

ALLAMAKEE 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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Independent Auditor's Report

To the Board of Education of
Allamakee 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 Allamakee Community School District, Waukon, 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 Allamakee 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 January 29, 2013, on our consideration of Allamakee 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 4 through 14 and 40 through 42 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 Allamakee 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 nine years ended June 30, 2011, (which are not presented herein) and expressed an unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 29, 2013

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Allamakee 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 follows.

2012 Financial Highlights

- * General Fund revenues increased from \$12,977,054 in fiscal 2011 to \$13,078,080 in fiscal 2012 and General Fund expenditures decreased from to \$11,889,279 in fiscal 2011 to \$11,194,122 in fiscal 2012. This resulted in an increase in the District’s General Fund balance from \$2,410,656 in fiscal 2011 to \$4,286,610 in fiscal 2012, a 77.8% increase.
- * The District’s solvency ratio as of June 30, 2012 was 28.7%. The District’s solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.
- * The District ended fiscal year 2012 with a positive special education balance due to Medicaid claiming for the current and previous years expenditures.

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 Allamakee 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 Allamakee Community School District’s operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the non-major 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

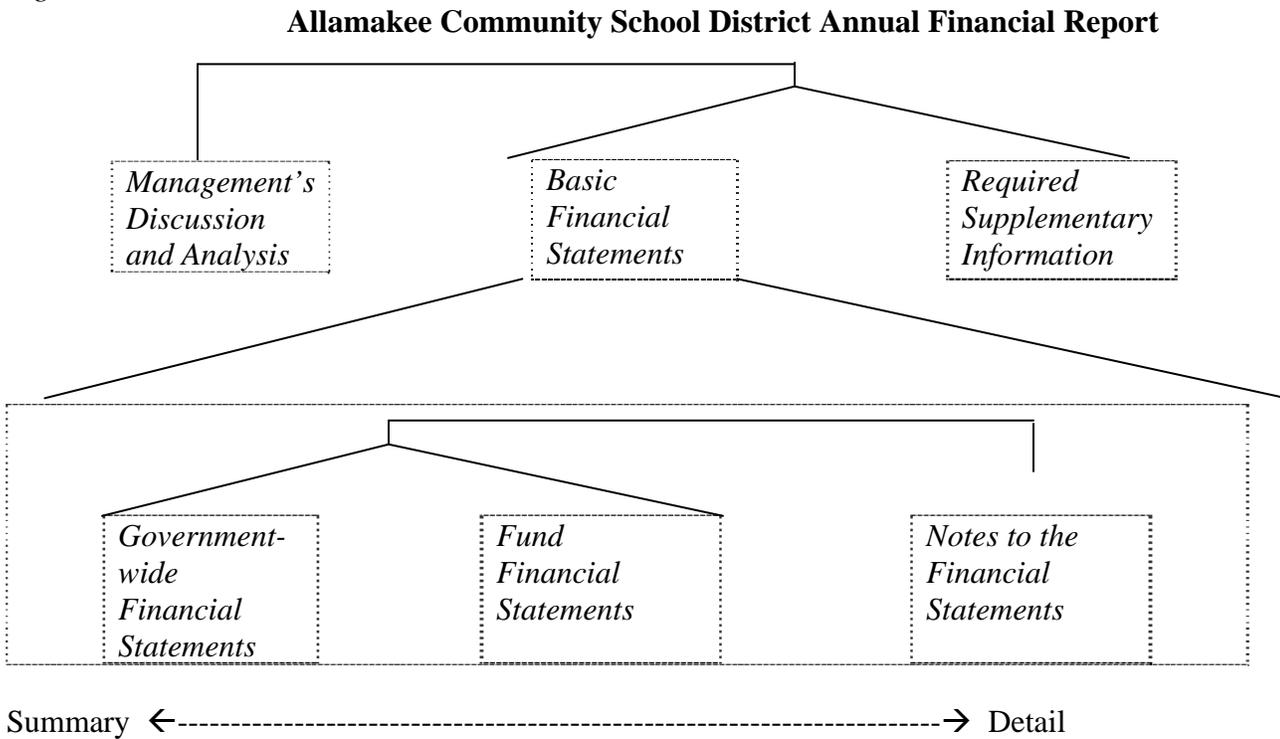


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

| | Government-wide Statements | Fund Financial Statements | |
|--|--|--|---|
| | | Governmental Funds | Propriety Funds |
| Scope | Entire district | The activities of the district that are not proprietary such as special education and building maintenance | Activities the district operates similar to private businesses: food services |
| Required financial statements | <ul style="list-style-type: none"> * Statement of net assets * Statement of activities | <ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> * Statement of net assets * Statement of revenues, expenditures, and changes in fund balances * Statement of cash flows |
| 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 |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term |
| 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 |

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 to deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

- 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 statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition 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.

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

Government-Wide Financial Statements

Net assets. The District's combined net assets showed an increase ending June 30, 2012 compared to June 30, 2011.

Figure A-3

| | Condensed Statement of Net Assets | | | | | | |
|--|-----------------------------------|-----------------|--------------------------|--------------|---------------------|-----------------|-------------------|
| | (Expressed in thousands) | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total Allamakee CSD | | Percentage Change |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2011-12 |
| Current & other assets | 14,524 | 12,412 | 660 | 587 | 15,184 | 12,999 | 16.8% |
| Capital assets | 15,042 | 15,087 | 203 | 201 | 15,245 | 15,288 | -0.3% |
| Total assets | \$29,566 | \$27,499 | \$863 | \$788 | \$30,429 | \$28,287 | 7.6% |
| Current Liabilities | 6,352 | 6,677 | 20 | 19 | 6,372 | 6,696 | -4.8% |
| Long-term obligations | 9,394 | 9,831 | 20 | 16 | 9,414 | 9,847 | -4.4% |
| Total liabilities | \$15,746 | \$16,508 | \$40 | \$35 | \$15,786 | \$16,543 | -4.6% |
| Net Assets | | | | | | | |
| Invested in capital assets, net of related debt | 6,447 | 6,094 | 203 | 201 | 6,650 | 6,295 | 5.6% |
| Restricted | 3,863 | 3,295 | | | 3,863 | 3,295 | 17.2% |
| Unrestricted | 3,510 | 1,602 | 620 | 551 | 4,130 | 2,153 | 91.8% |
| TOTAL NET ASSETS | \$13,820 | \$10,991 | \$823 | \$752 | \$14,643 | \$11,743 | 24.7% |

The District's total combined net assets increased by approximately \$2,900,000 or 24.7% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately

\$568,000 or 17.2% over the prior year. The increase was primarily a result of a decrease of expenditures in the Sales Tax Fund.

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 \$1,977,000 or 91.8%. The increase was savings from an early retirement incentive offered in Fiscal 11, cost cutting measures in all areas and the District levying a cash reserve to make up for across the Board cuts made by the State two years ago.

Changes in net assets – Figure A-4 shows the changes in net assets for year ended June 30, 2012 and June 30, 2011.

Figure A-4

| | Changes in Net Assets | | | | | | % Change 2011-2012 |
|----------------------------------|----------------------------|---------------|-----------------------------|------------|------------------------|---------------|-----------------------|
| | (Expressed in thousands) | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total Allamakee CSD | | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | 940 | 960 | 380 | 390 | 1,320 | 1,350 | -2.2% |
| Operating grants & contributions | 2,956 | 3,675 | 430 | 423 | 3,386 | 4,098 | -17.4% |
| Capital grants & contributions | 294 | 41 | | | 294 | 41 | 617.1% |
| General revenues | | | | | | | |
| Property taxes | 4,974 | 4,571 | | | 4,974 | 4,571 | 8.8% |
| Sales tax | 915 | 879 | | | 915 | 879 | 4.1% |
| Income Surtax | 420 | 421 | | | 420 | 421 | -0.2% |
| Unrestricted state grants | 5,318 | 4,747 | | | 5,318 | 4,747 | 12.0% |
| Unrestricted investment earnings | 41 | 49 | 4 | 4 | 45 | 53 | -15.1% |
| Other Revenue | 43 | 38 | | | 43 | 38 | 13.2% |
| Total revenues | 15,901 | 15,381 | 814 | 817 | 16,715 | 16,198 | 3.2% |
| Expenses: | | | | | | | |
| Instruction | 7,459 | 8,366 | | | 7,459 | 8,366 | -10.8% |
| Support services | 4,050 | 4,798 | | | 4,050 | 4,798 | -15.6% |
| Non-instructional programs | 2 | 2 | 743 | 716 | 745 | 718 | 3.8% |
| Other expenditures | 1,560 | 1,624 | | | 1,560 | 1,624 | -3.9% |
| Total expenses | 13,071 | 14,790 | 743 | 716 | 13,814 | 15,506 | -10.9% |
| CHANGE IN NET ASSETS | 2,830 | 591 | 71 | 101 | 2,901 | 692 | 319.2% |
| Net assets beginning of year | 10,991 | 10,400 | 752 | 651 | 11,743 | 11,051 | 6.3% |
| Net assets end of year | 13,821 | 10,991 | 823 | 752 | 14,644 | 11,743 | 24.7% |

In fiscal year 2012 property tax and unrestricted state grants account for 61.6% of the total revenue. The District expenses primarily relate to instruction and support services, which account for 83.3% of the total expenses.

