

ALBURNETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Projects Accounts:		
Combining Balance Sheet	3	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52
Debt Service Funds:		
Combining Balance Sheet	6	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	7	54
Private Purpose Trust Accounts:		
Combining Statement of Net Position	8	55
Combining Schedule of Changes in Fiduciary Net Position	9	56
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	10	57
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	11	58
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 <u>Government Auditing Standards</u>		59-60
Schedule of Findings		61-67

Alburnett Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Jennifer Slife	President	2013
Avery Reed	Vice President	2013
David Kirk	Board Member	2015
Kala Liebe	Board Member	2015
Jason Martin	Board Member	2015
<b>School Officials</b>		
Dani Trimble	Superintendent	2013
Rhonda Lange	District Secretary/Treasurer and Business Manager	2013
Day, Rettig, Peiffer, P.C.	Attorney	2013

**ALBURNETT COMMUNITY SCHOOL DISTRICT**

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Alburnett Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District, Alburnett, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2014  
Newton, Iowa

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

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Alburnett 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,295,549 in fiscal 2012 to \$6,325,408 in fiscal 2013, while General Fund expenditures decreased from \$6,011,558 in fiscal 2012 to \$5,830,201 in fiscal 2013. This resulted in an increase in the District's General Fund balance from a deficit balance of \$357,310 in fiscal 2012 to \$137,897 in fiscal 2013, a 138.59% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax and state sources of revenue during fiscal year 2013.
- The decrease in expenditures was due in part to reduced spending in the support services functional area.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Alburnett 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 Alburnett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alburnett Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds as well as combining statements for the Capital Projects accounts.

