u>	<u>785,774</u>	<u>1,437,409</u>
Business-type activities			
Non-instructional programs			
Nutrition services	345,745	145,912	226,886
Child care operations	70,398	79,043	
Total business-type activities	<u>416,143</u>	<u>224,955</u>	<u>226,886</u>
Total	<u>\$ 8,755,322</u>	<u>\$ 1,010,729</u>	<u>\$ 1,664,295</u>
General revenues			
Property taxes levied for			
General purposes			
Management			
Physical plant and equipment			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Gain on sale of equipment			
Other			
Total general revenues			
Change in net position			
Net position, beginning of year			
Net position, end of year			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (2,217,101)		\$ (2,217,101)
(1,063,808)		(1,063,808)
(428,311)		(428,311)
(3,709,220)		(3,709,220)
(193,159)		(193,159)
(189,041)		(189,041)
(694,312)		(694,312)
(553,484)		(553,484)
(351,675)		(351,675)
(1,981,671)		(1,981,671)
(188,344)		(188,344)
-		-
(236,761)		(236,761)
(425,105)		(425,105)
(6,115,996)		(6,115,996)
	\$ 27,053	27,053
	8,645	8,645
	35,698	35,698
(6,115,996)	35,698	(6,080,298)
3,129,989		3,129,989
160,130		160,130
68,172		68,172
556,496		556,496
2,733,827		2,733,827
15,601	33	15,634
20,608		20,608
69,744		69,744
6,754,567	33	6,754,600
638,571	35,731	674,302
6,496,793	12,254	6,509,047
\$ 7,135,364	\$ 47,985	\$ 7,183,349

STARMONT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Capital Project Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments	\$ 1,708,867	\$ 883,642	\$ 425,944	\$ 3,018,453
Receivables				
Property tax				
Delinquent	55,442		4,042	59,484
Succeeding year	3,016,466		395,183	3,411,649
Accounts	8,138		8,017	16,155
Due from other funds	54,432		44,383	98,815
Due from other governments	258,353	216,487		474,840
	<u>5,101,698</u>	<u>1,100,129</u>	<u>877,569</u>	<u>7,079,396</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 133,976	\$ 19,984	\$ 365	\$ 154,325
Salaries and benefits payable	724,104			724,104
Advances from grantors	27,015			27,015
Due to other funds	44,383		54,432	98,815
	<u>929,478</u>	<u>19,984</u>	<u>54,797</u>	<u>1,004,259</u>
Deferred inflows of resources				
Unavailable revenues				
Succeeding year property tax	3,016,466		395,183	3,411,649
Other	8,819			8,819
	<u>3,025,285</u>		<u>395,183</u>	<u>3,420,468</u>
Fund balances				
Restricted for				
Categorical funding	86,664			86,664
Management levy purposes			236,674	236,674
Student activities			141,142	141,142
Capital projects		1,080,145		1,080,145
Physical plant and equipment			22,440	22,440
Other purposes			27,333	27,333
Unassigned	1,060,271			1,060,271
	<u>1,146,935</u>	<u>1,080,145</u>	<u>427,589</u>	<u>2,654,669</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,101,698</u>	<u>\$ 1,100,129</u>	<u>\$ 877,569</u>	<u>\$ 7,079,396</u>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION	
Total governmental fund balances	\$ 2,654,669
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 5,011,625	5,043,084
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	8,819
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Compensated absences	(41,285)
Early retirement	(284,708)
Net OPEB liability	(245,215)
	<hr/>
Net position of governmental activities per Exhibit A	<u>\$ 7,135,364</u>

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Capital Project Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources				
Local property tax	\$ 3,129,989		\$ 228,302	\$ 3,358,291
Tuition	474,354			474,354
Other	108,522	\$ 571,577	270,847	950,946
Intermediate sources	875			875
State sources	3,711,487		98	3,711,585
Federal sources	509,740			509,740
Total revenues	7,934,967	571,577	499,247	9,005,791
EXPENDITURES				
Current				
Instruction				
Regular instruction	3,206,346		347,326	3,553,672
Special instruction	1,228,071			1,228,071
Other instruction	669,237			669,237
	5,103,654		347,326	5,450,980
Support services				
Student services	198,685			198,685
Instructional staff services	189,041			189,041
Administration services	685,801		12,611	698,412
Operation and maintenance plant services	500,658		48,103	548,761
Transportation services	284,113	169,871	26,135	480,119
	1,858,298	169,871	86,849	2,115,018
Other				
Facilities acquisition		259,251	91,511	350,762
AEA flowthrough	265,560			265,560
	265,560	259,251	91,511	616,322
Total expenditures	7,227,512	429,122	525,686	8,182,320
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	707,455	142,455	(26,439)	823,471
OTHER FINANCING SOURCES (USES)				
Compensation for loss on fixed assets	20,608			20,608
Operating transfers in	54,432			54,432
Operating transfers (out)			(54,432)	(54,432)
	75,040		(54,432)	20,608
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	782,495	142,455	(80,871)	844,079
FUND BALANCE, beginning of year	364,440	937,690	508,460	1,810,590
FUND BALANCE, end of year	\$ 1,146,935	\$ 1,080,145	\$ 427,589	\$ 2,654,669