As shown in figure A-4 the District as a whole experienced a 3.2% increase in revenues and 10.9% decrease in expenses. The decrease in expenses relate to across the board cuts made by the District.

Governmental Activities

Revenues for governmental activities were \$15,901,170 while expenses amounted to \$13,071,507. The District continues to monitor revenues and expenses.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities (Expressed in thousands)

| | Total Cost of Services | | Net Cost of Services | |
|----------------------------|------------------------|---------|----------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Instruction | \$7,459 | \$8,366 | \$4,745 | \$5,184 |
| Support Services | \$4,050 | \$4,798 | \$3,375 | \$3,910 |
| Non-instructional programs | \$2 | \$2 | \$2 | \$2 |
| Other expenses | \$1,560 | \$1,624 | \$759 | \$1,018 |

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$940,477. Most of these revenues are derived from tuition, student fees, building rental and miscellaneous income.
- Federal and state government subsidized certain programs with grants and contributions totaling \$2,955,983.
- The net cost portion of governmental activities was financed with \$4,974,224 in property tax and other taxes, \$5,317,768 in state foundation aid and \$1,335,351 in sales tax and income surtax.

Business-Type Activities

Revenues of the District's business-type activities were \$814,175 and expenses were \$743,321. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Individual Fund Analysis

As previously noted, the Allamakee 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 balance of \$7,749,983 an increase from last year's ending fund balance of \$5,308,511. The majority of the combined fund balance increase was in the Capital projects Fund and the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Revenues increased while expenditures decreased from the previous year. The District's General Fund revenue exceeded expenditures which resulted in an increase in the General Fund balance. The following contributed to the increase: \$254,367 of deferred revenue from Federal Ed. Jobs, \$154,504 of Medicaid claiming for current and prior year and levying of cash reserve. Additionally, expenditures decrease as the District reaped the savings of the prior years early retirement incentive.
- The Capital Projects Fund is used to account for the revenues from sales tax and the physical plant and equipment property tax levy. Fiscal year 2012 revenues also included approximately \$200,000 of donations that were to be used for equipment purchases.
- The non-major governmental funds combined fund balances increased by \$187,008 to \$1,397,795. Most of this increase was in the Debt Service Fund. Money is being accumulated in the Debt Service Fund to pay off \$1,000,000 of qualified zone academy bonds during fiscal year 2013.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$752,452 at June 30, 2011, to \$823,306 at June 30, 2012. This increase is a result of controlling expenditures and high utilization of the ala carte, salad bar and extra portion programs for grades 7-12.
- Students qualifying for free and reduced meals decreased from 51.4% to 49% of District students.
- During the 2011-12 school year the percent of students participating in the school lunch program increased from 85% to 86% and the breakfast program showed an increase from 28% to 30%.
- The District did raise student lunch prices five cents as required by the National School Lunch program guidelines and breakfast prices by five cents.

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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the Generally Accepted Accounting Principles (GAAP) basis. Over the course of the year, the District amended its annual operating one time to reflect additional expenditures in the support services, non-instructional programs and other expenditure areas. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the

“actual General Fund cash”. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

The District’s receipts for Governmental and Proprietary Funds were \$425,870 lower than budgeted. This was a result of lower state revenue.

The District’s expenditures for Governmental and Proprietary Funds were \$3,334,978 lower than budgeted. 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 similar to the previous year and then amend the budget to reflect anticipated or actual expenditures before the end of the fiscal year.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal 2012, the District had invested \$15,245,573 net of accumulated depreciation in the governmental and Business-type Funds, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and food service equipment. (See Figure A-6) This represents a decrease of .03% from 2010-11. More detailed information is available in Note 4 of the financial statement. Net depreciation expense for the year was \$860,115.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled \$212,810 at June 30, 2012 compared to no funds reported at June 30, 2011. This increase was due to updating heating systems in the Junior High and West Elementary buildings. The District has committed approximately \$86,200 to complete the project.

Figure A-6

Capital Assets, net of depreciation

| | Governmental Activities | | Business-Type Activities | | Total Allamakee CSD | | Total Change % |
|-----------------------------------|-------------------------|-------------------|--------------------------|----------------|---------------------|-------------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2011-2012 |
| Land | 277,641 | 277,641 | | | 277,641 | 277,641 | 0.0% |
| Buildings | 12,695,625 | 13,206,662 | | | 12,695,625 | 13,206,662 | -3.9% |
| Improvements other than buildings | 578,481 | 462,815 | | | 578,481 | 462,815 | 25.0% |
| Furniture and Equipment | 1,277,716 | 1,140,199 | 203,300 | 200,742 | 1,481,016 | 1,340,941 | 10.4% |
| Construction in Progress | 212,810 | | | | 212,810 | | 0% |
| Totals | 15,042,273 | 15,087,317 | 203,300 | 200,742 | 15,245,573 | 15,288,059 | -0.3% |

Long Term Debt

At year-end, the District had \$9,349,073 in general obligation, revenue and other long-term debt outstanding. This reflects \$396,000 owed for termination benefits, \$16,226 in compensated absences and \$341,847 in OPEB liability. The District also issued \$9,700,000 in general obligation bonds in May of 2006 for a construction projected started in the fall of 2006 and completed in fiscal 2008. At the end of 2012 \$7,595,000 was still outstanding.

The Districts general obligation bonds have been rated AA-/stable since November 2011.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and not indebtedness is significantly below its constitutional debt limit of approximately \$19,191,616.

The District issued \$1,000,000 of qualified zone academy bonds in September 2003. The bonds were issued to finance remodeling of existing school facilities at East Elementary, West Elementary and Waterville Elementary. The bonds are interest free and the entire balance is due on May 1, 2013. Beginning May 1, 2005 the District began placing the first of 10 payments of \$98,327 into an escrow account, which has a 3% interest rate. Payments will be made from the Voter Approved Physical Plant and Equipment Levy to an escrow account at the Bank of America. (See Figure A-7.)

During the 2011-12 school year the District made the final payment on instrumental music equipment loan note.

Figure A-7

| | <u>Outstanding Long-Term Obligations</u> | | |
|------------------------------|--|--------------------|-----------------------------|
| | 2012 | 2011 | Total % Change 2011-2012 |
| General Obligation Bonds | 7,595,000 | 7,985,000 | -4.9% |
| Qualified Zone Academy Bonds | 1,000,000 | 1,000,000 | 0.0% |
| Termination Benefits | 396,000 | 495,000 | -20.0% |
| Equipment Notes Payable | 0 | 8,045 | -100.0% |
| OPEB Liability | 341,847 | 269,996 | 26.6% |
| Compensated absences | 16,226 | 20,064 | -19.1% |
| Total | \$9,349,073 | \$9,778,105 | -4.4% |

Factors Bearing on the District's Future

At the time these financial statement were prepared, the District was aware of two circumstances that could significantly affect its financial health in the future:

- * The District negotiated a one year agreement with the Allamakee Community Education Association (ACEA) during fiscal 2012. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget related to fund balance.
- * Concerns of the downturn in the economy at the national, state and local level is a concern for the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customer, and 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 Janice Rea, School Board Secretary/Treasurer/Business Manager, Allamakee Community School District, 1059 Third Avenue N.W., Waukon, Iowa 52172.

