



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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Mary Mosiman, CPA  
Auditor of State

NEWS RELEASE

FOR RELEASE \_\_\_\_\_ July 1, 2013

Contact: Andy Nielsen  
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The Office of Auditor of State today released an audit report on Starmont Community School District near Arlington, Iowa.

The District's revenues totaled \$9,247,422 for the year ended June 30, 2012, a 7.4% increase from the prior year. Revenues included \$3,258,667 in local tax, charges for service of \$1,011,613, operating grants, contributions and restricted interest of \$1,378,927, statewide sales, services and use tax of \$461,528, unrestricted state grants of \$2,867,428, unrestricted investment earnings of \$9,459 and other general revenues of \$259,800.

Expenses for District operations totaled \$8,312,545, a 3.0% increase from the prior year. Expenses included \$5,515,052 for instruction, \$1,982,041 for support services and \$436,093 for other expenditures.

A copy of the audit report is available for review in the District Secretary's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1230-6175-B00F.pdf>.

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**STARMONT COMMUNITY SCHOOL DISTRICT**

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

**JUNE 30, 2012**

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**Starmont Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2011 Election)**

Tina Pech	President	2013
Kevin Powell	Vice President	2011
Jerry Flexsenhar	Board Member	2011
Brenda Scott	Board Member	2011
Chris Henry	Board Member	2013

**Board of Education  
(After September 2011 Election)**

Tina Pech	President	2013
Kevin Powell	Vice President	2015
Chris Henry	Board Member	2013
Leann Fenton	Board Member	2015
Shane Paris	Board Member	2015

**School Officials**

Matt O'Loughlin	Superintendent	Indefinite
Laura Morine	District Secretary/Treasurer and Business Manager	Indefinite
Brett Nitzschke	Attorney	Indefinite

**Starmont Community School District**



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Independent Auditor's Report

To the Board of Education of  
Starmont Community School District:

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, Arlington, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 Starmont Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2013 on our consideration of Starmont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions and qualified opinions, respectively, on those financial statements. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 29, 2013



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Starmont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from approximately \$7 million in fiscal year 2011 to approximately \$7.9 million in fiscal year 2012, while General Fund expenditures increased from approximately \$7 million in fiscal year 2011 to approximately \$7.3 million in fiscal year 2012. The District's General Fund balance increased from approximately \$(595,000) at the end of fiscal year 2011 to approximately \$83,000 at the end of fiscal year 2012.
- The fiscal year 2012 General Fund revenue increase was primarily attributable to increases in local tax and federal grants. The increase in expenditures was due primarily to an increase in instruction and administration.

### **USING THIS ANNUAL REPORT**

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Starmont Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The proprietary fund financial statements offer short-term and long-term financial information about activities the District operates like a business. In Starmont Community School District, the school nutrition program and childcare operations are the only enterprises reported as proprietary funds. The remaining statements provide financial information about activities for which Starmont Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

**Figure A-1**  
**Starmont Community School District Annual Financial Report**

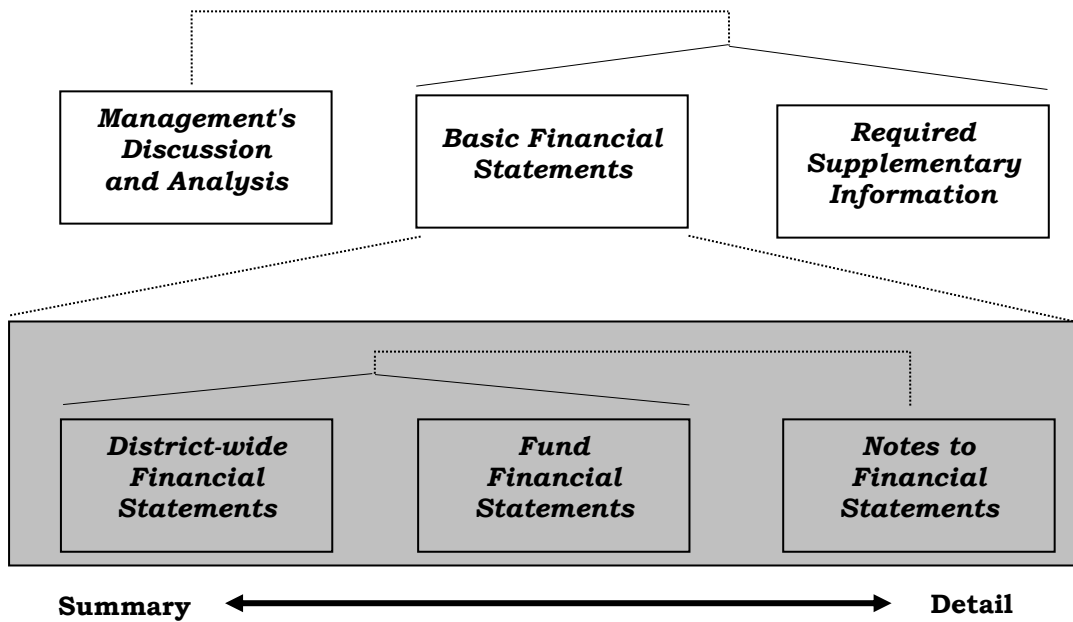


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases.

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2012 compared to June 30, 2011.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 5,387	4,604	80	55	5,467	4,659	17.3%
Capital assets	5,102	5,006	3	6	5,105	5,012	1.9%
Total assets	10,489	9,610	83	61	10,572	9,671	9.3%
Long-term liabilities	182	87	5	5	187	92	103.3%
Other liabilities	4,185	4,316	26	24	4,211	4,340	-3.0%
Total liabilities	4,367	4,403	31	29	4,398	4,432	-0.8%
Net assets:							
Invested in capital assets	5,102	5,006	3	6	5,105	5,012	1.9%
Restricted	1,052	845	-	-	1,052	845	24.5%
Unrestricted	(33)	(644)	50	26	17	(618)	102.8%
Total net assets	\$ 6,121	5,207	53	32	6,174	5,239	17.8%

The District’s combined net assets increased 17.8%, or approximately \$935,000, from the prior year. The largest portion of the District’s net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment).

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased approximately \$207,000, or 24.5%, over the prior year. The increase was primarily a result of an increase in net assets restricted for capital projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$635,000, or 102.8%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

<b>Figure A-4</b>							
<b>Changes in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 788	717	223	199	1,011	916	10.4%
Operating grants, contributions and restricted interest	1,202	1,193	177	151	1,379	1,344	2.6%
General revenues:							
Property tax	3,259	2,998	-	-	3,259	2,998	8.7%
Statewide sales, services and use tax	462	465	-	-	462	465	-0.6%
Unrestricted state grants	2,867	2,787	-	-	2,867	2,787	2.9%
Unrestricted investment earnings	9	9	-	-	9	9	0.0%
Other	260	94	-	-	260	94	176.6%
Total revenues	<u>8,847</u>	<u>8,263</u>	<u>400</u>	<u>350</u>	<u>9,247</u>	<u>8,613</u>	<u>7.4%</u>
Program expenses:							
Instruction	5,515	5,281	-	-	5,515	5,281	4.4%
Support services	1,982	1,806	-	-	1,982	1,806	9.7%
Non-instructional programs	-	-	379	323	379	323	17.3%
Other expenses	436	657	-	-	436	657	-33.6%
Total expenses	<u>7,933</u>	<u>7,744</u>	<u>379</u>	<u>323</u>	<u>8,312</u>	<u>8,067</u>	<u>3.0%</u>
Change in net assets	914	519	21	27	935	546	71.2%
Net assets beginning of year	<u>5,207</u>	<u>4,688</u>	<u>32</u>	<u>5</u>	<u>5,239</u>	<u>4,693</u>	<u>11.6%</u>
Net assets end of year	<u>\$ 6,121</u>	<u>5,207</u>	<u>53</u>	<u>32</u>	<u>6,174</u>	<u>5,239</u>	<u>17.8%</u>

In fiscal year 2012, property tax and unrestricted state grants accounted for 69.2% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenues. The District's total revenues were approximately \$9.2 million, of which approximately \$8.8 million was for governmental activities and approximately \$400,000 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.4% increase in revenues and a 3.0% increase in expenses. Property tax revenue increased approximately \$261,000 to fund the increase in expenses.