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

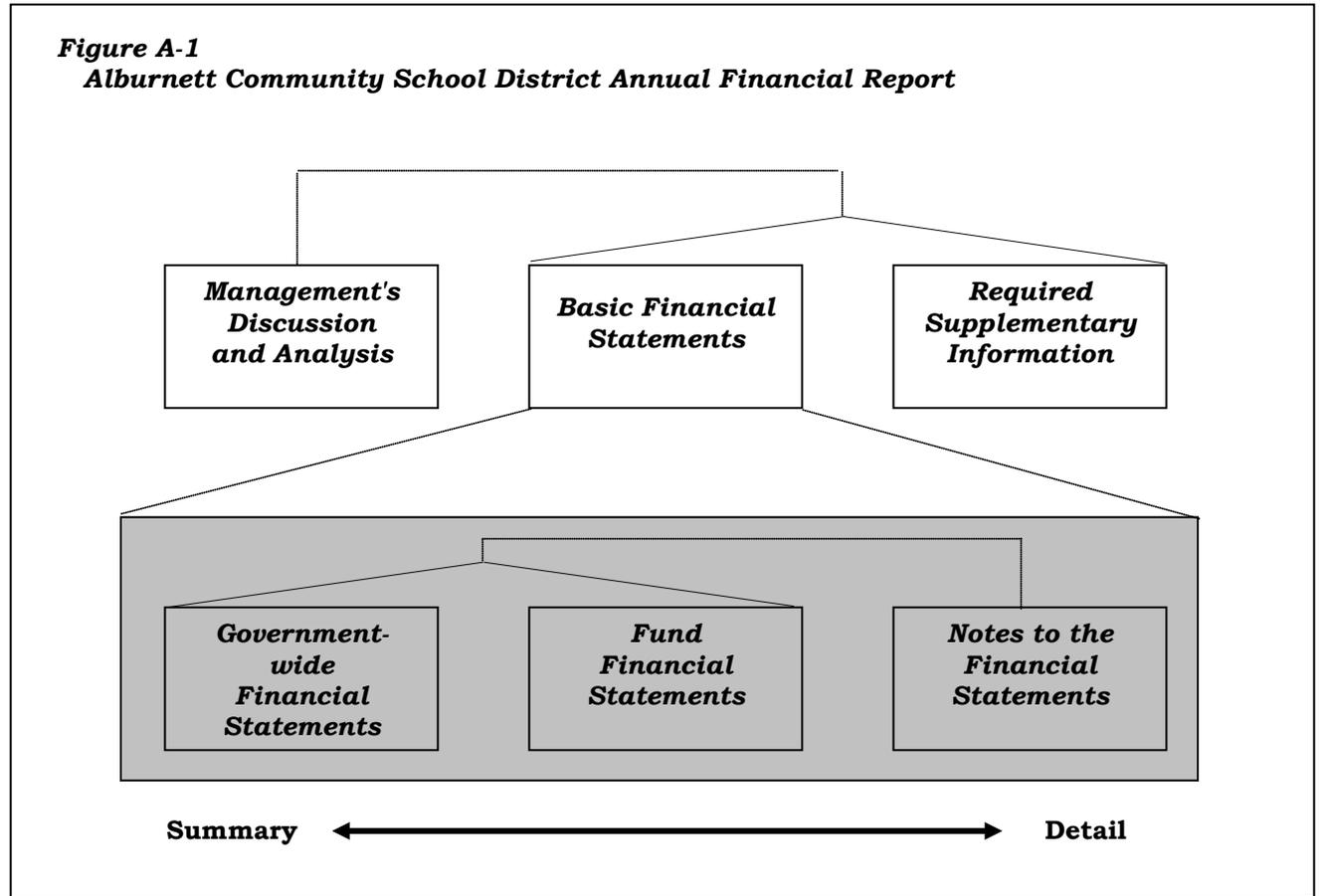


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets 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.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for an alternative school program.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 5,087,662	4,633,465	35,787	55,803	5,123,449	4,689,268	9.26%
Capital assets	8,793,564	8,726,555	12,797	14,506	8,806,361	8,741,061	0.75%
Total assets	13,881,226	13,360,020	48,584	70,309	13,929,810	13,430,329	3.72%
Long-term obligations	3,215,453	3,576,114	-	-	3,215,453	3,576,114	-10.09%
Other liabilities	4,111,392	4,112,394	6,823	15,736	4,118,215	4,128,130	-0.24%
Total liabilities	7,326,845	7,688,508	6,823	15,736	7,333,668	7,704,244	-4.81%
Net position:							
Invested in capital assets, net of related debt	5,698,564	5,686,843	12,797	14,506	5,711,361	5,701,349	0.18%
Restricted	1,330,480	1,030,268	-	-	1,330,480	1,030,268	29.14%
Unrestricted	(474,663)	(1,045,599)	28,964	40,067	(445,699)	(1,005,532)	55.68%
Total net position	\$ 6,554,381	5,671,512	41,761	54,573	6,596,142	5,726,085	15.19%

The District’s total net position increased by 15.19%, or \$870,057, compared to the prior year. The largest portion of the District’s net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased \$300,212, or 29.14% from the prior year. The increase is due in part to the improvement in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$559,833, or 55.68%. The increase in unrestricted net position resulted mainly from the increase in unassigned fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for service	\$ 1,422,851	1,375,287	167,266	162,908	1,590,117	1,538,195	3.38%
Operating grants, contributions and restricted interest	384,458	314,198	102,791	103,589	487,249	417,787	16.63%
Capital grants, contributions and restricted interest	81,076	890,249	-	-	81,076	890,249	-90.89%
General revenues:							
Local tax	2,791,180	2,681,159	-	-	2,791,180	2,681,159	4.10%
Statewide sales, services and use tax	456,301	521,891	-	-	456,301	521,891	-12.57%
Unrestricted state grants	2,655,513	2,562,357	-	-	2,655,513	2,562,357	3.64%
Nonspecific program federal revenue	-	243,196	-	-	-	243,196	-100.00%
Other	16,136	31,417	80	416	16,216	31,833	-49.06%
Total revenues	<u>7,807,515</u>	<u>8,619,754</u>	<u>270,137</u>	<u>266,913</u>	<u>8,077,652</u>	<u>8,886,667</u>	<u>-9.10%</u>
Program expenses:							
Governmental activities:							
Instruction	4,523,260	4,267,179	-	-	4,523,260	4,267,179	6.00%
Support services	1,865,491	1,877,305	4,745	2,288	1,870,236	1,879,593	-0.50%
Non-instructional programs	-	-	278,204	264,143	278,204	264,143	5.32%
Other expenses	535,895	507,379	-	-	535,895	507,379	5.62%
Total expenses	<u>6,924,646</u>	<u>6,651,863</u>	<u>282,949</u>	<u>266,431</u>	<u>7,207,595</u>	<u>6,918,294</u>	<u>4.18%</u>
Change in net position	882,869	1,967,891	(12,812)	482	870,057	1,968,373	-13.29%
Net position beginning of year	<u>5,671,512</u>	<u>3,703,621</u>	<u>54,573</u>	<u>54,091</u>	<u>5,726,085</u>	<u>3,757,712</u>	<u>52.38%</u>
Net position end of year	<u>\$ 6,554,381</u>	<u>5,671,512</u>	<u>41,761</u>	<u>54,573</u>	<u>6,596,142</u>	<u>5,726,085</u>	<u>15.19%</u>