BASIC FINANCIAL STATEMENTS

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|--------------------------------|-------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 8,403,226 | 620,471 | 9,023,697 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 82,684 | - | 82,684 |
| Succeeding year | 5,060,603 | - | 5,060,603 |
| Accounts | 19,495 | - | 19,495 |
| Accrued interest | 4,449 | - | 4,449 |
| Due from other governments | 897,739 | 14,435 | 912,174 |
| Inventories | - | 25,599 | 25,599 |
| Unamortized bond issue costs | 56,017 | - | 56,017 |
| Capital assets, net of accumulated depreciation | 15,042,273 | 203,300 | 15,245,573 |
| Total assets | 29,566,486 | 863,805 | 30,430,291 |
| Liabilities | | | |
| Accounts payable | 264,400 | 57 | 264,457 |
| Salaries and benefits payable | 972,737 | 10,231 | 982,968 |
| Accrued interest payable | 52,669 | - | 52,669 |
| Deferred revenue: | | | |
| Succeeding year property tax | 5,060,603 | - | 5,060,603 |
| Other | 1,576 | 9,975 | 11,551 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 410,000 | - | 410,000 |
| Qzab bonds payable | 1,000,000 | - | 1,000,000 |
| Termination benefits | 99,000 | - | 99,000 |
| Compensated absences | 16,226 | - | 16,226 |
| Portion due more than one year: | | | |
| Termination benefits | 297,000 | - | 297,000 |
| General obligation bonds payable | 7,185,000 | - | 7,185,000 |
| Unamortized bond premium | 64,943 | - | 64,943 |
| Net OPEB liability | 321,611 | 20,236 | 341,847 |
| Total liabilities | 15,745,765 | 40,499 | 15,786,264 |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|--------------------------------|-------------------|
| | \$ | \$ | \$ |
| Net assets | | | |
| Invested in capital assets, net of related debt | 6,447,273 | 203,300 | 6,650,573 |
| Restricted for: | | | |
| Categorical funding | 374,352 | - | 374,352 |
| Physical plant and equipment levy | 1,415,546 | - | 1,415,546 |
| Student activities | 167,445 | - | 167,445 |
| School infrastructure | 1,068,929 | - | 1,068,929 |
| Debt service | 837,057 | - | 837,057 |
| Unrestricted | 3,510,119 | 620,006 | 4,130,125 |
| Total net assets | <u>13,820,721</u> | <u>823,306</u> | <u>14,644,027</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

| Functions/Programs | Program Revenues | | | |
|---------------------------------------|-------------------------|-------------------------|---|--|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | 4,349,387 | 364,528 | 1,357,241 | - |
| Special | 1,452,364 | 68,032 | 223,291 | - |
| Other | 1,657,247 | 449,243 | 251,634 | - |
| | <u>7,458,998</u> | <u>881,803</u> | <u>1,832,166</u> | <u>-</u> |
| Support services: | | | | |
| Student | 698,763 | - | 571,441 | - |
| Instructional staff | 322,794 | - | - | - |
| Administration | 1,035,877 | - | - | - |
| Operation and maintenance of plant | 972,563 | 34,586 | - | - |
| Transportation | 1,020,470 | 24,088 | 45,156 | - |
| | <u>4,050,467</u> | <u>58,674</u> | <u>616,597</u> | <u>-</u> |
| Non-instructional programs | <u>1,995</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 155,573 | - | - | 293,884 |
| Long-term debt interest | 324,229 | - | 23,960 | - |
| AEA flowthrough | 483,260 | - | 483,260 | - |
| Depreciation (unallocated)* | 596,985 | - | - | - |
| | <u>1,560,047</u> | <u>-</u> | <u>507,220</u> | <u>293,884</u> |
| Total governmental activities | 13,071,507 | 940,477 | 2,955,983 | 293,884 |
| Business type activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | 743,321 | 380,285 | 429,885 | - |
| Total | <u>13,814,828</u> | <u>1,320,762</u> | <u>3,385,868</u> | <u>293,884</u> |
| General Revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Capital outlay | | | | |
| Income surtax | | | | |
| 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 that is included in the direct expenses of the various programs.

| <u>Net (Expense) Revenue and Changes in Net</u> | | |
|---|---|--------------------|
| <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
| <u>\$</u> | <u>\$</u> | <u>\$</u> |
| (2,627,618) | - | (2,627,618) |
| (1,161,041) | - | (1,161,041) |
| (956,370) | - | (956,370) |
| <u>(4,745,029)</u> | <u>-</u> | <u>(4,745,029)</u> |
| (127,322) | - | (127,322) |
| (322,794) | - | (322,794) |
| (1,035,877) | - | (1,035,877) |
| (937,977) | - | (937,977) |
| (951,226) | - | (951,226) |
| <u>(3,375,196)</u> | <u>-</u> | <u>(3,375,196)</u> |
| (1,995) | - | (1,995) |
| 138,311 | - | 138,311 |
| (300,269) | - | (300,269) |
| - | - | - |
| (596,985) | - | (596,985) |
| <u>(758,943)</u> | <u>-</u> | <u>(758,943)</u> |
| (8,881,163) | - | (8,881,163) |
| - | 66,849 | 66,849 |
| <u>(8,881,163)</u> | <u>66,849</u> | <u>(8,814,314)</u> |
| 4,598,246 | - | 4,598,246 |
| 221,992 | - | 221,992 |
| 153,986 | - | 153,986 |
| 419,820 | - | 419,820 |
| 915,531 | - | 915,531 |
| 5,317,768 | - | 5,317,768 |
| 40,891 | 4,005 | 44,896 |
| 42,592 | - | 42,592 |
| <u>11,710,826</u> | <u>4,005</u> | <u>11,714,831</u> |
| 2,829,663 | 70,854 | 2,900,517 |
| 10,991,058 | 752,452 | 11,743,510 |
| <u>13,820,721</u> | <u>823,306</u> | <u>14,644,027</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

| | General | Capital Projects | Nonmajor Governmental | Total |
|--|------------------|---------------------|--------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Cash and pooled investments | 5,047,552 | 1,962,018 | 1,393,656 | 8,403,226 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 71,704 | 2,455 | 8,525 | 82,684 |
| Succeeding year | 4,356,809 | 177,782 | 526,012 | 5,060,603 |
| Accounts | 19,495 | - | - | 19,495 |
| Accrued interest | - | - | 4,449 | 4,449 |
| Due from other governments | 329,018 | 568,645 | 76 | 897,739 |
| Total assets | 9,824,578 | 2,710,900 | 1,932,718 | 14,468,196 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | 206,846 | 48,643 | 8,911 | 264,400 |
| Salaries and benefits payable | 972,737 | - | - | 972,737 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 4,356,809 | 177,782 | 526,012 | 5,060,603 |
| Income surtax | - | 418,897 | - | 418,897 |
| Other | 1,576 | - | - | 1,576 |
| Total liabilities | 5,537,968 | 645,322 | 534,923 | 6,718,213 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding | 374,352 | - | - | 374,352 |
| Debt service | - | - | 889,726 | 889,726 |
| Management levy | - | - | 340,624 | 340,624 |
| Student activities | - | - | 167,445 | 167,445 |
| School infrastructure | - | 1,068,929 | - | 1,068,929 |
| Physical plant and equipment | - | 996,649 | - | 996,649 |
| Committed for cash flow | 300,000 | - | - | 300,000 |
| Unassigned | 3,612,258 | - | - | 3,612,258 |
| Total fund balances | 4,286,610 | 2,065,578 | 1,397,795 | 7,749,983 |
| Total liabilities and fund balances | 9,824,578 | 2,710,900 | 1,932,718 | 14,468,196 |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

| | |
|---|--------------------------|
| | \$ |
| Total fund balances of governmental funds (Exhibit C) | 7,749,983 |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the Governmental Funds. | 15,042,273 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 418,897 |
| Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements. | 56,017 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (52,669) |
| Long-term liabilities, including bonds payable, unamortized bond premiums, termination benefits, compensated absences and other postemployment benefits payable are not due and payable in the current period and therefore, are not reported as liabilities in the Governmental Funds. | <u>(9,393,780)</u> |
| Net assets of governmental activities (Exhibit A) | <u><u>13,820,721</u></u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