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	844,079
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Depreciation	\$	(286,304)
Capital outlays		56,553
		342,857
 Certain revenue not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		
		(48,649)
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(22,040)
Early retirement		(156,590)
Net OPEB liability		(34,782)
		(213,412)
 Change in net position of governmental activities per Exhibit B	 \$	 638,571

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	School Nutrition	Child Care	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 48,070	\$ 11,325	\$ 59,395
Accounts receivable		607	607
Due from other governments	6,286		6,286
Inventories	8,548		8,548
Total current assets	62,904	11,932	74,836
NONCURRENT ASSETS			
Furniture and equipment	234,590		234,590
Less accumulated depreciation	(233,085)		(233,085)
Total noncurrent assets	1,505		1,505
Total assets	\$ 64,409	\$ 11,932	\$ 76,341
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 358	\$ 22	\$ 380
Salaries and benefits payable	15,483	3,437	18,920
Compensated absences	6,060		6,060
Total liabilities	21,901	3,459	25,360
DEFERRED INFLOWS OF RESOURCES			
Unspent hot lunch proceeds	2,996		2,996
NET POSITION			
Net investment in capital assets	1,505		1,505
Unrestricted	38,007	8,473	46,480
Total net position	39,512	8,473	47,985
Total liabilities, deferred inflows of resources and net position	\$ 64,409	\$ 11,932	\$ 76,341

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	School Nutrition	Child Care	Total
OPERATING REVENUES			
Local sources			
Charges for services	\$ 145,912	\$ 79,043	\$ 224,955
OPERATING EXPENSES			
Non-instructional programs			
Operations			
Salaries and benefits	141,081	68,661	209,742
Supplies	203,024	1,737	204,761
Depreciation	1,640		1,640
Total operating expenses	345,745	70,398	416,143
Operating (loss) income	(199,833)	8,645	(191,188)
NONOPERATING REVENUES			
Interest income	33		33
State sources	3,210		3,210
Federal sources	223,676		223,676
Total nonoperating revenues	226,919		226,919
Change in net position	27,086	8,645	35,731
Net position (deficit), beginning of year	12,426	(172)	12,254
Net position, end of year	\$ 39,512	\$ 8,473	\$ 47,985

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	School Nutrition	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of lunches and breakfasts	\$ 148,673		\$ 148,673
Cash received from miscellaneous operating activities		\$ 78,666	78,666
Cash payments to employees for services	(137,688)	(68,816)	(206,504)
Cash payments to suppliers for goods and services	(184,802)	(1,723)	(186,525)
	<u>(173,817)</u>	<u>8,127</u>	<u>(165,690)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State grants and federal grants received	206,168		206,168
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	33		33
	<u>32,384</u>	<u>8,127</u>	<u>40,511</u>
CASH, beginning of year	15,686	3,198	18,884
CASH, end of year	<u>\$ 48,070</u>	<u>\$ 11,325</u>	<u>\$ 59,395</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities			
Operating (loss) income	\$ (199,833)	\$ 8,645	\$ (191,188)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities			
Depreciation	1,640		1,640
Commodities used	20,718		20,718
Decrease (increase) in accounts receivable	4,979	(377)	4,602
Increase (decrease) in accounts payable	(2,496)	14	(2,482)
(Decrease) in salaries and benefits payable	(2,667)	(155)	(2,822)
Increase in compensated absences	6,060		6,060
(Decrease) in deferred revenue	(2,218)		(2,218)
	<u>(173,817)</u>	<u>8,127</u>	<u>(165,690)</u>

Non-cash, noncapital financing activities:

During the year ended June 30, 2014, the District received commodities valued at \$20,718.