## Governmental Activities

Revenues for governmental activities were approximately \$8,847,000 and expenses were approximately \$7,933,000 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 5,515	5,281	4.4%	\$ 3,780	3,740	1.1%
Support services	1,982	1,806	9.7%	1,982	1,729	14.6%
Other expenses	436	657	-33.6%	180	365	-50.7%
Total	\$ 7,933	7,744	2.4%	\$ 5,942	5,834	1.9%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$788,318.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,202,427.
- The net cost of governmental activities was financed with \$3,720,195 of property and other taxes and \$3,136,687 of unrestricted state grants and other revenues.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$399,795, representing a 14.1% increase over the prior year, while expenses totaled \$379,359, a 17.3% increase over the prior year. The District's business type activities include the School Nutrition and Child Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,170,123, an increase of \$920,849 compared to last year's combined ending fund balances of \$249,274. The increase is primarily due to property tax and additional state funding.

## Governmental Fund Highlights

- The General Fund balance increased from \$(594,618) to \$82,759, due primarily to increased local tax and federal grants.

- The Special Revenue, Management Levy Fund fund balance increased from \$177,481 to \$227,650, an increase of 28.3%. The increase was primarily due to a decrease in retirees health insurance costs.
- The Capital Projects Fund balance increased from \$594,931 to \$770,820, an increase of 29.6%, primarily due to increased local tax revenue and a reduction in capital outlay expenditures.

### Proprietary Fund Highlights

The Enterprise, School Nutrition Fund net assets increased from \$30,874 at June 30, 2011 to \$51,698 at June 30, 2012, representing an increase of approximately 67.4%, due primarily to an increase in revenue from Federal sources.

### BUDGETARY HIGHLIGHTS

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. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis. No budget amendments were certified during fiscal year 2012.

The District's total revenues were approximately \$617,125 more than total budgeted revenues, a variance of 7%.

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2012, the District had invested approximately \$5.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$271,215.

The original cost of the District's capital assets was approximately \$10.0 million. Governmental funds account for approximately \$9.9 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 26	26	-	-	26	26	0.0%
Buildings	4,704	4,545	-	-	4,704	4,545	3.5%
Improvements other than buildings	181	167	-	-	181	167	8.4%
Furniture and equipment	191	268	3	6	194	274	-29.2%
Total	\$ 5,102	5,006	3	6	5,105	5,012	1.9%



## **Long-Term Debt**

At June 30, 2012, the District had no general obligation bonded indebtedness outstanding.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District expects an increase in enrollment due to open enrollments in as well as weighted enrollment.
- For fiscal year 2013, federal grants received by the District have been reduced. We no longer receive funding from Ed Jobs, which was approximately \$142,000 in fiscal year 2012. We are also facing potential federal sequestration of funds which could impact all federal funding around 10% across-the-board.
- The District will continue to seek ways to cut transportation and building/grounds costs.
- The District anticipates being on the Schools in Need of Assistance (SINA) list next year, which could increase the expenditures for professional development and instructional supplies.
- The District had its Comprehensive School Improvement Site Visit in November 2011 with the Iowa Department of Education Consultants. The report to the District was dated January 2012 and will be reviewed by the Administrative Staff. Along with the Comprehensive School Improvement Site Visit, the Iowa Quality Preschool Program Standards Verification Visit was also completed. This included verification of teacher associate standards within the program.
- The Iowa Legislature set the allowable growth rates for fiscal years 2013 and 2014 at 2%.
- Education Reform may affect us from a financial perspective, but not enough details are known yet. Also, the Affordable Care Act will likely increase our healthcare costs.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laura Morine, District Secretary/Treasurer and Business Manager, Starmont Community School District, 3202 40<sup>th</sup> Street, Arlington, Iowa, 50606-8199.

## **Basic Financial Statements**

**Exhibit A**

## Starmont Community School District

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,738,245	73,929	1,812,174
Receivables:			
Property tax:			
Delinquent	56,142	-	56,142
Succeeding year	3,252,087	-	3,252,087
Accounts	10,133	2,593	12,726
Due from other governments	329,825	-	329,825
Inventories	-	3,911	3,911
Capital assets, net of accumulated depreciation	5,102,398	2,943	5,105,341
<b>Total assets</b>	<b>10,488,830</b>	<b>83,376</b>	<b>10,572,206</b>
<b>Liabilities</b>			
Accounts payable	106,959	600	107,559
Salaries and benefits payable	724,488	22,573	747,061
Due to other governments	101,108	-	101,108
Unearned revenue:			
Succeeding year property tax	3,252,087	-	3,252,087
Other	-	2,398	2,398
Long-term liabilities:			
Portion due within one year:			
Compensated absences	18,467	4,553	23,020
Early retirement	44,925	-	44,925
Portion due after one year:			
Early retirement	98,851	-	98,851
Net OPEB liability	20,530	270	20,800
<b>Total liabilities</b>	<b>4,367,415</b>	<b>30,394</b>	<b>4,397,809</b>
<b>Net assets</b>			
Invested in capital assets	5,102,398	2,943	5,105,341
Restricted for:			
Categorical funding	108,405	-	108,405
Management levy purposes	83,874	-	83,874
Capital projects	770,820	-	770,820
Student activities	61,957	-	61,957
Debt service	26,937	-	26,937
Unrestricted	(32,976)	50,039	17,063
<b>Total net assets</b>	<b>\$ 6,121,415</b>	<b>52,982</b>	<b>6,174,397</b>

See notes to financial statements.