| | General | Capital Projects | Nonmajor Governmental | Total |
|---|-------------------|---------------------|--------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 4,295,840 | 1,492,340 | 524,398 | 6,312,578 |
| Tuition | 240,420 | - | - | 240,420 |
| Other | 330,785 | 222,381 | 475,956 | 1,029,122 |
| State sources | 6,832,052 | 107 | 365 | 6,832,524 |
| Federal sources | 1,378,983 | 89,694 | - | 1,468,677 |
| Total revenues | <u>13,078,080</u> | <u>1,804,522</u> | <u>1,000,719</u> | <u>15,883,321</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,280,569 | - | 146,709 | 4,427,278 |
| Special | 1,442,513 | - | - | 1,442,513 |
| Other | 1,242,782 | - | 412,147 | 1,654,929 |
| | <u>6,965,864</u> | <u>-</u> | <u>558,856</u> | <u>7,524,720</u> |
| Support services: | | | | |
| Student | 692,600 | - | 4,425 | 697,025 |
| Instructional staff | 343,192 | 24,908 | 1,371 | 369,471 |
| Administration | 1,018,892 | - | 6,923 | 1,025,815 |
| Operation and maintenance of plant | 853,551 | 12,047 | 91,951 | 957,549 |
| Transportation | 836,763 | 164,890 | 25,397 | 1,027,050 |
| | <u>3,744,998</u> | <u>201,845</u> | <u>130,067</u> | <u>4,076,910</u> |
| Non-instructional programs | - | - | 1,995 | 1,995 |
| Other expenditures: | | | | |
| Facilities acquisition | - | 646,343 | - | 646,343 |
| Long-term debt: | | | | |
| Principal | - | - | 398,045 | 398,045 |
| Interest and fiscal charges | - | - | 331,428 | 331,428 |
| AEA flowthrough | 483,260 | - | - | 483,260 |
| | <u>483,260</u> | <u>646,343</u> | <u>729,473</u> | <u>1,859,076</u> |
| Total expenditures | <u>11,194,122</u> | <u>848,188</u> | <u>1,420,391</u> | <u>13,462,701</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,883,958</u> | <u>956,334</u> | <u>(419,672)</u> | <u>2,420,620</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

| | General | Capital Projects | Nonmajor Governmental | Total |
|---------------------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| | \$ | \$ | \$ | \$ |
| Other financing sources (uses): | | | | |
| Compensation for loss of fixed assets | - | 20,523 | - | 20,523 |
| Sale of equipment | 329 | - | - | 329 |
| Operating transfers in | - | - | 606,680 | 606,680 |
| Operating transfers out | (8,333) | (598,347) | - | (606,680) |
| Total other financing sources (uses) | <u>(8,004)</u> | <u>(577,824)</u> | <u>606,680</u> | <u>20,852</u> |
| Net change in fund balances | 1,875,954 | 378,510 | 187,008 | 2,441,472 |
| Fund balances beginning of year | <u>2,410,656</u> | <u>1,687,068</u> | <u>1,210,787</u> | <u>5,308,511</u> |
| Fund balances end of year | <u><u>4,286,610</u></u> | <u><u>2,065,578</u></u> | <u><u>1,397,795</u></u> | <u><u>7,749,983</u></u> |

ALLAMAKEE 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

| | \$ | \$ |
|---|------------------|-------------------------|
| Net change in fund balances - total governmental funds (Exhibit E) | | 2,441,472 |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i> | | |
| 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. Depreciation expense and capital outlay expenditures in the current year are as follows: | | |
| Expenditures for capital assets | 792,125 | |
| Depreciation expense | <u>(837,169)</u> | (45,044) |
| Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. | | |
| | | (3,003) |
| Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | |
| | | 398,045 |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due and includes the amortization of bond premiums. | | |
| | | 7,199 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows: | | |
| Other post employment benefits | (67,795) | |
| Termination benefits | 99,000 | |
| Compensated absences | <u>3,838</u> | 35,043 |
| Bond issue costs are reported as expenses in the fund financial statements when incurred, but are capitalized and amortized over the life of the bonds for the government-wide financial statements. | | |
| | | <u>(4,049)</u> |
| Changes in net assets of governmental activities (Exhibit B) | | <u><u>2,829,663</u></u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

| | School Nutrition |
|---|-----------------------|
| | <u>\$</u> |
| Assets | |
| Cash and cash equivalents | 620,471 |
| Due from other governments | 14,435 |
| Inventories | 25,599 |
| Capital assets, net of accumulated depreciation | <u>203,300</u> |
| Total assets | <u>863,805</u> |
| Liabilities | |
| Accounts payable | 57 |
| Salaries and benefits payable | 10,231 |
| Deferred revenue | 9,975 |
| Net OPEB liability | <u>20,236</u> |
| Total liabilities | <u>40,499</u> |
| Net assets | |
| Invested in capital assets | 203,300 |
| Unrestricted | <u>620,006</u> |
| Total net assets | <u><u>823,306</u></u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

| | School Nutrition |
|------------------------------|-----------------------|
| | <u>\$</u> |
| Operating revenues: | |
| Local sources: | |
| Charges for service | <u>380,285</u> |
| Operating expenses: | |
| Food service operations: | |
| Salaries | 221,752 |
| Benefits | 85,890 |
| Purchased services | 75,868 |
| Supplies | 322,902 |
| Other expenses | 5,813 |
| Depreciation | 31,096 |
| Total operating expenses | <u>743,321</u> |
| Operating income (loss) | <u>(363,036)</u> |
| Non-operating revenues: | |
| State sources | 6,649 |
| Federal sources | 423,236 |
| Interest income | 4,005 |
| Total non-operating revenues | <u>433,890</u> |
| Increase in net assets | 70,854 |
| Net assets beginning of year | <u>752,452</u> |
| Net assets end of year | <u><u>823,306</u></u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

| | School Nutrition |
|--|-------------------------|
| | <u>\$</u> |
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | 380,885 |
| Cash payments to employees for services | (302,648) |
| Cash payments to suppliers for goods or services | (349,582) |
| Net cash used by operating activities | <u>(271,345)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | 6,649 |
| Federal grants received | 374,152 |
| Net cash provided by non-capital financing activities | <u>380,801</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | <u>(33,654)</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>4,005</u> |
| Net increase (decrease) in cash and cash equivalents | 79,807 |
| Cash and cash equivalents at beginning of year | <u>540,664</u> |
| Cash and cash equivalents at end of year | <u><u>620,471</u></u> |
| Reconciliation of operating income (loss) to net cash used by operating activities: | |
| Operating income (loss) | (363,036) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | |
| Commodities used | 47,263 |
| Depreciation | 31,096 |
| Decrease (increase) in inventories | 8,036 |
| Decrease (increase) in accounts receivable | 194 |
| (Decrease) increase in accounts payable | (298) |
| (Decrease) increase in salaries and benefits payable | 938 |
| (Decrease) increase in deferred revenue | 406 |
| (Decrease) increase in net OPEB liability | 4,056 |
| Net cash used by operating activities | <u><u>(271,345)</u></u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$47,263 of federal commodities.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

The Allamakee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Waukon, Iowa and areas of Allamakee and Winneshiek Counties. 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, Allamakee 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 Allamakee Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of 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 non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 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's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 fund of the District applies 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 Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities, and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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 and intangibles, 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.

| <u>Asset Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| | \$ |
| Land | - |
| Buildings | 25,000 |
| Improvements other than buildings | 25,000 |
| Intangibles | 100,000 |
| 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:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------------------|-------------------------------|
| | \$ |
| Buildings | 25-50 years |
| Improvements other than buildings | 20-25 years |
| Intangibles | 3-10 years |
| Furniture and equipment | 5-20 years |

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that 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 imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in other classifications.

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 amounts budgeted.