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 104,605	\$ 9,601
Receivables		
Accounts	90	
Total assets	\$ 104,695	\$ 9,601
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable		\$ 9,601
Total liabilities		9,601
Net position		
Reserved for Scholarships	\$ 104,695	
Total liabilities and net position	\$ 104,695	\$ 9,601

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2014

	Private Purpose Trust Scholarship
Additions	
Local sources	
Gifts and contributions	\$ 181
Interest income	2,953
Gain on investments	1,686
Total additions	4,820
Deductions	
Instruction	
Regular	
Scholarships awarded	1,960
Change in net position	2,860
Net position, beginning of year	101,835
Net position, end of year	\$ 104,695

See Notes to Financial Statements.

STARMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

Joint Venture

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

Jointly Governed Organizations

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

District-wide Financial Statements

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

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

b. Significant Accounting Policies (Continued)

District-wide Financial Statements (Continued)

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

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund and the statewide sales, services and use tax-capital project fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The major funds of the financial reporting entity are described below:

Governmental

General Fund

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

Capital Project Funds

The capital project funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds. The major fund in this category is statewide sales, services and use tax.

Proprietary Funds

Enterprise Funds

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

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

Private Purpose Trust Fund

The private purpose trust fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Agency Fund

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus

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

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

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

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

Basis of Accounting

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

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

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

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

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

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

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

Assets, Liabilities, Deferred Inflows of Resources and Equity

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

Cash, Pooled Investments and Cash Equivalents

The cash balances of most District funds are pooled and invested. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value.

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

Property Tax Receivable

Property taxes in the governmental fund are accounted for using the modified accrual basis of accounting. Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)

Interfund Transactions

During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the District-wide statements.

Due from Other Governments

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

Inventories

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

Capital Assets

Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years:

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	5,000
Intangibles	5,000

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)

Salaries and Benefits Payable

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2014 was used to calculate the salaries payable.

Advances from Grantors

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

Deferred Inflows of Resources

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

Long-term Obligation

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position. Early retirement liability has been paid primarily by the governmental management levy fund.

Compensated Absences

District employees accumulate a limited amount of earned but unused sick leave for subsequent use. A liability is recorded when incurred in the District-wide financial statements. Employees are not paid for unused sick benefits when employment with the District ends. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Fund Balance

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

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

Unassigned fund balance is the remaining fund balance which is not included in other spendable classifications.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)

Net Position

Net investment in capital assets consists of capital assets net of accumulated depreciation.

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

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Management Estimates

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

2. Deposits and Pooled Investments

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

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

At June 30, 2014, the District had investments in certificates of deposit and mutual funds. The mutual funds are recorded in the private purpose trust-scholarship fund.

Interest Rate Risk and Custodial Credit Risk

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

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2014:

Governmental activities	
General fund	
Title I	\$ 57,750
Twenty-first century	27,550
Rural education	27,817
Foster care reimbursement	20,360
Title II	25,918
Open enrollment	54,822
Various programs	44,136
	<hr/>
	258,353
Capital project	
Statewide sales, services and use tax	216,487
	<hr/>
	\$ 474,840
	<hr/>
Business-type activities	
School nutrition fund	\$ 6,286
	<hr/>

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NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities				
Land	\$ 26,300			\$ 26,300
Construction in progress		\$ 7,480		7,480
	<u>26,300</u>	<u>7,480</u>		<u>33,780</u>
Capital assets being depreciated				
Buildings	8,376,883	90,158		8,467,041
Improvements	252,026	57,580		309,606
Furniture and equipment	1,117,588	187,639	\$ 60,945	1,244,282
	<u>9,746,497</u>	<u>335,377</u>	<u>60,945</u>	<u>10,020,929</u>
Less accumulated depreciation for:				
Buildings	3,778,285	169,341		3,947,626
Improvements	56,563	14,868		71,431
Furniture and equipment	951,418	102,095	60,945	992,568
	<u>4,786,266</u>	<u>286,304</u>	<u>60,945</u>	<u>5,011,625</u>
Total capital assets being depreciated, net	<u>4,960,231</u>	<u>49,073</u>		<u>5,009,304</u>
Governmental activities				
Capital assets	\$ 4,986,531	\$ 56,553	\$ None	\$ 5,043,084
Business-type activities				
Furniture and equipment	\$ 234,590			\$ 234,590
Less accumulated depreciation	231,445	\$ 1,640		233,085
Business-type activities				
Capital assets, net	<u>\$ 3,145</u>	<u>\$ (1,640)</u>	<u>\$ None</u>	<u>\$ 1,505</u>