Starmont Community School District

Statement of Activities

Year ended June 30, 2012

	Expenses	Program Revenues	
		Charges for Service	Operating Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,173,967	312,045	765,600
Special instruction	1,400,987	244,425	51,903
Other instruction	940,098	231,848	128,649
	<u>5,515,052</u>	<u>788,318</u>	<u>946,152</u>
Support services:			
Student	173,765	-	-
Instructional staff	83,412	-	-
Administration	803,596	-	-
Operation and maintenance of plant	522,773	-	-
Transportation	398,495	-	-
	<u>1,982,041</u>	<u>-</u>	<u>-</u>
Other expenditures:			
AEA flowthrough	256,275	-	256,275
Depreciation (unallocated)*	179,818	-	-
	<u>436,093</u>	<u>-</u>	<u>256,275</u>
Total governmental activities	<u>7,933,186</u>	<u>788,318</u>	<u>1,202,427</u>
Business type activities:			
Non-instructional programs:			
Food service operations	328,410	172,734	176,500
Child care operations	50,949	50,561	-
Total business type activities	<u>379,359</u>	<u>223,295</u>	<u>176,500</u>
Total	<u>\$ 8,312,545</u>	<u>1,011,613</u>	<u>1,378,927</u>

**General Revenues:**

Property tax levied for:
General purposes
Capital outlay
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net assets
Net assets beginning of year
Net assets end of year

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(2,096,322)	-	(2,096,322)
(1,104,659)	-	(1,104,659)
(579,601)	-	(579,601)
(3,780,582)	-	(3,780,582)
(173,765)	-	(173,765)
(83,412)	-	(83,412)
(803,596)	-	(803,596)
(522,773)	-	(522,773)
(398,495)	-	(398,495)
(1,982,041)	-	(1,982,041)
-	-	-
(179,818)	-	(179,818)
(179,818)	-	(179,818)
(5,942,441)	-	(5,942,441)
-	20,824	20,824
-	(388)	(388)
	20,436	20,436
(5,942,441)	20,436	(5,922,005)
\$ 3,194,189	-	3,194,189
64,478	-	64,478
461,528	-	461,528
2,867,428	-	2,867,428
9,459	-	9,459
259,800	-	259,800
6,856,882	-	6,856,882
914,441	20,436	934,877
5,206,974	32,546	5,239,520
\$ 6,121,415	52,982	6,174,397

**Exhibit C**

## Starmont Community School District

Balance Sheet  
Governmental Funds

June 30, 2012

	General	Special Revenue		Capital Projects	Nonmajor	Total
		Management Levy				
<b>Assets</b>						
Cash, cash equivalents and pooled investments	\$ 750,982	225,099		670,695	91,469	1,738,245
Receivables:						
Property tax:						
Delinquent	51,908	2,551		1,683	-	56,142
Succeeding year	2,976,361	210,000		65,726	-	3,252,087
Accounts	10,001	-		-	132	10,133
Due from other governments	227,289	-		102,536	-	329,825
<b>Total assets</b>	<b>\$ 4,016,541</b>	<b>437,650</b>		<b>840,640</b>	<b>91,601</b>	<b>5,386,432</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 100,158	-		4,094	2,707	106,959
Salaries and benefits payable	724,488	-		-	-	724,488
Due to other governments	101,108	-		-	-	101,108
Deferred revenue:						
Succeeding year property tax	2,976,361	210,000		65,726	-	3,252,087
Other	31,667	-		-	-	31,667
Total liabilities	3,933,782	210,000		69,820	2,707	4,216,309
Fund balances:						
Restricted for:						
Categorical funding	108,405	-		-	-	108,405
Management levy purposes	-	227,650		-	-	227,650
Student activities	-	-		-	61,957	61,957
Booster clubs	-	-		-	26,937	26,937
School infrastructure	-	-		665,697	-	665,697
Physical plant and equipment	-	-		105,123	-	105,123
Unassigned	(25,646)	-		-	-	(25,646)
Total fund balances	82,759	227,650		770,820	88,894	1,170,123
<b>Total liabilities and fund balances</b>	<b>\$ 4,016,541</b>	<b>437,650</b>		<b>840,640</b>	<b>91,601</b>	<b>5,386,432</b>

See notes to financial statements.

## Starmont Community School District

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2012

<b>Total fund balances of governmental funds (page 20)</b>	\$ 1,170,123
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,102,398
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	31,667
Long-term liabilities, including compensated absences payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(182,773)</u>
<b>Net assets of governmental activities (page 17)</b>	<u><u>\$ 6,121,415</u></u>

See notes to financial statements.

**Exhibit E**

## Starmont Community School District

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

Year ended June 30, 2012

	Special Revenue		Capital Projects	Nonmajor	Total
	General	Management Levy			
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,044,743	149,446	526,006	-	3,720,195
Tuition	358,964	-	-	-	358,964
Other	348,733	8,431	14,201	235,773	607,138
State sources	3,554,699	-	30	-	3,554,729
Federal sources	613,219	-	-	-	613,219
Total revenues	7,920,358	157,877	540,237	235,773	8,854,245
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,020,118	6,008	-	-	3,026,126
Special	1,400,476	-	-	-	1,400,476
Other	732,179	-	-	206,179	938,358
	5,152,773	6,008	-	206,179	5,364,960
Support services:					
Student	173,565	-	-	-	173,565
Instructional staff	82,333	-	-	-	82,333
Administration	753,705	50,800	-	-	804,505
Operation and maintenance of plant	503,342	42,527	22,857	-	568,726
Transportation	333,168	8,373	-	-	341,541
	1,846,113	101,700	22,857	-	1,970,670
Other expenditures:					
Facilities acquisition	-	-	341,491	-	341,491
AEA flowthrough	256,275	-	-	-	256,275
	256,275	-	341,491	-	597,766
Total expenditures	7,255,161	107,708	364,348	206,179	7,933,396
Excess of revenues over expenditures	665,197	50,169	175,889	29,594	920,849
Other financing sources (uses):					
Operating transfers in	12,180	-	-	-	-
Operating transfers out	-	-	-	(12,180)	-
Total other financing sources (uses)	12,180	-	-	(12,180)	-
Change in fund balances	677,377	50,169	175,889	17,414	920,849
Fund balances beginning of year	(594,618)	177,481	594,931	71,480	249,274
Fund balances end of year	\$ 82,759	227,650	770,820	88,894	1,170,123

See notes to financial statements.



Starmont Community School District

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2012

**Change in fund balances - total governmental funds (page 22)** \$ 920,849

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

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

Expenditures for capital assets	\$ 364,178	
Depreciation expense	<u>(267,989)</u>	96,189

Certain revenue not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (6,618)

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

Compensated absences	5,796	
Early retirement	(86,575)	
Other postemployment benefits	<u>(15,200)</u>	<u>(95,979)</u>

**Change in net assets of governmental activities (page 19)** \$ 914,441

See notes to financial statements.

Starmont Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2012

	Enterprise		Total
	School Nutrition	Nonmajor Child Care	
<b>Assets</b>			
Cash and cash equivalents	\$ 73,666	263	73,929
Accounts receivable	712	1,881	2,593
Inventories	3,911	-	3,911
Capital assets, net of accumulated depreciation	2,943	-	2,943
<b>Total assets</b>	<b>81,232</b>	<b>2,144</b>	<b>83,376</b>
<b>Liabilities</b>			
Accounts payable	-	600	600
Salaries and benefits payable	22,313	260	22,573
Unearned revenue	2,398	-	2,398
Compensated absences	4,553	-	4,553
Net OPEB liability	270	-	270
<b>Total liabilities</b>	<b>29,534</b>	<b>860</b>	<b>30,394</b>
<b>Net Assets</b>			
Invested in capital assets	2,943	-	2,943
Unrestricted	48,755	1,284	50,039
<b>Total net assets</b>	<b>\$ 51,698</b>	<b>1,284</b>	<b>52,982</b>

See notes to financial statements.