2. Cash 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 the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$44,075 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Transfers

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

| Transfer To | Transfer From | Amount |
|---|-----------------------|---------|
| | | \$ |
| Nonmajor Governmental Funds, Debt Service | Capital Projects Fund | 598,347 |
| Nonmajor Governmental Funds, Debt Service | General Fund | 8,333 |

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

4. Capital Assets

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

| | Balance Beginning of Year, as Restated | Increases | Decreases | Balance End of Year |
|--|---|------------------|--------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 277,641 | - | - | 277,641 |
| Construction in progress | - | 212,810 | - | 212,810 |
| Total capital assets not being depreciated | <u>277,641</u> | <u>212,810</u> | <u>-</u> | <u>490,451</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 16,850,976 | 35,932 | - | 16,886,908 |
| Improvements other than buildings | 1,241,641 | 165,682 | - | 1,407,323 |
| Furniture and equipment | 3,141,929 | 377,701 | 8,150 | 3,511,480 |
| Total capital assets being depreciated | <u>21,234,546</u> | <u>579,315</u> | <u>8,150</u> | <u>21,805,711</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,644,314 | 546,969 | - | 4,191,283 |
| Improvements other than buildings | 778,826 | 50,016 | - | 828,842 |
| Furniture and equipment | 2,001,730 | 240,184 | 8,150 | 2,233,764 |
| Total accumulated depreciation | <u>6,424,870</u> | <u>837,169</u> | <u>8,150</u> | <u>7,253,889</u> |
| Total capital assets being depreciated, net | <u>14,809,676</u> | <u>(257,854)</u> | <u>-</u> | <u>14,551,822</u> |
| Governmental activities capital assets, net | <u>15,087,317</u> | <u>(45,044)</u> | <u>-</u> | <u>15,042,273</u> |
| Business type activities: | | | | |
| Furniture and equipment | 402,374 | 33,654 | - | 436,028 |
| Less accumulated depreciation | <u>201,632</u> | <u>31,096</u> | <u>-</u> | <u>232,728</u> |
| Business type activities capital assets, net | <u>200,742</u> | <u>2,558</u> | <u>-</u> | <u>203,300</u> |

Depreciation expense was charged to the following functions:

| | |
|--|----------------|
| Governmental activities: | \$ |
| Instruction: | |
| Regular | 59,130 |
| Support services: | |
| Instructional staff services | 12,366 |
| Operation and maintenance of plant | 11,537 |
| Transportation | 157,151 |
| | <u>240,184</u> |
| Unallocated depreciation | <u>596,985</u> |
| | <u>837,169</u> |
| Total depreciation expense – governmental activities | <u>837,169</u> |
| Business type activities: | |
| Food service operations | <u>31,096</u> |

5. 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: | | | | | |
| General obligation bonds | 7,985,000 | - | 390,000 | 7,595,000 | 410,000 |
| Qualified Zone Academy bonds | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| Equipment notes payable | 8,045 | - | 8,045 | - | - |
| Termination benefits | 495,000 | - | 99,000 | 396,000 | 99,000 |
| Compensated absences | 20,064 | 16,226 | 20,064 | 16,226 | 16,226 |
| Net OPEB liability | 253,816 | 67,795 | - | 321,611 | - |
| | <u>9,761,925</u> | <u>84,021</u> | <u>517,109</u> | <u>9,328,837</u> | <u>1,525,226</u> |
| Total | | | | | |
| Business type activities: | | | | | |
| Net OPEB liability | 16,180 | 4,056 | - | 20,236 | - |

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2011. Employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences.

An early retirement benefit of \$45,000 per participant will be paid in ten payments over five years.

At June 30, 2012, the District has obligations to eleven participants with a total liability of \$396,000. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$99,000.

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Bond Issue of May, 2006

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|----------------|------------------|------------------|-------------------|
| | % | \$ | \$ | \$ |
| 2013 | 3.75 | 410,000 | 316,015 | 726,015 |
| 2014 | 4.25 | 425,000 | 300,640 | 725,640 |
| 2015 | 5.00 | 445,000 | 282,578 | 727,578 |
| 2016 | 5.00 | 465,000 | 260,328 | 725,328 |
| 2017 | 3.85 | 485,000 | 237,078 | 722,078 |
| 2018-2022 | 3.90-4.05 | 2,735,000 | 883,845 | 3,618,845 |
| 2023-2026 | 4.01-4.255 | 2,630,000 | 280,520 | 2,910,520 |
| | | <u>7,595,000</u> | <u>2,561,004</u> | <u>10,156,004</u> |

Qualified Zone Academy Bonds – The District issued \$1,000,000 of qualified zone academy bonds in September 2003. The bonds were issued to finance remodeling of existing school facilities that have been designated qualified zone academy projects. The bonds are interest free and the entire balance is due on May 1, 2013. Beginning May 1, 2005 the District is required to place nine annual payments of \$98,347 into an escrow account, which has a 3% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature. The annual payments to the escrow account will be made from the Capital Projects, Physical Plant and Equipment Levy Account and the escrow account is recorded in the Debt Service Fund.

| Year Ending June 30, | Interest Rates | Principal |
|-------------------------|----------------|------------------|
| | % | \$ |
| 2013 | | <u>1,000,000</u> |

6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% 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 was \$528,303, \$480,796, and \$463,454 respectively, equal to the required contributions for each year.

7. Risk Management

Allamakee Community School District is a member in the Northeast Iowa Conference Schools 28E Retention Pool Trust, an Iowa Code Chapter 28E organization. The Northeast Iowa Conference School 28E Retention Pool Trust (Trust) is a local government risk-sharing pool whose members include various schools throughout northeast Iowa. The primary purpose of the Trust is to provide medical and dental benefits to the School employees and retirees, and their dependents, through a partially self-funded plan.

Each member's contributions to the Trust fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Trust's general and administrative expenses, claims, claims expenses and insurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the Trust. District contributions to the Trust for the year ended June 30, 2012 were \$1,176,558.

Payments from participating schools are the sole source for paying claims and establishing reserves for the Trust's partially self-funded programs. As of June 30, 2012, settled claims have not exceeded the risk pool or insurance company coverage.

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

8. Other Postemployment Benefits (OPEB)

Plan Description – As explained in Note 8, the District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust which provides medical and prescription drug benefits for retirees and their spouses. Allamakee Community School District has 124 active and 12 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through the Trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, 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 | 97,355 |
| Interest on net OPEB obligation | 6,750 |
| Adjustment to annual required contribution | <u>(18,395)</u> |
| Annual OPEB cost | 85,710 |
| Contributions made | <u>13,859</u> |
| Increase in net OPEB obligation | 71,851 |
| Net OPEB obligation beginning of year | <u>269,996</u> |
| Net OPEB obligation end of year | <u><u>341,847</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$13,859 to the medical plan. Plan members eligible for benefits contributed \$83,816, or 86% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

| <u>Year Ended June 30</u> | <u>Annual OPEB Cost</u> \$ | <u>Percentage of Annual OPEB Cost Contributed</u> % | <u>Net OPEB Obligation</u> \$ |
|---------------------------|-----------------------------------|--|--------------------------------------|
| 2010 | 108,036 | 46.0% | 107,010 |
| 2011 | 84,471 | 15.2% | 269,996 |
| 2012 | 85,710 | 16.2% | 341,847 |

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 \$726,460, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$726,460. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,370,000, and the ratio of the UAAL to covered payroll was 13.5%. 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$483,260 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.

10. Lease Commitment

The District entered into a 4 year contract to lease copy machines during fiscal year 2012. The remaining payments the District will make over the next four years are as follows:

| <u>Year Ended June 30</u> | <u>Lease Payment</u> |
|-------------------------------|----------------------|
| | \$ |
| 2013 | 18,612 |
| 2014 | 18,612 |
| 2015 | 18,612 |
| 2016 | 17,061 |

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|--|-----------------|
| | \$ |
| Preschool | 53,901 |
| Foster care | 6,697 |
| Returning dropout and dropout prevention | 111,331 |
| At risk | 5,957 |
| Teacher salary supplement | 68,855 |
| Mentoring | 103 |
| Professional development | 2,622 |
| Gifted and talented | 48,047 |
| Nonpublic textbooks | 1,468 |
| Core curriculum | 75,236 |
| Other | 135 |
| | <u>374,3522</u> |