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

Governmental activities	
Support services	
Administration services	\$ 2,114
Transportation	47,429
Unallocated depreciation	<u>236,761</u>
Total depreciation expense-governmental activities	<u>\$ 286,304</u>
Business-type activities	
Food services	<u>\$ 1,640</u>

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Governmental activities					
Other liabilities					
Compensated absences	\$ 19,245	\$ 40,507	\$ (18,467)	\$ 41,285	\$ 41,285
Early retirement	128,118	220,649	(64,059)	284,708	137,609
Governmental activities					
Long-term liabilities	\$ 147,363	\$ 261,156	\$ (82,526)	\$ 325,993	\$ 178,894
Business-type activities					
Other liabilities					
Compensated absences	\$ None	\$ 6,060	\$ None	\$ 6,060	\$ 6,060

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentive for each eligible employee is equal to the employee's base salary calculated by using the 2011-2012 and 2013-2014 year regular salary schedule, less any other additional pay.

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

At June 30, 2014, the District has obligations to nine participants with a total liability of \$284,708. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$64,059.

6. Due to/from Other Funds

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 54,432	\$ 44,383
Nonmajor governmental funds		
Student activity - special revenue fund	43,994	
Physical plant and equipment levy - capital project fund	389	54,432
Total	\$ 98,815	\$ 98,815

NOTES TO FINANCIAL STATEMENTS

7. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfers In	Transfers Out
General fund	\$ 54,432	
Nonmajor governmental funds		
Physical plant and equipment levy - capital project fund		\$ 54,432
Total	\$ 54,432	\$ 54,432

The transfer from physical plant and equipment levy-capital project fund to general fund is to reimburse the general fund for payment of busses made out of the general fund.

8. **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%, 5.78% and 5.38% of their annual covered salary and the District is required to contribute 8.93%, 8.67%, and 8.07% of annual covered salary for the years ended June 30, 2014, 2013, and 2012, respectively. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$370,859, \$356,467, and \$332,023, respectively, equal to the required contributions for each year.

9. **Other Postemployment Benefits (OPEB)**

Plan Description

As explained in Note 10, the District is a member of the Northeast Iowa Schools Insurance Trust (trust) which provides medical and prescription drug benefits for retirees and their spouses. Starmont Community School District has 53 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through the trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

NOTES TO FINANCIAL STATEMENTS

9. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual required contribution	\$	76,175
Interest on net OPEB obligation		5,261
Adjustment to annual required contribution		<u>(21,128)</u>
Annual OPEB cost		60,308
Contributions made		<u>(25,526)</u>
Increase in net OPEB obligation		34,782
Net OPEB obligation beginning of year		<u>210,433</u>
Net OPEB obligation end of year	\$	<u>245,215</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year end June 30, 2014.

For the year ended June 30, 2014, the District contributed \$25,526 to the medical plan for the OPEB obligation. Plan members eligible for benefits contributed none of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized below as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 55,300	72.0%	\$ 20,800
June 30, 2013	72,157	32.2%	210,433
June 30, 2014	76,175	33.5%	245,215

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 \$659,379, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$659,379. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.053 million, and the ratio of the UAAL to covered payroll was 21.6%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions

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

9. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

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

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$559 to \$762, depending on the type of coverage, per month for retirees less than age 65 and the plan coverage terminates upon reaching Medicare eligibility (age 65). The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

10. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. The trust's Board of Directors decided to terminate the self-funded health plans, effective July 1, 2009, and change to partially self-funded plans using fully insured health plans through Wellmark Blue Cross/Blue Shield. There were three new plans offered to the schools. The trust assumes liability for claims on its three plans as follows:

- Plan 1—between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage,
- Plan 2—between \$1,000 and \$5,000 for single coverage and \$2,000 and \$10,000 for family coverage,
- Plan 3—between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage.

All plans include coinsurance and plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2014, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2014 was unavailable as of November 13, 2014. The District contributions to the trust for the years ended June 30, 2014, 2013, and 2012 were \$704,910, \$705,143, and \$749,413, respectively, which equaled the required contributions each year. The employees paid \$20,020 in dental insurance for the year ended June 30, 2014.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the District's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance company coverage.

11. Risk Management

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

NOTES TO FINANCIAL STATEMENTS

12. 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 \$265,560 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.

13. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 10, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

14. Categorical Funding

The District's ending balances for categorical funding by project as of June 30, 2014 are as follows:

Project	Amount
Professional Development for Model Core Curriculum	\$ 11,831
Professional Development	23,776
Teacher Leadership Grants	5,163
Gifted and Talented Program	45,894
	\$ 86,664

15. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the District. The statement which might impact the District is as follows:

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

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

16. Accounting Change

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*; and No. 66 *Technical Corrections – 2012, an amendment of GASB Statements 10 and 62*, were implemented during fiscal year 2014.

17. Subsequent Events

Management has evaluated subsequent events through November 13, 2014, the date on which the financial statements were available to be issued.

Required Supplementary Information

STARMONT COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE OF
REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
REVENUES			
Local sources	\$ 4,783,591	\$ 224,988	\$ 5,008,579
Intermediate sources	875		875
State sources	3,711,585	3,210	3,714,795
Federal sources	509,740	223,676	733,416
Total revenues	9,005,791	451,874	9,457,665
EXPENDITURES/EXPENSES			
Instruction	5,450,980		5,450,980
Support services	2,115,018		2,115,018
Non-instructional		416,143	416,143
Other	616,322		616,322
Total expenditures/expenses	8,182,320	416,143	8,598,463
EXCESS OF REVENUES OVER EXPENDITURES/EXPENSES	823,471	35,731	859,202
OTHER FINANCING SOURCES, NET	20,608		20,608
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/EXPENSES AND OTHER FINANCING USES	844,079	35,731	879,810
FUND BALANCE, beginning of year	1,810,590	12,254	1,822,844
FUND BALANCE, end of year	\$ 2,654,669	\$ 47,985	\$ 2,702,654

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Amended Final	
\$ 4,982,236	\$ 4,982,236	\$ 26,343
10,000	10,000	(9,125)
3,822,851	3,822,851	(108,056)
575,000	575,000	158,416
9,390,087	9,390,087	67,578
5,713,000	5,713,000	262,020
2,216,000	2,216,000	100,982
400,000	550,000	133,857
824,889	824,889	208,567
9,153,889	9,303,889	705,426
236,198	86,198	773,004
		20,608
236,198	86,198	793,612
1,351,563	1,351,563	471,281
\$ 1,587,761	\$ 1,437,761	\$ 1,264,893

STARMONT COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$150,000.

See Independent Auditor's Report.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 634	\$ 634	0.0%	\$ 3,269	19.4%
2011	July 1, 2010	-	\$ 603	\$ 603	0.0%	\$ 3,286	18.4%
2012	July 1, 2010	-	\$ 587	\$ 587	0.0%	\$ 3,192	18.4%
2013	July 1, 2012	-	\$ 659	\$ 659	0.0%	\$ 2,851	23.1%
2014	July 1, 2012	-	\$ 659	\$ 659	0.0%	\$ 3,053	21.6%

See Note 9 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Independent Auditor's Report.

Other Supplementary Information

STARMONT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014

	Special Revenue	Capital Project Physical Plant and Equipment Levy	Total Nonmajor Funds
ASSETS			
Cash and pooled investments	\$ 350,665	\$ 75,279	\$ 425,944
Receivables			
Property tax			
Delinquent	2,838	1,204	4,042
Succeeding year	325,000	70,183	395,183
Accounts	8,017		8,017
Due from other funds	43,994	389	44,383
Total assets	\$ 730,514	\$ 147,055	\$ 877,569
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 365		\$ 365
Due to other funds		\$ 54,432	\$ 54,432
Total liabilities	365	54,432	54,797
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax	325,000	70,183	395,183
Fund balances			
Restricted for			
Booster clubs	27,333		27,333
Student activities	141,142		141,142
Management levy	236,674		236,674
Physical plant and equipment		22,440	22,440
	405,149	22,440	427,589
Total liabilities, deferred inflows of resources and fund balances	\$ 730,514	\$ 147,055	\$ 877,569

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	Special Revenue	Capital Project Physical Plant and Equipment Levy	Total
REVENUES			
Local sources			
Property taxes	\$ 160,130	\$ 68,172	\$ 228,302
Other	270,436	411	270,847
State sources	69	29	98
Total revenues	430,635	68,612	499,247
EXPENDITURES			
Current			
Instruction			
Regular instruction	347,326		347,326
Support services			
Administration services	12,611		12,611
Operation and maintenance plant services	48,103		48,103
Transportation services	11,580	14,555	26,135
Other			
Facilities acquisition		91,511	91,511
Total expenditures	419,620	106,066	525,686
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,015	(37,454)	(26,439)
OTHER FINANCING USES			
Transfers (out)		(54,432)	(54,432)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	11,015	(91,886)	(80,871)
FUND BALANCE, beginning of year	394,134	114,326	508,460
FUND BALANCE, end of year	\$ 405,149	\$ 22,440	\$ 427,589