In fiscal year 2013, local tax, statewide sales, services and use tax and unrestricted state grants account for 75.61% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for nearly all of business type activities revenue.

The District's total revenues were approximately \$8.08 million, of which approximately \$7.81 million was for governmental activities and approximately \$.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.10% decrease in revenues and a 4.18% increase in expenses. The decrease in revenues can be attributed in part to the District receiving the majority of federal source moneys associated with the District's FEMA Safe Room project in the prior year. The increase in expenses was due to an increase in negotiated salaries and benefits.

## Governmental Activities

Revenues for governmental activities were \$7,807,515 and expenses were \$6,924,646.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,523,260	4,267,179	6.00%	2,926,009	2,790,343	4.86%
Support services	1,865,491	1,877,305	-0.63%	1,778,280	976,366	82.13%
Other expenses	535,895	507,379	5.62%	331,972	305,420	8.69%
Totals	\$ 6,924,646	6,651,863	4.10%	5,036,261	4,072,129	23.68%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,422,851.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$465,534.
- The net cost of governmental activities was financed with \$2,791,180 in local tax, \$456,301 in statewide sales, services and use tax, \$2,655,513 in unrestricted state grants, \$2,243 in interest income and \$13,893 in other revenues.

## Business Type Activities

Revenues of the District's business type activities were \$270,137 and expenses were \$282,949. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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 \$981,466, compared to last year's ending fund balances of \$498,620. The primary reason for the increase was the improvement in the General Fund balance.

### Governmental Fund Highlights

- The District's General Fund balance increased from a deficit \$357,310 at June 30, 2012 to \$137,897 at June 30, 2013. Increased revenue from local tax and state sources during the year combined with a reduction in expenditures resulted in the increase in fund balance.
- The Capital Projects Fund balance remained relatively unchanged from the prior year increasing \$216 to a balance of \$441,056 at June 30, 2013.

## Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$54,573 at June 30, 2012 to \$41,761 at June 30, 2013. Increased costs associated with the food service operations of the District led to the decline in net position.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$739,146 less than budgeted revenues, a variance of 8.38%. The most significant variance resulted from the District receiving less from federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and non-instructional programs functional areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested approximately \$8.81 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.75% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$292,653.

The original cost of the District's capital assets was \$11,276,077. Governmental funds account for \$11,180,797 with the remainder of \$95,280 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress was \$0 at June 30, 2013, compared to \$1,841,825 reported at June 30, 2012. This significant decrease resulted from the completion of the District's safe room project.

	Figure A-6						
	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
June 30,		June 30,		June 30,		June 30,	
2013	2012	2013	2012	2013	2012	2012-13	
Land	\$ 1,000	1,000	-	-	1,000	1,000	0.00%
Construction in progress	-	1,841,825	-	-	-	1,841,825	-100.00%
Buildings	8,520,692	6,619,846	-	-	8,520,692	6,619,846	28.71%
Land improvements	48,394	37,291	-	-	48,394	37,291	29.77%
Machinery and equipment	223,478	226,593	12,797	14,506	236,275	241,099	-2.00%
Total	\$ 8,793,564	8,726,555	12,797	14,506	8,806,361	8,741,061	0.75%

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## Long-Term Debt

At June 30, 2013, the District had \$3,215,453 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 10.09% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,265,000 at June 30, 2013.

The District had total outstanding revenue bonds payable of \$830,000 at June 30, 2013.