12. Construction Commitment

The District has entered into a \$299,020 contract for heating system improvements. As of June 30, 2012 costs of \$212,810 had been incurred against the contract. The balances remaining at June 30, 2012 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2012

| | Governmental Funds Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|--|------------------------------|----------------------------|-------------------------|-------------------------|-------------------------|---|
| | | | | Original | Final | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | |
| Local sources | 7,582,120 | 384,290 | 7,966,410 | 7,884,905 | 7,884,905 | 81,505 |
| Intermediate sources | - | - | - | 1,000 | 1,000 | (1,000) |
| State sources | 6,832,524 | 6,649 | 6,839,173 | 7,967,461 | 7,967,461 | (1,128,288) |
| Federal sources | 1,468,677 | 423,236 | 1,891,913 | 1,270,000 | 1,270,000 | 621,913 |
| Total revenues | <u>15,883,321</u> | <u>814,175</u> | <u>16,697,496</u> | <u>17,123,366</u> | <u>17,123,366</u> | <u>(425,870)</u> |
| Expenditures/Expenses: | | | | | | |
| Instruction | 7,524,720 | - | 7,524,720 | 8,691,000 | 8,691,000 | 1,166,280 |
| Support services | 4,076,910 | - | 4,076,910 | 4,956,925 | 5,500,000 | 1,423,090 |
| Non-instructional programs | 1,995 | 743,321 | 745,316 | 792,000 | 850,000 | 104,684 |
| Other expenditures | 1,859,076 | - | 1,859,076 | 2,278,674 | 2,500,000 | 640,924 |
| Total expenditures/expenses | <u>13,462,701</u> | <u>743,321</u> | <u>14,206,022</u> | <u>16,718,599</u> | <u>17,541,000</u> | <u>3,334,978</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | 2,420,620 | 70,854 | 2,491,474 | 404,767 | (417,634) | 2,909,108 |
| Other financing sources net | <u>20,852</u> | <u>-</u> | <u>20,852</u> | <u>3,000</u> | <u>3,000</u> | <u>17,852</u> |
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses | 2,441,472 | 70,854 | 2,512,326 | 407,767 | (414,634) | 2,926,960 |
| Balance beginning of year | <u>5,308,511</u> | <u>785,452</u> | <u>6,093,963</u> | <u>5,673,078</u> | <u>5,673,078</u> | <u>420,885</u> |
| Balance end of year | <u><u>7,749,983</u></u> | <u><u>856,306</u></u> | <u><u>8,606,289</u></u> | <u><u>6,080,845</u></u> | <u><u>5,258,444</u></u> | <u><u>3,347,845</u></u> |

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$822,401.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) \$ | Actuarial Accrued Liability (AAL) (b) \$ | Unfunded AAL (UAAL) (b-a) \$ | Funded Ratio (a/b) % | Covered Payroll (c) \$ | UAAL as a Percentage of Covered Payroll ((b-a)/c) % |
|------------------------|--------------------------------|--|--|---------------------------------------|-------------------------------|---------------------------------|--|
| 2010 | July 1, 2008 | - | 889,333 | 889,333 | 0.0% | 5,775,000 | 15.4% |
| 2011 | July 1, 2010 | - | 767,054 | 767,054 | 0.0% | 6,160,000 | 12.5% |
| 2012 | July 1, 2010 | - | 726,460 | 726,460 | 0.0% | 5,370,000 | 13.5% |

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

| Assets | Special Revenue Funds | | | Total |
|--|-----------------------|----------------|------------------|------------------|
| | Management | Student | Debt | |
| | Levy | Activity | Service | |
| | \$ | \$ | \$ | \$ |
| Cash and pooled investments | 335,582 | 176,317 | 881,757 | 1,393,656 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 5,036 | - | 3,489 | 8,525 |
| Succeeding year | 299,998 | - | 226,014 | 526,012 |
| Accrued interest | - | - | 4,449 | 4,449 |
| Due from other governments | 45 | - | 31 | 76 |
| Total assets | 640,661 | 176,317 | 1,115,740 | 1,932,718 |
| Liabilities & Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | 39 | 8,872 | - | 8,911 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 299,998 | - | 226,014 | 526,012 |
| Total liabilities | 300,037 | 8,872 | 226,014 | 534,923 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | - | - | 889,726 | 889,726 |
| Management levy | 340,624 | - | - | 340,624 |
| Student activities | - | 167,445 | - | 167,445 |
| Total fund balances | 340,624 | 167,445 | 889,726 | 1,397,795 |
| Total liabilities and fund balances | 640,661 | 176,317 | 1,115,740 | 1,932,718 |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

| | Special Revenue Funds | | | Total |
|---|-----------------------|-----------------------|-----------------------|-------------------------|
| | Management Levy | Student Activity | Debt Service | |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 302,406 | - | 221,992 | 524,398 |
| Other | 18,100 | 433,896 | 23,960 | 475,956 |
| State sources | 211 | - | 154 | 365 |
| Total revenues | <u>320,717</u> | <u>433,896</u> | <u>246,106</u> | <u>1,000,719</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 146,709 | - | - | 146,709 |
| Other | - | 412,147 | - | 412,147 |
| Support services: | | | | |
| Student | 4,425 | - | - | 4,425 |
| Instructional staff | 1,371 | - | - | 1,371 |
| Administration | 6,923 | - | - | 6,923 |
| Operation and maintenance of plant | 91,951 | - | - | 91,951 |
| Transportation | 25,397 | - | - | 25,397 |
| Non-instructional programs | 1,995 | - | - | 1,995 |
| Other expenditures: | | | | |
| Long-term debt: | | | | |
| Principal | - | - | 398,045 | 398,045 |
| Interest and fiscal charges | - | - | 331,428 | 331,428 |
| Total expenditures | <u>278,771</u> | <u>412,147</u> | <u>729,473</u> | <u>1,420,391</u> |
| Excess (deficiency) of revenues over (under) expenditures | 41,946 | 21,749 | (483,367) | (419,672) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 606,680 | 606,680 |
| Net changes in fund balances | 41,946 | 21,749 | 123,313 | 187,008 |
| Fund balances beginning of year | <u>298,678</u> | <u>145,696</u> | <u>766,413</u> | <u>1,210,787</u> |
| Fund balances end of year | <u><u>340,624</u></u> | <u><u>167,445</u></u> | <u><u>889,726</u></u> | <u><u>1,397,795</u></u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

| | Capital Projects | | |
|--|--|--|------------------|
| | Statewide Sales, Services and Use | Physical Plant and Equipment Levy | Total |
| Assets | \$ | \$ | \$ |
| Cash and pooled investments | 947,418 | 1,014,600 | 1,962,018 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 2,455 | 2,455 |
| Succeeding year | - | 177,782 | 177,782 |
| Due from other governments | 149,725 | 418,920 | 568,645 |
| Total assets | <u>1,097,143</u> | <u>1,613,757</u> | <u>2,710,900</u> |
| Liabilities & Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | 28,214 | 20,429 | 48,643 |
| Deferred revenue: | | | |
| Succeeding year property tax | - | 177,782 | 177,782 |
| Income surtax | - | 418,897 | 418,897 |
| Total liabilities | <u>28,214</u> | <u>617,108</u> | <u>645,322</u> |
| Fund balances: | | | |
| Restricted for: | | | |
| School infrastructure | 1,068,929 | - | 1,068,929 |
| Physical plant and equipment | - | 996,649 | 996,649 |
| Total fund balances | <u>1,068,929</u> | <u>996,649</u> | <u>2,065,578</u> |
| Total liabilities and fund balances | <u>1,097,143</u> | <u>1,613,757</u> | <u>2,710,900</u> |