Starmont Community School District

Statement of Revenues, Expenses  
and Changes in Net Assets  
Proprietary Fund

Year ended June 30, 2012

	Enterprise		Total
	School Nutrition	Nonmajor Child Care	
Operating revenues:			
Local sources:			
Charges for service	\$ 170,949	50,561	221,510
Miscellaneous	1,785	-	1,785
Total operating revenue	172,734	50,561	223,295
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	112,665	37,324	149,989
Benefits	26,810	7,953	34,763
Purchased services	4,698	-	4,698
Supplies	181,011	5,672	186,683
Depreciation	3,226	-	3,226
Total operating expenses	328,410	50,949	379,359
Operating loss	(155,676)	(388)	(156,064)
Non-operating revenues:			
State sources	3,680	-	3,680
Federal sources	172,741	-	172,741
Interest income	79	-	79
Total non-operating revenues	176,500	-	176,500
Change in net assets	20,824	(388)	20,436
Net assets beginning of year	30,874	1,672	32,546
Net assets end of year	\$ 51,698	1,284	52,982

See notes to financial statements.

**Exhibit I**

## Starmont Community School District

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2012

	Enterprise		
	School Nutrition	Child Care	Total
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	\$ 167,863	-	167,863
Cash received from miscellaneous	1,785	50,561	52,346
Cash paid to employees and suppliers for goods or services	(323,015)	(51,970)	(374,985)
Net cash used by operating activities	(153,367)	(1,409)	(154,776)
<b>Cash flows from non-capital financing activities:</b>			
State grants received	3,680	-	3,680
Federal grants received	172,741	-	172,741
Net cash provided by non-capital financing activities	176,421	-	176,421
<b>Cash flows from investing activities:</b>			
Interest on investments	79	-	79
Net increase (decrease) in cash and cash equivalents	23,133	(1,409)	21,724
Cash and cash equivalents beginning of year	50,533	1,672	52,205
Cash and cash equivalents end of year	\$ 73,666	263	73,929
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (155,676)	(388)	(156,064)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	3,226	-	3,226
Increase in inventories	(1,420)	-	(1,420)
Increase in accounts receivable	(409)	(1,881)	(2,290)
Decrease in unearned revenue	(2,677)	-	(2,677)
Increase (decrease) in accounts payable	(228)	600	372
Increase in salaries and benefits payable	4,364	260	4,624
Decrease in compensated absences	(747)	-	(747)
Increase in other postemployment benefits	200	-	200
Net cash used by operating activities	\$ (153,367)	(1,409)	(154,776)

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

During the year ended June 30, 2012, the District received \$19,664 of federal commodities.

See notes to financial statements.

Starmont Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 100,159	3,308
<b>Liabilities</b>		
Trusts payable	-	3,308
<b>Net assets</b>		
Reserved for scholarships	<u>\$ 100,159</u>	<u>-</u>

See notes to financial statements.

**Exhibit K**

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Starmont Community School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year ended June 30, 2012

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Interest income and other	\$ 21,855
Deductions:	
None	-
Change in net assets	<u>21,855</u>
Net assets beginning of year	<u>78,304</u>
Net assets end of year	<u>\$ 100,159</u>

See notes to financial statements.

Starmont Community School District

Notes to Financial Statements

June 30, 2012

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

Starmont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 predominate agricultural territory in the counties of Buchanan, Clayton, Delaware and Fayette. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Levy Fund is utilized to account for property tax and other revenues collected and used to pay the costs of unemployment benefits, liability insurance and agreements, judgments and certain early retirement benefits.

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

The District reports the following major proprietary fund:

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



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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

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

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

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

Asset Class	Amount
Land	\$ 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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20
Furniture and equipment	2-20

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

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

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

Unearned revenue in the Statement of Net Assets for business type activities consists of monies collected for lunches not yet served.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amount budgeted in any function.

**(2) Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in certificates of deposit and mutual funds.

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

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Debt Service	\$ 12,180

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

**(4) Iowa School Cash Anticipation Program (ISCAP)**

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

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2011-2012A issuance included taxable and tax-exempt warrants. The District participated in the issuance of the tax exempt warrants. The interest rate on the tax-exempt Series 2011-2012A warrants is a variable rate, calculated daily, based on the one-month LIBOR rate plus 100 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	7/06/11	6/29/12	\$ -	625,000	625,000	-

During the year ended June 30, 2012, the District paid \$1,371 of interest on the ISCAP warrants.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 26,300	-	-	26,300
Capital assets being depreciated:				
Buildings	8,074,914	336,959	(10,001)	8,401,872
Improvements other than buildings	286,268	25,344	-	311,612
Furniture and equipment	1,330,137	10,821	(180,997)	1,159,961
Total capital assets being depreciated	9,691,319	373,124	(190,998)	9,873,445
Less accumulated depreciation for:				
Buildings	3,530,332	168,237	(1,055)	3,697,514
Improvements other than buildings	118,784	11,581	-	130,365
Furniture and equipment	1,062,294	88,171	(180,997)	969,468
Total accumulated depreciation	4,711,410	267,989	(182,052)	4,797,347
Total capital assets being depreciated, net	4,979,909	105,135	(8,946)	5,076,098
Governmental activities capital assets, net	\$ 5,006,209	105,135	(8,946)	5,102,398
<b>Business type activities:</b>				
Furniture and equipment	\$ 124,845	-	-	124,845
Less accumulated depreciation	118,676	3,226	-	121,902
Business type activities capital assets, net	\$ 6,169	(3,226)	-	2,943

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 15,861
Other	1,139
Support services:	
Operation and maintenance of plant	2,910
Transportation	68,261
	88,171
Unallocated	179,818
Total depreciation expense - governmental activities	\$ 267,989
Business type activities:	
Food service operations	\$ 3,226

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 24,263	18,467	24,263	18,467	18,467
Early retirement	57,201	143,776	57,201	143,776	44,925
Net OPEB liability	5,330	15,200	-	20,530	-
Total	\$ 86,794	177,443	81,464	182,773	63,392
Business type activities:					
Compensated absences	\$ 5,300	4,553	5,300	4,553	4,553
Net OPEB liability	70	200	-	270	-
Total	\$ 5,370	4,753	5,300	4,823	4,553

Early Retirement

The District offered a voluntary early retirement plan to its certified employees during prior years. During the year ended June 30, 2012, the District did not offer a voluntary early retirement plan to its certified employees.

Early retirement benefits of \$57,201 were paid during the year ended June 30, 2012 under the early retirement plans offered in prior years.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$332,023, \$283,975 and \$256,448, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District is a member of a twelve school trust – Northeast Iowa Schools Insurance Trust (NEISIT). The plan provides medical benefits to employees, retirees and their spouses. Each school in the trust provided active and retired member information. There are 58 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through NEISIT. 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.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 55,300
Contributions made	<u>(39,900)</u>
Increase in net OPEB obligation	15,400
Net OPEB obligation beginning of year	<u>5,400</u>
Net OPEB obligation end of year	<u>\$ 20,800</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$39,900 to the medical plan. The District contributed 100% of the premium costs.