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

	Management Levy	Student Activity	Donations	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 233,836	\$ 89,496	\$ 27,333	\$ 350,665
Receivables				
Property tax				
Delinquent	2,838			2,838
Succeeding year	325,000			325,000
Accounts		8,017		8,017
Due from other funds		43,994		43,994
Total assets	\$ 561,674	\$ 141,507	\$ 27,333	\$ 730,514
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable		\$ 365		\$ 365
Deferred inflows of resources				
Unavailable revenues				
Succeeding year property tax	\$ 325,000			325,000
Fund balances				
Restricted	236,674	141,142	\$ 27,333	405,149
Total liabilities, deferred inflows of resources and fund balances	\$ 561,674	\$ 141,507	\$ 27,333	\$ 730,514

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2014

	Management Levy	Student Activity	Donations	Total Nonmajor Special Revenue Funds
REVENUES				
Local sources				
Local property tax	\$ 160,130			\$ 160,130
Other	5,858	\$ 264,350	\$ 228	270,436
State sources	69			69
Total revenues	166,057	264,350	228	430,635
EXPENDITURES				
Current				
Instruction				
Regular instruction	127,895	219,431		347,326
Support services				
Administration services	12,611			12,611
Operation and maintenance plant services	48,103			48,103
Transportation services	11,580			11,580
Total expenditures	200,189	219,431		419,620
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(34,132)	44,919	228	11,015
FUND BALANCE, beginning of year	270,806	96,223	27,105	394,134
FUND BALANCE, end of year	<u>\$ 236,674</u>	<u>\$ 141,142</u>	<u>\$ 27,333</u>	<u>\$ 405,149</u>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 For the Year Ended June 30, 2014

	Balance June 30, 2013	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2014
Athletics	\$ 42,117	\$ 124,191	\$ 113,491	\$ 52,817
Clubs and Organizations	22,818	67,939	46,307	44,450
General Activity	10,755	22,825	16,411	17,169
Classes	470	6,327	3,347	3,450
Elementary	15,543	40,849	38,627	17,765
Middle	4,520	2,219	1,248	5,491
	<u>\$ 96,223</u>	<u>\$ 264,350</u>	<u>\$ 219,431</u>	<u>\$ 141,142</u>

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 17,726	\$ 78,654	\$ 86,779	\$ 9,601
	\$ 17,726	\$ 78,654	\$ 86,779	\$ 9,601
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 17,726	\$ 78,654	\$ 86,779	\$ 9,601
	\$ 17,726	\$ 78,654	\$ 86,779	\$ 9,601

See Independent Auditor's Report.

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

	Modified Accrual			
	2014	2013	2012	2011
REVENUES				
Local sources				
Local tax	\$ 3,358,291	\$ 3,254,068	\$ 3,720,195	\$ 3,463,472
Tuition	474,354	240,754	358,964	342,301
Other	950,946	1,301,112	607,138	379,624
Intermediate sources	875	5,479		
State sources	3,711,585	3,514,471	3,554,729	3,706,545
Federal sources	509,740	476,630	613,219	332,891
Total revenues	\$ 9,005,791	\$ 8,792,514	\$ 8,854,245	\$ 8,224,833
EXPENDITURES				
Current				
Instruction				
Regular instruction	\$ 3,553,672	\$ 3,705,762	\$ 3,026,126	\$ 3,185,436
Special instruction	1,228,071	1,144,805	1,400,476	1,005,017
Other instruction	669,237	815,157	938,358	1,169,518
Support services				
Student services	198,685	135,015	173,565	176,324
Instructional staff services	189,041	112,666	82,333	111,538
Administration services	698,412	720,541	804,505	688,191
Operation and maintenance plant services	548,761	565,932	568,726	530,252
Transportation services	480,119	369,694	341,541	340,671
Central support				75,678
Other				
Facilities acquisition	350,762	327,763	341,491	222,085
Long-term debt				
Principal				
Interest and fiscal charges				
AEA flowthrough	265,560	254,712	256,275	292,228
Total expenditures	\$ 8,182,320	\$ 8,152,047	\$ 7,933,396	\$ 7,796,938

See Independent Auditor's Report.