ALLAMAKEE 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 | 915,531 | 576,809 | 1,492,340 |
| Other | 8,572 | 213,809 | 222,381 |
| State sources | - | 107 | 107 |
| Federal sources | - | 89,694 | 89,694 |
| Total revenues | <u>924,103</u> | <u>880,419</u> | <u>1,804,522</u> |
| Expenditures: | | | |
| Current: | | | |
| Support services: | | | |
| Instructional staff services | 23,466 | 1,442 | 24,908 |
| Operation and maintenance of plant | - | 12,047 | 12,047 |
| Transportation services | - | 164,890 | 164,890 |
| Other expenditures: | | | |
| Facilities acquisition | 109,583 | 536,760 | 646,343 |
| Total expenditures | <u>133,049</u> | <u>715,139</u> | <u>848,188</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>791,054</u> | <u>165,280</u> | <u>956,334</u> |
| Other financing sources (uses): | | | |
| Compensation for loss of fixed assets | - | 20,523 | 20,523 |
| Operating transfers out | <u>(500,000)</u> | <u>(98,347)</u> | <u>(598,347)</u> |
| Total other financing sources (uses) | <u>(500,000)</u> | <u>(77,824)</u> | <u>(577,824)</u> |
| Net change in fund balance | 291,054 | 87,456 | 378,510 |
| Fund balances beginning of year | <u>777,875</u> | <u>909,193</u> | <u>1,687,068</u> |
| Fund balance end of year | <u><u>1,068,929</u></u> | <u><u>996,649</u></u> | <u><u>2,065,578</u></u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

| <u>Account</u> | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------|---------------------------------|----------|--------------|------------------------|
| | \$ | \$ | \$ | \$ |
| East Elementary | | | | |
| Unallocated interest | 1,395 | 3,364 | 2,258 | 2,501 |
| BK fund raiser | - | 1,120 | 1,120 | - |
| Waterville | | | | |
| Unallocated interest | 5,516 | 2,397 | 3,368 | 4,545 |
| Waterville prairie | 404 | - | - | 404 |
| Junior High | | | | |
| Drama | 665 | 987 | 487 | 1,165 |
| Boys athletics | 2,078 | 1,101 | 2,873 | 306 |
| Boys basketball | 800 | 1,316 | 1,934 | 182 |
| Boys football | 1,000 | 1,048 | 1,939 | 109 |
| Boys track | 1,000 | 3,016 | 3,470 | 546 |
| Boys cross country | 500 | - | 281 | 219 |
| Boys wrestling | 800 | 736 | 347 | 1,189 |
| Girls athletics | 4,380 | 833 | 1,118 | 4,095 |
| Girls basketball | 1,000 | 1,721 | 2,405 | 316 |
| Girls volleyball | 639 | 2,259 | 1,839 | 1,059 |
| Girls track | 1,000 | 1,866 | 2,090 | 776 |
| Girls cross country | 500 | - | 267 | 233 |
| Annual | 500 | 2,405 | 2,672 | 233 |
| Cheerleaders | - | 223 | - | 223 |
| Juice machine | 1,359 | 154 | - | 1,513 |
| Milk vendor | 500 | - | - | 500 |
| Interest | 274 | 35 | - | 309 |
| Student council | 3,039 | 16,388 | 16,638 | 2,789 |
| Community service club | 73 | - | - | 73 |
| Unallocated interest | 2,988 | - | - | 2,988 |
| West Elementary | | | | |
| Unallocated interest | 1,827 | 2,644 | 3,249 | 1,222 |
| BK fund raiser | 5,102 | 1,303 | 308 | 6,097 |
| High School | | | | |
| Rewards club | 320 | - | - | 320 |
| Drama | 5,379 | 2,223 | 1,207 | 6,395 |
| Musical | 8,714 | 7,524 | 6,835 | 9,403 |
| Boys athletics | 16,230 | 10,718 | 16,288 | 10,660 |
| Boys basketball | 3,465 | 7,756 | 5,975 | 5,246 |
| Boys basketball club | 610 | 6,074 | 5,228 | 1,456 |
| Boys football | 795 | 16,084 | 15,378 | 1,501 |
| Football club | 3,711 | 54,606 | 45,496 | 12,821 |
| Boys baseball | - | 11,867 | 11,192 | 675 |
| Boys track | - | 6,197 | 6,197 | - |
| Boys cross country | - | 865 | 865 | - |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

| <u>Account</u> | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------------|---------------------------------|----------------|----------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Boys golf | - | 3,484 | 2,800 | 684 |
| Boys wrestling | - | 4,681 | 4,681 | - |
| Girls athletics | 15,620 | 11,412 | 16,189 | 10,843 |
| Girls basketball | 5,681 | 11,876 | 6,507 | 11,050 |
| Indian girls basketball club | 5,655 | 6,905 | 5,067 | 7,493 |
| Girls volleyball | 1,882 | 4,519 | 2,473 | 3,928 |
| Volleyball club | 1,874 | 42,820 | 40,825 | 3,869 |
| Girls softball | 2,654 | 8,680 | 9,833 | 1,501 |
| Girls track | - | 4,214 | 4,214 | - |
| Girls cross country | - | 1,905 | 1,766 | 139 |
| Girls golf | - | 286 | 286 | - |
| Girls golf club | 525 | 2,955 | 2,981 | 499 |
| Annual | 189 | 3,188 | 788 | 2,589 |
| Cheerleaders | 2,490 | 16,030 | 12,780 | 5,740 |
| Milk vendor | 451 | - | 451 | - |
| Interest | 3,476 | 950 | - | 4,426 |
| Concessions | 1,252 | 49,929 | 51,181 | - |
| Class of 2010 | 159 | - | 159 | - |
| Class of 2012 | 458 | 316 | 774 | - |
| Class of 2013 | - | 1,500 | 1,097 | 403 |
| FBLA | 2,384 | 17,451 | 18,613 | 1,222 |
| FFA | 3,843 | 61,150 | 55,409 | 9,584 |
| FCCLA | 252 | - | 252 | - |
| FSCLA sewing club | 226 | - | 226 | - |
| Flags | 184 | - | 184 | - |
| NHS | 45 | 456 | 485 | 16 |
| Tasty treat club | 76 | - | 76 | - |
| SADD | 56 | - | 56 | - |
| Student council | 6,000 | 4,957 | 3,946 | 7,011 |
| The burning W club | 894 | - | 894 | - |
| Spanish club | 8,834 | - | 101 | 8,733 |
| Unallocated interest | 3,317 | 5,402 | 3,073 | 5,646 |
| Indian café club | 656 | - | 656 | - |
| Total | 145,696 | 433,896 | 412,147 | 167,445 |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

| | Modified Accrual Basis | | | | | | | | | |
|----------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Local tax | 6,312,578 | 5,869,330 | 6,022,180 | 5,583,011 | 5,385,131 | 5,411,110 | 5,010,212 | 5,017,715 | 4,259,912 | 3,995,152 |
| Tuition | 240,420 | 222,535 | 202,615 | 137,722 | 164,566 | 155,825 | 145,314 | 172,562 | 192,329 | 136,907 |
| Other | 1,029,122 | 875,011 | 755,862 | 895,076 | 915,649 | 1,269,568 | 884,658 | 623,274 | 581,635 | 546,063 |
| Intermediate sources | - | - | - | - | - | - | - | - | 6,310 | 7,674 |
| State sources | 6,832,524 | 6,392,328 | 5,638,118 | 6,519,253 | 6,584,505 | 6,403,794 | 6,202,183 | 6,021,701 | 6,006,881 | 6,094,479 |
| Federal sources | 1,468,677 | 2,002,751 | 1,888,971 | 1,412,940 | 1,351,558 | 1,679,652 | 1,389,472 | 1,160,599 | 768,204 | 800,788 |
| Total revenues | <u>15,883,321</u> | <u>15,361,955</u> | <u>14,507,746</u> | <u>14,548,002</u> | <u>14,401,409</u> | <u>14,919,949</u> | <u>13,631,839</u> | <u>12,995,851</u> | <u>11,815,271</u> | <u>11,581,063</u> |
| Expenditures: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | 4,427,278 | 4,761,936 | 4,707,555 | 5,062,049 | 5,560,725 | 5,215,421 | 5,131,305 | 5,060,832 | 4,778,337 | 4,901,094 |
| Special | 1,442,513 | 1,408,304 | 1,299,932 | 1,330,191 | 1,287,541 | 1,401,050 | 1,418,881 | 1,326,160 | 1,636,501 | 1,380,698 |
| Other | 1,654,929 | 1,640,046 | 1,681,795 | 1,460,516 | 1,205,521 | 1,222,688 | 1,239,289 | 1,299,578 | 977,129 | 960,432 |
| Support services: | | | | | | | | | | |
| Student | 697,025 | 877,678 | 993,378 | 899,927 | 481,852 | 515,240 | 441,909 | 260,553 | 359,070 | 236,796 |
| Instructional staff | 369,471 | 995,567 | 396,466 | 363,287 | 410,966 | 504,002 | 430,164 | 618,854 | 479,584 | 567,641 |
| Administration | 1,025,815 | 962,961 | 952,085 | 1,072,810 | 1,252,387 | 1,212,009 | 1,314,717 | 1,151,871 | 950,972 | 843,616 |
| Operation and maintenance | 957,549 | 990,839 | 983,518 | 1,014,977 | 1,049,080 | 956,074 | 944,881 | 844,649 | 746,067 | 647,529 |
| Transportation | 1,027,050 | 934,513 | 1,024,324 | 938,186 | 1,049,910 | 930,079 | 905,148 | 861,017 | 827,668 | 847,563 |
| Other support | - | - | - | - | - | - | - | - | - | 1,818 |
| Non-instructional programs | 1,995 | 1,785 | 1,645 | - | - | - | - | - | 33,793 | 12,505 |
| Other expenditures: | | | | | | | | | | |
| Facilities acquisition | 646,343 | 281,710 | 970,593 | 1,182,695 | 5,561,622 | 6,293,811 | 1,015,233 | 809,220 | 466,148 | 395,083 |
| Long-term debt: | | | | | | | | | | |
| Principal | 398,045 | 382,878 | 367,508 | 347,131 | 336,938 | 310,000 | - | - | - | - |
| Interest and other charges | 331,428 | 345,848 | 359,668 | 372,795 | 385,163 | 394,952 | - | - | - | - |
| AEA flowthrough | 483,260 | 544,592 | 541,103 | 497,033 | 487,015 | 473,417 | 455,445 | 450,862 | 459,398 | 486,388 |
| Total expenditures | <u>13,462,701</u> | <u>14,128,657</u> | <u>14,279,570</u> | <u>14,541,597</u> | <u>19,068,720</u> | <u>19,428,743</u> | <u>13,296,972</u> | <u>12,683,596</u> | <u>11,714,667</u> | <u>11,281,163</u> |