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$57,200	92%	\$ 4,600
2011	52,000	98	5,400
2012	55,300	72	20,800

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$415,044, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$415,044. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,192,000 and the ratio of the UAAL to covered payroll was 13.0%. As of June 30, 2012, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 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, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$387 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(9) Risk Management**

The 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.

#### **(10) 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 \$256,275 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's ending balances for categorical funding by project as of June 30, 2012 are as follows:

<u>Project</u>	<u>Amount</u>
Statewide Voluntary Preschool Program Grants	\$ 43,308
Professional Development	20,327
Market Factor Incentives	5,525
Beginning Administrator Mentoring and Induction Program	750
Teacher Salary Supplement	9,692
Special Education Weighting	15,195
Gifted and Talented Program	13,608
Total	<u>\$ 108,405</u>

**(12) Deficit Fund Balance**

The General Fund had a deficit unassigned fund balance of \$25,646 at June 30, 2012. The deficit balance was a result of the cumulative effect of reductions in state funding received and salary increases approved in prior years. The deficit will be eliminated through reductions in future expenditures.

**Required Supplementary Information**

Starmont Community School District  
 Budgetary Comparison Schedule of  
 Revenues, Expenditures/Expenses and Changes in Balances -  
 Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 4,686,297	223,374	4,909,671
State sources	3,554,729	3,680	3,558,409
Federal sources	613,219	172,741	785,960
Total revenues	<u>8,854,245</u>	<u>399,795</u>	<u>9,254,040</u>
<b>Expenditures/Expenses:</b>			
Instruction	5,364,960	-	5,364,960
Support services	1,970,670	-	1,970,670
Non-instructional programs	-	379,359	379,359
Other expenditures	597,766	-	597,766
Total expenditures/expenses	<u>7,933,396</u>	<u>379,359</u>	<u>8,312,755</u>
Excess of revenues over expenditures/expenses	920,849	20,436	941,285
Balances beginning of year	<u>249,274</u>	<u>32,546</u>	<u>281,820</u>
Balances end of year	<u>\$ 1,170,123</u>	<u>52,982</u>	<u>1,223,105</u>

See accompanying independent auditor's report.

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Original and Final Budget	Final to Actual Variance
4,306,336	603,335
3,880,579	(322,170)
450,000	335,960
<u>8,636,915</u>	<u>617,125</u>
5,607,441	242,481
2,034,140	63,470
385,000	5,641
734,337	136,571
<u>8,760,918</u>	<u>448,163</u>
(124,003)	1,065,288
<u>330,240</u>	<u>(48,420)</u>
<u><u>206,237</u></u>	<u><u>1,016,868</u></u>

Starmont Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The budget was not amended during the year ended June 30, 2012.

During the year ended June 30, 2012, expenditures did not exceed the amount budgeted in any function.

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Starmont Community School District

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

Required Supplementary Information

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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	Jul 1, 2008	-	\$ 462	462	0.0%	\$ 3,269	14.1%
2011	Jul 1, 2010	-	431	431	0.0	3,286	13.1
2012	Jul 1, 2010	-	415	415	0.0	3,192	13.0

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**Starmont Community School District**



**Supplementary Information**

**Schedule 1**

## Starmont Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

	<u>Special Revenue</u>			
	Student		Debt	
	Activity	Donations	Service	Total
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 64,532	26,937	-	91,469
Accounts receivable	132	-	-	132
<b>Total assets</b>	<b>\$ 64,664</b>	<b>26,937</b>	<b>-</b>	<b>91,601</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 2,707	-	-	2,707
Fund balances:				
Restricted for:				
Student activities	61,957	-	-	61,957
Booster clubs	-	26,937	-	26,937
Total fund balances	61,957	26,937	-	88,894
<b>Total liabilities and fund balances</b>	<b>\$ 64,664</b>	<b>26,937</b>	<b>-</b>	<b>91,601</b>

See accompanying independent auditor's report.

## Starmont Community School District

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2012

	Special Revenue		Debt Service	Total
	Student Activity	Donations		
Revenues:				
Local sources:				
Other	\$ 235,322	-	451	235,773
Expenditures:				
Current:				
Other	206,179	-	-	206,179
Excess of revenues over expenditures	29,143	-	451	29,594
Other financing uses:				
Operating transfers out	-	-	(12,180)	(12,180)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	29,143	-	(11,729)	17,414
Fund balances beginning of year	32,814	26,937	11,729	71,480
Fund balances end of year	\$ 61,957	26,937	-	88,894

See accompanying independent auditor's report.

**Schedule 3**

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## Starmont Community School District

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

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ (35,408)	83,704	77,924	(29,628)
Clubs and Organizations	4,396	82,085	65,840	20,641
General Activity	2,789	15,648	14,240	4,197
Classes	4,123	9,501	10,600	3,024
Elementary	31,791	37,985	32,455	37,321
Middle	25,123	6,399	5,120	26,402
Total	\$ 32,814	235,322	206,179	61,957

See accompanying independent auditor's report.

## Starmont Community School District

## Combining Balance Sheet

## Capital Project Accounts

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 566,655	104,040	670,695
Receivables:			
Property tax:			
Delinquent	600	1,083	1,683
Succeeding year		65,726	65,726
Due from other governments	102,536	-	102,536
<b>Total assets</b>	<b>\$ 669,791</b>	<b>170,849</b>	<b>840,640</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 4,094	-	4,094
Deferred revenue:			
Succeeding year property tax	-	65,726	65,726
Total liabilities	4,094	65,726	69,820
Fund balances:			
Restricted for:			
School infrastructure	665,697	-	665,697
Physical plant and equipment	-	105,123	105,123
Total fund balances	665,697	105,123	770,820
<b>Total liabilities and fund balances</b>	<b>\$ 669,791</b>	<b>170,849</b>	<b>840,640</b>

See accompanying independent auditor's report.

**Schedule 5**

Starmont Community School District  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 461,528	64,478	526,006
Other	14,055	146	14,201
State sources	-	30	30
Total revenues	475,583	64,654	540,237
Expenditures:			
Support services:			
Operation and maintenance of plant	-	22,857	22,857
Other expenditures:			
Facilities acquisition	341,491	-	341,491
Total expenditures	341,491	22,857	364,348
Excess of revenues over expenditures	134,092	41,797	175,889
Fund balances beginning of year	531,605	63,326	594,931
Fund balances end of year	\$ 665,697	105,123	770,820

See accompanying independent auditor's report.

## Starmont Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 2,894	40,297	39,883	3,308
<b>Liabilities</b>				
Due to other governments	\$ 2,894	40,297	39,883	3,308

See accompanying independent auditor's report.