Modified Accrual					
2010	2009	2008	2007	2006	2005
\$ 3,431,337	\$ 3,154,146	\$ 3,116,869	\$ 3,123,692	\$ 3,237,183	\$ 3,223,515
373,136	310,458	336,016	304,705	264,920	267,575
366,928	433,836	326,378	405,111	361,255	338,652
3,055,448	3,656,798	3,595,897	3,249,708	3,320,090	3,304,236
715,569	264,448	211,370	286,433	450,135	412,781
<u>\$ 7,942,418</u>	<u>\$ 7,819,686</u>	<u>\$ 7,586,530</u>	<u>\$ 7,369,649</u>	<u>\$ 7,633,583</u>	<u>\$ 7,546,759</u>
\$ 3,237,429	\$ 3,264,965	\$ 3,320,934	\$ 3,210,255	\$ 3,042,684	\$ 2,848,767
930,719	963,902	947,664	958,126	877,718	846,947
1,014,629	1,056,644	967,278	897,360	868,440	864,244
154,689	142,101	176,021	166,603	157,106	167,889
39,147	39,464	53,547	68,584	104,580	102,330
692,802	720,703	852,861	988,136	731,733	716,653
487,367	573,349	543,131	550,559	572,437	839,606
306,434	364,346	318,043	411,636	339,875	25,189
41,795					
538,187	414,510	254,409	312,778	475,096	150,406
480,000	470,000	450,000	440,000	430,000	425,000
11,840	25,421	37,130	47,918	57,080	65,945
286,458	265,962	261,316	255,118	248,778	247,899
<u>\$ 8,221,496</u>	<u>\$ 8,301,367</u>	<u>\$ 8,182,334</u>	<u>\$ 8,307,073</u>	<u>\$ 7,905,527</u>	<u>\$ 7,300,875</u>

STARMONT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs
 - CFDA Number 10.553-School Breakfast Program
 - CFDA Number 10.555-National School Lunch Program
 - CFDA Number 10.559-Summer Food Service Program for Children
 - CFDA Number 84.010-Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Starmont Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2014-001 Overlapping Duties

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

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response acknowledged.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

STARMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

Department of Agriculture
Passed through the Iowa Department of Education
CFDA Number 10.553-School Breakfast Program
CFDA Number 10.555-National School Lunch Program
CFDA Number 10.559-Summer Food Service Program for Children
Federal Award Year: 2014

See 2014-001 above.

Department of Education
Passed through the Iowa Department of Education
CFDA Number 84.010-Title I Grants to Local Educational Agencies
Federal Award Year: 2014

See 2014-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated November 13, 2014

Part V: Summary of Prior Federal Audit Findings and Questioned Costs

Comment Reference	Comment Title	Status	Explanation
2013-001	Overlapping duties	Not corrected	The District has limited staff and segregates duties to the best of their abilities.

STAR MONT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2014

Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Indirect			
Department of Agriculture			
Passed Through Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY14	\$ 38,905
National School Lunch Program	10.555	FY14	174,903
Summer Food Service Program for Children	10.559	FY14	9,868
Total Department of Agriculture			223,676
Department of Education			
Passed Through Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY14	120,473
Rural Education	84.358	FY14	36,296
Special Education Grants to States	84.027	FY14	29,838
Career and Technical Education-Basic Grants to States	84.048	FY14	1,210
Eisenhower Professional Development State Grants	84.281	FY14	1,692
Safe and Drug Free Schools and Communities-State Grants	84.186	FY14	109
Improving Teacher Quality State Grants	84.367	FY14	30,505
English Language Acquisition State Grants	84.365	FY14	200
Twenty-First Century Community Learning Centers	84.287	FY14	100,000
Grants for State Assessments and Related Activities	84.369	FY14	3,311
Department of Health and Human Services			
Passed through Iowa Department of Education			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY14	170
Total Department of Education			323,804
			\$ 547,480

See Independent Auditor's Report.

STARMONT COMMUNITY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Starmont Community School District under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Because the schedule presents only a selected portion of the operations of Starmont Community School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Starmont Community School District.

Note 2. Summary of Significant Accounting Policies

- a. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Pass-through entity identifying numbers are presented where available.

Note 3. Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, the District had food commodities totaling \$3,124 in inventory.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Starmont Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Starmont Community School District's basic financial statements and have issued our report thereon dated November 13, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Starmont Community School District's Response to Finding

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

Purpose of this Report

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

Haasler, Nelson & Co., P.C.