The District had total outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$120,453 at June 30, 2013.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-13
General obligation bonds	\$ 2,265,000	2,375,000	-4.63%
Revenue bonds	830,000	1,020,000	-18.63%
Bus leases	-	107,145	-100.00%
Termination benefits	120,453	73,969	62.84%
Totals	<u>\$ 3,215,453</u>	<u>3,576,114</u>	<u>-10.09%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The increase in required employer's contribution to IPERS to 8.93% on July 1, 2013 will increase the Alburnett Community School District's employer benefit costs during fiscal 2014.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda Lange, District Secretary/Treasurer and Business Manager, Alburnett Community School District, P.O. Box 189, Alburnett, Iowa, 52202.

ALBURNETT COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,763,109	33,018	1,796,127
Receivables:			
Property tax:			
Delinquent	30,530	-	30,530
Succeeding year	3,057,111	-	3,057,111
Accounts	2,153	-	2,153
Due from other governments	223,890	-	223,890
Inventories	-	2,769	2,769
Capital assets, net of accumulated depreciation	8,793,564	12,797	8,806,361
Net OPEB asset	10,869	-	10,869
<b>Total assets</b>	<b>13,881,226</b>	<b>48,584</b>	<b>13,929,810</b>
<b>Liabilities</b>			
Accounts payable	284,366	266	284,632
Salaries and benefits payable	753,850	-	753,850
Accrued interest payable	16,065	-	16,065
Deferred revenue:			
Succeeding year property tax	3,057,111	-	3,057,111
Unearned revenues	-	6,557	6,557
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	115,000	-	115,000
Revenue bonds payable	195,000	-	195,000
Termination benefits payable	35,361	-	35,361
Portion due after one year:			
General obligation bonds payable	2,150,000	-	2,150,000
Revenue bonds payable	635,000	-	635,000
Termination benefits payable	85,092	-	85,092
<b>Total liabilities</b>	<b>7,326,845</b>	<b>6,823</b>	<b>7,333,668</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	5,698,564	12,797	5,711,361
Restricted for:			
Categorical funding	605,359	-	605,359
Debt service	156,709	-	156,709
Student activities	127,356	-	127,356
School infrastructure	296,006	-	296,006
Physical plant and equipment levy	145,050	-	145,050
Unrestricted	(474,663)	28,964	(445,699)
<b>Total net position</b>	<b>\$ 6,554,381</b>	<b>41,761</b>	<b>6,596,142</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions	Capital Grants, Contributions	Governmental Activities	Business Type Activities	
			and Restricted Interest	and Restricted Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,844,200	899,801	94,902	-	(1,849,497)	-	(1,849,497)
Special	638,892	63,001	28,302	-	(547,589)	-	(547,589)
Other	1,040,168	460,049	51,196	-	(528,923)	-	(528,923)
	<u>4,523,260</u>	<u>1,422,851</u>	<u>174,400</u>	<u>-</u>	<u>(2,926,009)</u>	<u>-</u>	<u>(2,926,009)</u>
Support services:							
Student	94,304	-	-	-	(94,304)	-	(94,304)
Instructional staff	206,545	-	-	-	(206,545)	-	(206,545)
Administration	630,828	-	-	-	(630,828)	-	(630,828)
Operation and maintenance of plant	546,779	-	-	81,076	(465,703)	-	(465,703)
Transportation services	387,035	-	6,135	-	(380,900)	-	(380,900)
	<u>1,865,491</u>	<u>-</u>	<u>6,135</u>	<u>81,076</u>	<u>(1,778,280)</u>	<u>-</u>	<u>(1,778,280)</u>
Other expenditures:							
Long-term debt interest	141,456	-	-	-	(141,456)	-	(141,456)
AEA flowthrough	203,923	-	203,923	-	-	-	-
Depreciation(unallocated)*	190,516	-	-	-	(190,516)	-	(190,516)
	<u>535,895</u>	<u>-</u>	<u>203,923</u>	<u>-</u>	<u>(331,972)</u>	<u>-</u>	<u>(331,972)</u>
Total governmental activities	6,924,646	1,422,851	384,458	81,076	(5,036,261)	-	(5,036,261)
Business Type activities:							
Support services:							
Operation and maintenance of plant	4,745	-	-	-	-	(4,745)	(4,745)