Starmont Community School District

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

For the Last Nine Years

	2012	2011	2010	2009
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,720,195	3,463,472	3,431,337	3,154,146
Tuition	358,964	342,301	373,136	310,458
Other	607,138	379,624	366,928	433,836
State sources	3,554,729	3,706,545	3,055,448	3,656,798
Federal sources	613,219	332,891	715,569	264,448
<b>Total</b>	<b>\$ 8,854,245</b>	<b>8,224,833</b>	<b>7,942,418</b>	<b>7,819,686</b>
<b>Expenditures:</b>				
Instruction:				
Regular	\$ 3,026,126	3,185,436	3,237,429	3,264,965
Special	1,400,476	1,005,017	930,719	963,902
Other	938,358	1,169,518	1,014,629	1,056,644
Support services:				
Student	173,565	176,324	154,689	142,101
Instructional staff	82,333	111,538	39,147	39,464
Administration services	804,505	688,191	692,802	720,703
Operation and maintenance of plant	568,726	530,252	487,367	573,349
Transportation	341,541	340,671	306,434	364,346
Central support	-	75,678	41,795	-
Other expenditures:				
Facilities acquisition	341,491	222,085	538,187	414,510
Long-term debt:				
Principal	-	-	480,000	470,000
Interest and other charges	-	-	11,840	25,421
AEA flowthrough	256,275	292,228	286,458	265,962
<b>Total</b>	<b>\$ 7,933,396</b>	<b>7,796,938</b>	<b>8,221,496</b>	<b>8,301,367</b>

See accompanying independent auditor's report.



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

**Schedule 8**

Starmont Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2012

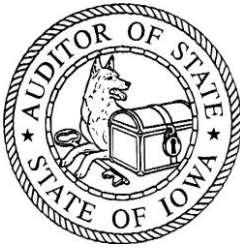
Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY12	\$ 40,092
National School Lunch Program	10.555	FY12	151,639
			<u>191,731</u>
Team Nutrition Grants	10.574	FY12	<u>674</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY12	<u>109,563</u>
Career and Technical Education - Basic Grants to States	84.048	FY12	<u>3,761</u>
Improving Teacher Quality State Grants	84.367	FY12	<u>32,652</u>
Grants for State Assessments and Related Activities	84.369	FY12	<u>3,282</u>
Twenty-First Century Community Learning Centers	84.287	FY12	<u>68,725</u>
Education Jobs	84.410	FY12	<u>144,508</u>
Keystone Area Education Agency:			
Special Education _ Grants to States	84.027	FY12	<u>32,846</u>
ARRA - Special Education Grants to States, Recovery Act			
	84.391	FY12	<u>19,057</u>
Total			<u><u>\$ 606,799</u></u>

\* - Includes \$19,664 of non-cash awards.

\*\* - Total for Special Education Cluster (IDEA) is \$51,903.

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Starmont Community School District and is presented on the accrual or modified accrual basis of accounting. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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

To the Board of Education of  
Starmont Community School District:

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 29, 2013. 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.

Internal Control Over Financial Reporting

The management of Starmont Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Starmont Community School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Starmont Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 through II-E-12 to be material weaknesses.

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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-F-12 through II-Q-12 to be significant deficiencies.

#### Compliance and Other Matters


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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Starmont Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Starmont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Starmont Community School District and other parties to whom Starmont Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 29, 2013

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**Starmont Community School District**



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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Board of Education of  
Starmont Community School District:

### Compliance

We have audited Starmont Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (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, 2012. Starmont Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Starmont Community School District's management. Our responsibility is to express an opinion on Starmont Community School District's compliance based on our audit.

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 non-compliance 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Starmont Community School District's compliance with those requirements.

In our opinion, Starmont Community School District complied, in all material respects, with the 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, 2012.

### Internal Control Over Compliance

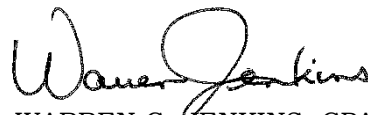
The management of Starmont Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Starmont Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Starmont Community School 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be material weaknesses.

A deficiency in the District's 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-12 through III-F-12 to be material weaknesses.

Starmont Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Starmont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Starmont Community School District and other parties to whom Starmont Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 29, 2013



Starmont Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major programs were disclosed by the audit of financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed 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:
  - Child Nutrition Cluster:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - CFDA Number 84.410 – Education Jobs Fund
- (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.

Starmont Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- (1) Cash – initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Investments – investing, detailed recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – collecting, recording, depositing, journalizing, posting and reconciling.
- (4) Disbursements – purchase order processing, check preparation, mailing and recording.
- (5) Capital assets – purchasing, recording and reconciling.
- (6) Long-term debt – recording, reconciling and performing cash functions.
- (7) Wire transfers – processing and approving.
- (8) Payroll – recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- (9) Transfers – preparing and approving.
- (10) Financial reporting – preparing, reconciling and approving.
- (11) Computer systems – performing all general accounting functions and controlling all data input and output.
- (12) School lunch program – collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.
- (13) Daycare program – Accounts receivable and collecting receipts.
- (14) Daycare program – recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response – We are utilizing the Central Office Administrative Assistant (COAA) to implement more dual controls in our daily financial reporting. We are also using additional personnel in the School Lunch program and Daycare program.

Conclusion – Response accepted.

Starmont Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-B-12 Financial Reporting – During the audit, we identified material amounts of receivables, payables and delinquent property tax receivable not recorded in the District’s financial statements or recorded in the wrong fiscal year. In addition, due from other governments was misclassified as accounts receivable and salaries payable and due to other governments were incorrectly classified as accounts payable. The District did not perform bank reconciliations during the fiscal year and material variances existed between the cash balance in the District’s accounting system and cash in the bank. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure bank reconciliations are performed and reconciling items are resolved in a timely manner and all receivables, payables and delinquent property tax receivable are identified and included in the District’s financial statements. In addition, the District should implement procedures to ensure receivables and payables are properly classified in the financial statements.

Response – The District is implementing procedures to ensure all receivables, payables and delinquent property tax receivable are identified and included in the District’s financial statements. In addition, more detailed financial reports are being provided to the Board.

Conclusion – Response accepted.

II-C-12 Bank Reconciliation – Monthly reconciliation of the District's balances to the bank accounts and investments was not performed for most of the District’s bank accounts during the fiscal year. Once bank reconciliations were prepared, there were material variances which could not be explained. In addition, the listing of outstanding checks is not reviewed for propriety.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared. Any variances should be investigated and resolved in a timely manner. Outstanding checks and reconciling items should be reviewed for propriety.

Response – Monthly reconciliations are currently being performed on all accounts. Monthly reports are given to the Board and the COAA is cross checking the receivables and payables.

Conclusion – Response accepted.

II-D-12 Electronic Funds Transfers – Many payments issued to the District from the State are deposited directly to the District’s bank account through electronic funds transfer. In numerous instances, the deposits were not recorded in the District’s accounting system. In addition, while the District credited the deposit to the correct fund, certain amounts were not transferred to the corresponding bank account.

Recommendation – The District should implement procedures to ensure deposits and transfers are recorded timely and properly.

Response – We have worked with the State to have the funds deposited into the correct account, therefore eliminating the need for transfers. The monthly statement from the State is being compared to the monthly transactions in the accounting system.

Conclusion – Response accepted.

Starmont Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-E-12 Journal Entries – The Business Manager processes journal entries to record adjustments to the accounting records, record ACH payments and record automatic deposits from the counties and the State. Journal entries did not have evidence of independent review or approval.

Recommendation – All journal entries should be approved by the Superintendent prior to processing and should document evidence of the review.

Response – The journal entries will be approved by the Superintendent prior to processing by signing the journal posting reports or transfer form.

Conclusion – Response accepted.