Decorah, Iowa
November 13, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Starmont Community School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Starmont Community School District's major federal programs for the year ended June 30, 2014. Starmont Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Starmont Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Starmont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Starmont Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Starmont Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Starmont Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Starmont Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a significant deficiency.

Starmont Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Starmont Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 13, 2014

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Starmont Community School District for the year ended June 30, 2014, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 13, 2014 contains our report on the District's internal control over financial reporting. This letter does not affect our report dated November 13, 2014, on the financial statements of the Starmont Community School District. Comment numbers 7, 13, 14, and 15 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget
Expenditures for the year ended June 30, 2014 did not exceed the amount budgeted.
2. Questionable Expenditures
We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.
3. Travel Expense
No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions
We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2014.
5. Bond Coverage
Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.

7. Certified Enrollment

The District had one student that was missed in the certified enrollment and the District filed their certified enrollment after the due date.

Recommendation

The District should make the changes on their program and notify the Department of Education. The District should also complete the certified enrollment prior to the due date.

Response and Corrective Action Planned

The student in question was coded incorrectly by the attending district that the student was tuitioned-out to. Administration was waiting on two other districts to upload data for certified enrollment. In the future, Starmont will certify our own district information as per guidance from the Department of Ed and not wait for other districts' data.

Conclusion

Response accepted.

8. Supplementary Weighting

No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

9. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted. During our audit, we noted the prior Board President's signature was used on checks after the person was not re-elected to the Board. The signature cards at the bank have not been updated for the new elected Board President.

Recommendation

The District should update the signature cards at the bank in a timely manner once the authorized person has changed. The District should require the newly elected Board President to sign checks to verify correct name is on the checks.

Response and Corrective Action Planned

The District has updated the signature cards with the new authorized signers and the accounting software has also been updated. A reminder has been put on our calendars for the next annual meeting to update signature cards and accounting system if the authorized signers change.

Conclusion

Response accepted.

10. Certified Annual Report

The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.

11. Categorical Funding

No instances were noted of categorical funding being used to supplant rather than supplement other funds.

12. Statewide Sales, Services and Use Tax

No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	937,690
Statewide sales, services and use tax	\$	556,496	
Other local revenue		<u>15,081</u>	571,577
Expenditures/transfers out:			
School infrastructure:			
Equipment			<u>429,122</u>
Ending balance		\$	<u>1,080,145</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Disbursements

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

- Purchase orders were dated after the purchase was made,
- One disbursement did not match the purchase order and the improper amount was paid,
- One invoice did not match the amount of the disbursement,
- One disbursement only had the purchase order attached, no invoice,
- Open enrollment bill was paid twice and the amount was more than the bill,
- Three checks did not have proper endorsement by the vendor,
- Twenty-five disbursements were printed with automatic dual signatures,
- One invoice was not cancelled after it had been paid,
- There were payments made out of one fund and should have been made out of another fund.

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

From a total of twenty-five payroll disbursements we noted

- Fifteen did not have complete documentation for deductions,
- Seven did not have a W-4 on file,
- Five timecards are not being signed by the employee or supervisor.

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

13. Disbursements (Continued)

Recommendation

We recommend all invoices are properly authorized with signature approval and marked that it has been paid. We also recommend the purchase order be signed prior to purchase and attached to all applicable disbursements. We recommend for payroll disbursements all deductions and payments have complete authorization documentation. The District should review what type of payments should be made out of the special revenue and capital project funds. The District should also review the number of checks on hand so they have the correct checks to make payments.

Response and Corrective Action Planned

We are complying with the recommendations.

Conclusion

Response accepted.

14. Child Care Receipts

From a total of ten receipts tested for the child care enterprise fund we noted one receipt did not foot properly.

Recommendation

We recommend each receipt is reviewed to verify accuracy of the amount to be received from the families.

Response and Corrective Action Planned

We are complying with the recommendations.

Conclusion

Response accepted.

15. Bank Reconciliations

Reconciliations of book balances to the bank account by fund were not prepared by the District. There were checks written and transfers made after the June 30, nutrition's bank reconciliation was prepared therefore bank reconciliation did not tie to book balances.

Recommendation

To improve financial accountability and control, a monthly reconciliation by fund of the book and bank balances should be prepared and retained by the District. Any differences should be investigated and resolved in a timely matter. Bank reconciliations should not be prepared prior to month end.

Response and Corrective Action Planned

Reconciliation issues were due to converting to a new accounting software and reconciliations are scheduled to be done monthly.

Conclusion

Response accepted.

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

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Starmont Community School District during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 13, 2014