See accompanying independent auditor's report.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Expenditures</u> \$ |
|--|------------------------|---------------------|---------------------------|
| Direct: | | | |
| U.S. Department of Education: | | | |
| Safe and Drug Free Schools and Communities - National Programs | 84.184A | Q184A080212 | <u>367,048</u> * |
| Total direct | | | <u>367,048</u> |
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| Child Nutrition Cluster Programs: | | | |
| School Breakfast Program | 10.553 | FY12 | 73,834 |
| National School Lunch Program (non-cash) | 10.555 | FY12 | 47,263 |
| National School Lunch Program | 10.555 | FY12 | 282,710 |
| Summer Food Service Program for Children | 10.559 | FY12 | <u>19,429</u> |
| | | | 423,236 |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | FY12 | 234,400 |
| Fund for the Improvement of Education | 84.215 | FY12 | 89,694 |
| Twenty-First Century Community Learning Centers | 84.287 | FY12 | 204,393 |
| Improving Teacher Quality State Grants | 84.367 | FY12 | 77,253 |
| Grants for State Assessments and Related Activities | 84.369 | FY12 | 7,807 |
| Education Jobs Fund | 84.410 | FY12 | 254,367 |
| Keystone AEA: | | | |
| Special Education - Grants to States | 84.027 | FY12 | 68,786 |
| Career and Technical Education - Basic Grants to States | 84.048 | FY12 | <u>10,424</u> |
| Total indirect | | | <u>1,370,360</u> |
| Total | | | <u><u>1,737,408</u></u> |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Allamakee Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

* Expenditures include payments to subrecipients, Postville Community School District \$64,290 and Eastern Allamakee Community School District \$53,973.

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
Allamakee 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 Allamakee 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 January 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 Allamakee Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Allamakee 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 Allamakee Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Allamakee 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 a deficiency in internal control over financial reporting we consider to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allamakee 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 other matters that 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.

Allamakee 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 Allamakee 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 Allamakee Community School District and other parties to whom Allamakee 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 Allamakee 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 29, 2013

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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
Allamakee Community School District:

Compliance

We have audited Allamakee Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Allamakee Community School District's major federal programs for the year ended June 30, 2012. Allamakee 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 grants applicable to each of its major federal programs is the responsibility of Allamakee Community School District's management. Our responsibility is to express an opinion on Allamakee 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allamakee 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 Allamakee Community School District's compliance with those requirements.

In our opinion, Allamakee Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Allamakee Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Allamakee Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the 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 Allamakee 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 that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as item 12-III-A to be a material weakness.

Allamakee Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Allamakee Community School District's response and, accordingly, we express no opinion on the response.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Allamakee Community School District and other parties to Allamakee 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 29, 2013

ALLAMAKEE 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) A material weakness in internal control over financial reporting was 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) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - School Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
 - CFDA Number 84.184A – Safe and Drug Free Schools and Communities – National Programs
 - 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) Allamakee Community School District did not qualify as a low-risk auditee.

ALLAMAKEE 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:

12-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ALLAMAKEE 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 Noncompliance:

No matters were reported.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.184A: Safe and Drug Free Schools and Communities – National Programs
Federal Award Year: 2012
U.S. Department of Education

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

12-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, processing invoices and preparing checks and bank reconciliations, and preparing and posting general journal entries. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- 12-IV-A Certified Budget: Expenditures for the year ended June 30, 2012, did not exceed amounts budgeted.
- 12-IV-B 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.
- 12-IV-C Travel Expenses: 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.
- 12-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|--------------------------------|---------------|
| | | \$ |
| Greg Byrnes, board member, owner of Byrnes Landscaping Services | Grounds maintenance | 655 |

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500 as allowed by the Code of Iowa.

- 12-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 12-IV-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 12-IV-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2011, was overstated by 1.16 students.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact these departments.

Conclusion: Response accepted.
- 12-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 12-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 12-IV-J Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (continued):

12-IV-K State Categorical Funding: When employees spend part of their time on projects funded by state categorical aid and part of their time on other projects the District should have time records to determine the portion of salaries and employee benefits that should be charged to the projects funded with state categorical funding. The District did not have time records to support the amount of salaries and benefits charged to the state categorical programs.

Recommendation: The District should develop a system to track time spent so that it can document the amount of salaries and benefits charged to state categorical programs.

Response: We will develop a system.

Conclusion: Response accepted.

12-IV-L 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 | \$ | \$ |
| | | 777,875 |
| Revenues/transfers in: | | |
| Statewide sales, services and use tax revenue | 915,531 | |
| Interest | 8,572 | 924,103 |
| | <hr/> | |
| Expenditures/transfers out: | | |
| Equipment | 23,466 | |
| Other | 109,583 | |
| Transfers to debt service fund | 500,000 | 633,049 |
| | <hr/> | |
| Ending balance | | <hr/> <hr/> 1,068,929 |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (continued):

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

| | Rate of Levy Reduction Per \$1,000 of Taxable Valuation | Property Tax Dollars Reduced |
|-------------------|--|---------------------------------------|
| | \$ | \$ |
| Debt Service Levy | 1.2502 | 500,000 |

12-IV-M Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The Iowa Department of Education recently determined that athletic camps are not extracurricular activities and should be accounted for in the General Fund or in an Enterprise Fund. We noted that athletic camp revenues and expenditures were included in various Student Activity Fund athletic "club" accounts. Also, there should not be any miscellaneous accounts in the Student Activity Fund. Each account should be for a specific extracurricular or co-curricular activity. We noted that the Student Activity Fund has interest accounts that were being used as miscellaneous accounts.

Recommendation: The District should review the types of transactions being accounted for in the Student Activity Fund and reclassify athletic camps and any other transactions that are not for a specific extracurricular or co-curricular student activity. Athletic camps should be accounted for in an Enterprise Fund if the camps are annual events. Other transactions that are not for a specific student extracurricular or co-curricular program should be accounted for in the General Fund.

District Response: We will review the activity in the accounts and make any necessary fund reclassifications.

Conclusion: Response accepted.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Corrective Action Plan

June 30, 2012

| <u>Comment Number</u> | <u>Comment Title</u> | <u>Corrective Action Plan</u> | <u>Contact Person, Title, Phone Number</u> | <u>Anticipated Date of Completion</u> |
|---------------------------|--------------------------|--|--|---|
| 12-III-A | Segregation of Duties | See our response to the comment in the Schedule of Findings and Questioned Costs | Janice Rea Board Secretary 563-568-3409 | Immediately |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Summary Schedule of Prior Federal Audit Findings

June 30, 2012

| <u>Comment Reference</u> | <u>Comment Title</u> | <u>Status</u> | <u>If not corrected, provide planned corrective action of other explanation</u> |
|--------------------------|----------------------|---------------|---|
|--------------------------|----------------------|---------------|---|

No items reported for June 30, 2011