II-F-12 Computer Systems – During our review of internal control, the existing control activities in the District’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the District’s computer systems were noted:

The District does not have written policies for:

- Requiring the maintenance of password privacy and confidentiality.
- Requiring passwords be changed at least every 60-90 days.
- Requiring use of screen savers when computers are not in use.
- Requiring backups of system information.
- Installing software from a vendor and ensuring only software licensed to the District is installed on computers.

Also, the District does not have a written disaster recovery plan.

Recommendation – The District should develop written policies addressing the above items in order to improve the District’s control over its computer systems.

Response – The District is working on developing written procedures for employees in regard to computer systems, as well as a written disaster recovery plan.

Conclusion – Response accepted.

II-G-12 Accounting Procedures Manual – We encourage the development of office procedures and standardized accounting manuals for the District. In addition, we encourage obtaining or developing user manuals/help guides for the accounting records the District utilizes. These manuals and guides should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or similar, situation arises.
- (4) Improve the efficiency and understanding of steps to perform for running monthly financial reports and retrieving management information.

Starmont Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

Recommendation – Office procedures and a standardized accounting manual should be developed for the District.

Response – The District is cross training other personnel in the operation of the accounting system as well as developing a manual for the Central Office to have as guidance.

Conclusion – Response accepted.

- II-H-12 Property Tax Receipts – The District did not reconcile property tax recorded to tax orders received from the counties to ensure all receipts are recorded and credited to the correct fund. In addition, the District did not track the amount of delinquent tax due to the District.

Recommendation – The District should reconcile the property tax recorded to tax orders from the counties to ensure all receipts were recorded and credited to the correct fund. In addition, the District should track the amount of delinquent tax due to the District.

Response – The District will reconcile the tax receipts for each of the four counties on an annual basis.

Conclusion – Response acknowledged. The District should also track the delinquent tax due to the District.

- II-I-12 Capital Assets Listing – There was no evidence the capital assets listing was periodically reviewed by an independent person to determine if assets on the listing existed and the listing included all of the District’s capital assets. In addition, the capital assets listing did not include a tag number, serial number or other identifying information

Recommendation – The District should implement procedures to ensure the capital assets listing for the District and School Nutrition Program are accurate and current, the assets on the listing can be identified and the cost of the assets is calculated correctly. Capital projects should be tracked and added as construction in progress or as a capital asset when completed. In addition, a physical inventory should be conducted periodically and reconciled to the capital assets listing by an independent person for accuracy.

Response – The District’s capital asset listing will be updated on a regular basis. The District has had an outside firm complete an asset inventory list.

Conclusion – Response accepted.

- II-J-12 Student Activity Accounts – A subsidiary ledger was not maintained for the Special Revenue Fund, Student Activity Accounts.

Recommendation – The District should maintain a subsidiary ledger and reconcile the ledger to the account balance in the District’s accounting system.

Response – Reports are given to the sponsors/treasurers of the subsidiary ledgers. The Business Manager is working with the sponsors/treasurers of the groups to establish procedures for each to have their own accounting records.

Conclusion – Response accepted.

Starmont Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-K-12 Incoming Mail - Incoming mail is opened by the Superintendent. However, the initial listing of receipts is prepared by a person who is authorized to make entries to the accounting records.

Recommendation - All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare an initial listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. The initial listing of receipts should then be periodically compared to deposits by an independent person.

Response - The Superintendent opens the mail and documents any revenues on a log. The COAA makes the deposit slip, the Business Manager then enters it into the system and compares periodically to the log.

Conclusion - Response accepted.

II-L-12 Bank Accounts - The District has eight separate checking, savings and money market accounts as of June 30, 2012. The Business Manager issued checks from the Student Nutrition Fund to the General Fund for IPERS payments, increasing the likelihood for error. Checks issued from the capital projects checking account were handwritten due to the format of the checks.

Transfers between bank accounts and between funds are not balanced monthly, adequately explained or classified as transfers rather than receipts or disbursements.

Recommendation - The District should minimize the number of checking and savings accounts to avoid the need to transfer funds between bank accounts. In addition, the District should balance transfers monthly and provide an explanation for each transfer.

Response - The District consolidated accounts to eliminate the transfer between so many funds. Payroll is still issued from the General Fund for the Nutrition account and one monthly transfer will occur. Reconciling the accounts on a monthly basis will ensure the transfers are made.

Conclusion - Response accepted.

II-M-12 Disbursements - The District's disbursements were not always properly supported, approved and for an appropriate purpose. During our review of the District's disbursements, we identified:

- 7 of 26 disbursements tested were not supported by invoices, receipts or other appropriate documentation. Two of these transactions did not have an explanation of the public purpose for the disbursement.
- Sales tax was paid on 2 transactions.
- An invoice for \$70,660 was paid twice. The overpayment was identified by the vendor and applied to a future payment due.

In addition, the District has a credit card policy which is not enforced and no procedures are in place to verify the mathematical accuracy of invoices and to ensure disbursements are recorded correctly in the accounting system.

Starmont Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

Recommendation – The District should implement policies and procedures to ensure:

- All disbursements are properly supported by detailed invoices, receipts or other appropriate documentation to allow an independent party to ensure the disbursement is appropriate.
- Sales tax is not paid on purchases.
- Duplicate payments are not made.

In addition, the District should ensure the established credit card policy is enforced and all invoices are reviewed for mathematical accuracy and recorded correctly in the accounting system.

Response – The District is implementing a policy for purchase orders and a member of the Board reviews the disbursements on a monthly basis.

Conclusion – Response acknowledged. The District should also ensure the existing credit card policy is enforced.

II-N-12 Receipts – Admission fees and concession sales are collected for athletic events, dances and other events held at the school. The District does not use prenumbered tickets to provide a record of the completeness of collections or issue receipts for all collections. In addition, all collections are given to the Business Manager for recording and deposit with no independent reconciliation to determine all funds were recorded or deposited.

Recommendation – The District should use prenumbered tickets at all events and reconcile collections to the number of tickets sold. Additionally, the reconciliation documentation should be retained to support collections submitted to Central Office and to support the deposit. Prenumbered receipts should also be issued at the time of collection to provide additional control over the proper collection and recording of all money.

Whenever possible, two individuals should sell the tickets and sign off on the reconciliation at the end of the event. The documentation of tickets sold should be delivered to the District's Central Office separately from the proceeds by an individual responsible for collecting the funds. The documentation should be reviewed by an independent party and reconciled to the amount actually deposited.

Response – The District is following the new procedures for admissions and ticket sales. The funds from the gate are being verified by a second party and the reconciliation forms are then signed.

Conclusion – Response accepted.

II-O-12 Competitive Quotes – Chapter 26.14 of the Code of Iowa requires Districts to obtain competitive quotes for projects with estimated costs less than the required competitive bid threshold but greater than the threshold amount established by the Bid Threshold Committee per Chapter 314.1B of the Code of Iowa. For a District, with a population less than 50,000, the competitive quote threshold is \$46,000. The District could not locate the competitive quotes for one of three projects.

Starmont Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

Recommendation – The District should obtain and maintain competitive quotes for projects over the bid threshold as established by the Code of Iowa.

Response – The District will obtain and maintain the competitive quotes for projects over the bid threshold established by the Code of Iowa.

Conclusion – Response accepted.

II-P-12 Timesheets – The District employed two temporary workers in May and June of 2012. However, their timesheets were not signed by the District’s supervisory personnel.

Recommendation – The District should implement procedures to ensure all timesheets are signed by the employee and a supervisor.

Response – The District will ensure all timesheets are being signed by the employee and a supervisor.

Conclusion – Response accepted.

II-Q-12 Prenumbered Receipts – Although receipts were issued, they were not properly monitored. In addition, account coding is not properly reviewed and receipts are not traced to deposit or to accounting records.

Recommendation – The District should develop procedures to account for the numerical sequence of receipts. In addition, the District should develop procedures to ensure receipts are deposited and recorded to accounting records properly.

Response – The District is using prenumbered receipts for revenues and the account coding and the supporting documentation is being maintained with the deposit slips. One person is creating the receipt and another person is entering it into the accounting system.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Starmont Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**Federal Award Year: 2012**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

III-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipt preparation, the posting of the cash receipts to the cash receipts journal and bank reconciliations are all done by the same person without any independent verification. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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

Response and Corrective Action Planned - The District will review its procedures to obtain the maximum internal control possible under the circumstances using currently available personnel, including elected officials

Conclusion - Response accepted.

III-B-12 Purchasing, Procurement and Debarment - The District does not have written policies for federal program purchases, including ensuring purchases are not made from vendors who have been suspended or disbarred in accordance with OMB Circular A-133.

Recommendation - The District should adopt and implement written purchasing policies for federal programs.

Response and Corrective Action Planned - The District will work on written policies for purchasing for federal programs.

Conclusion - Response accepted.

III-C-12 Eligibility and Special Tests and Provisions - The District does not maintain copies of notification letters sent to applicants after their free and reduced price meal application has been processed.

Recommendation - The District should maintain copies of letters sent to applicants.

Response and Corrective Action Planned - The District will maintain copies of letters sent to applicants.

Conclusion - Response accepted.

Starmont Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

III-D-12 Subrecipient Special Reporting – All meals claimed for reimbursement must be supported by accurate meal counts and records indicating the number of meals served by category and type. The District maintains daily lunch count sheets to support the computer generated report. However, the daily lunch counts are not reviewed and reconciled to the computer generated report by an independent individual. Therefore, the accuracy of the report cannot be determined. Based on total student count and the number of students eligible for free/reduced price meals, the monthly counts appear reasonable. In addition, the report was not reviewed or approved by an independent person.

Recommendation – Support used to prepare monthly CNP-1 reports submitted to the Iowa Department of Education should be reviewed and reconciled to the computer generated reports. In addition, the reports should be reviewed and approved by an independent person prior to submission.

Response and Corrective Action Planned – The District will develop a procedure to review and reconcile the monthly CNP-1 reports to the computer generated reports.

Conclusion – Response accepted.

III-E-12 Purchasing – The bid from the dairy and juice vendor did not include the price for some of the items purchased.

Recommendation – The District should ensure the vendor provides a bid which includes the agreed upon price for all items purchased.

Response and Corrective Action Planned – The District will get bids from vendors with prices for all items purchased.

Conclusion – Response accepted.

**CFDA Number 84.410: Education Jobs  
Federal Award Year: 2012  
U.S. Department of Education  
Passed through the Iowa Department of Education**

III-F-12 Monitoring and Reporting – The District established a fund to track expenditures. However, the fund was not properly utilized to monitor expenditures throughout the fiscal year. Furthermore, there was no evidence of independent review of reports submitted documenting payroll expenditures or revenues received by the District.

Recommendation – Transactions made with federal funds should be properly monitored and subsequent reporting should be reviewed and approved by an independent person.

Response and Corrective Action Planned – The District's federal funding will be reviewed and approved by an independent person.

Conclusion – Response accepted.

Starmont Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

**Part IV: Other Findings Related To Required Statutory Reporting:**

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 did not exceed the amounts budgeted.

IV-B-12 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-12 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-12 Bond Coverage – The District does not have surety bond coverage of District officials and employees in accordance with Chapters 279.8 and 291.2 of the Code of Iowa.

Recommendation – The District should obtain surety bond coverage for officials and employees in accordance with the Code of Iowa.

Response – The District has worked with its insurance agent to make sure the District has coverage for officials and employees in accordance with the Code of Iowa.

Conclusion – Response accepted.

IV-F-12 Board Minutes – Except as noted below, there were no transactions requiring Board approval which had not been approved by the Board.

The transfer from the Debt Service Fund to the General Fund closing the Debt Service Fund was not approved by the Board.

Recommendation – The District should ensure all transactions, including transfers, are properly approved by the Board.

Response – The Board will take action at an upcoming Board meeting to approve the closing of the Debt Service Fund to the General Fund.

Conclusion – Response accepted.

IV-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted. However, the District did not have student count enrollment information available to support information input on the Department of Education's Project Easier and Certified Enrollment database.

Recommendation – The District should maintain the supporting documentation for the student count enrollment information entered in the Department of Education's Project Easier and Certified Enrollment database.

Response – The District will maintain the supporting documentation for certified enrollment.

Conclusion – Response accepted.

Starmont Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

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

IV-J-12 Certified Annual Report - The Certified Annual Report contained material misstatements due to incorrectly recorded payable and receivable amounts which affected cash and fund balances.

Recommendation - The District should correct the accounting records to ensure the 2013 Certified Annual Report is completed accurately and timely.

Response - The District will work with its outside audit firm to complete the 2013 Certified Annual Report accurately and timely.

Conclusion - Response accepted.

IV-K-12 Categorical Funding - Except as noted, no instances of categorical funding being used to supplant rather than supplement other funds were noted. The District established a fund for At-risk, Talented and Gifted, Iowa Early Intervention and Educational Excellence Phase II (Teacher Salary Supplement). However, revenues for At-risk and Talented and Gifted were not recorded in the separate fund and the ending fund balance for Early Intervention was not properly restricted. In addition, there was \$410 of unallowable costs for the Talented and Gifted program.

Recommendation - The District should record revenues in the proper fund and ensure all fund balances are properly restricted. In addition, the District should ensure all costs for the program are allowable and reimburse the Talented and Gifted program for the unallowable costs.

Response - There is a better understanding of categorical funding and the District will work on recording the transactions correctly.

Conclusion - Response accepted.

Starmont Community School District  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2012

IV-L-12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$176,800
Revenues:		
Sales tax revenues		461,528
Expenditures:		
School infrastructure:		
Buildings	\$ 176,192	
Equipment	165,299	341,491
Ending balance		<u>\$ 296,837</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or Chapter 423F of the Code of Iowa.

IV-M-12 Financial Condition – The General Fund had a deficit unassigned fund balance of \$25,646 at June 30, 2012. In addition, the Special Revenue Fund, Athletics Student Activity Account had a deficit balance of \$29,628 at June 30, 2012.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return the fund and account to a sound financial condition.

Response – The District will try to decrease expenditures and increase revenues so the General Fund and the Special Revenue Fund, Athletics Student Activity Account do not show a deficit balance at year-end.

Conclusion – Response accepted.

Starmont Community School District

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager  
Karen J. Kibbe, Senior Auditor II  
Kelly L. Hilton, Senior Auditor  
Brandon J. Vogel, Staff Auditor  
Kirstie R. Hill, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State