Non-instructional programs:							
Food service operations	278,204	167,266	102,791	-	-	(8,147)	(8,147)
Total business type activities	<u>282,949</u>	<u>167,266</u>	<u>102,791</u>	<u>-</u>	<u>-</u>	<u>(12,892)</u>	<u>(12,892)</u>
Total	<u>\$ 7,207,595</u>	<u>1,590,117</u>	<u>487,249</u>	<u>81,076</u>	<u>(5,036,261)</u>	<u>(12,892)</u>	<u>(5,049,153)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 2,425,336	-	2,425,336
Debt service					211,597	-	211,597
Capital outlays					154,247	-	154,247
Statewide sales, services and use tax					456,301	-	456,301
Unrestricted state grants					2,655,513	-	2,655,513
Unrestricted investment earnings					2,243	80	2,323
Other					13,893	-	13,893
Total general revenues					<u>5,919,130</u>	<u>80</u>	<u>5,919,210</u>
Change in net position					882,869	(12,812)	870,057
Net position beginning of year					5,671,512	54,573	5,726,085
Net position end of year					<u>\$ 6,554,381</u>	<u>41,761</u>	<u>6,596,142</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Capital			Total
	General	Projects	Nonmajor	
<b>Assets</b>				
Cash and pooled investments	\$ 1,021,926	329,541	411,642	1,763,109
Receivables:				
Property tax:				
Delinquent	25,161	1,663	3,706	30,530
Succeeding year	2,551,064	164,158	341,889	3,057,111
Accounts	599	-	1,554	2,153
Due from other governments	88,389	135,501	-	223,890
<b>Total assets</b>	<b>\$ 3,687,139</b>	<b>630,863</b>	<b>758,791</b>	<b>5,076,793</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 244,328	25,649	14,389	284,366
Salaries and benefits payable	753,850	-	-	753,850
Deferred revenue:				
Succeeding year property tax	2,551,064	164,158	341,889	3,057,111
Total liabilities	3,549,242	189,807	356,278	4,095,327
Fund balances:				
Restricted for:				
Categorical funding	605,359	-	-	605,359
Debt service	-	-	172,774	172,774
Management levy purposes	-	-	108,575	108,575
Student activities	-	-	127,356	127,356
School infrastructure	-	296,006	-	296,006
Physical plant and equipment levy	-	145,050	-	145,050
Unassigned:				
General fund	(467,462)	-	-	(467,462)
Student activities	-	-	(6,192)	(6,192)
Total fund balances	137,897	441,056	402,513	981,466
<b>Total liabilities and fund balances</b>	<b>\$ 3,687,139</b>	<b>630,863</b>	<b>758,791</b>	<b>5,076,793</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	981,466
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		8,793,564
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.		(16,065)
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		10,869
Long-term liabilities, including bonds payable and termination benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,215,453)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>6,554,381</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,295,351	610,548	341,582	3,247,481
Tuition	945,451	-	-	945,451
Other	46,783	677	448,751	496,211
State sources	2,874,340	9,538	-	2,883,878
Federal sources	162,956	71,538	-	234,494
Total revenues	<u>6,324,881</u>	<u>692,301</u>	<u>790,333</u>	<u>7,807,515</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,759,971	18,951	24,280	2,803,202
Special	636,209	-	-	636,209
Other	559,347	-	480,040	1,039,387
	<u>3,955,527</u>	<u>18,951</u>	<u>504,320</u>	<u>4,478,798</u>
Support services:				
Student	92,951	-	-	92,951
Instructional staff	206,450	-	-	206,450
Administration	619,910	2,000	-	621,910
Operation and maintenance of plant	434,210	25,988	77,657	537,855
Transportation	317,230	32,435	9,799	359,464
	<u>1,670,751</u>	<u>60,423</u>	<u>87,456</u>	<u>1,818,630</u>
Capital outlay	-	272,224	-	272,224
Long-term debt:				
Principal	-	-	407,145	407,145
Interest and fiscal charges	-	-	144,476	144,476
	<u>-</u>	<u>-</u>	<u>551,621</u>	<u>551,621</u>
Other expenditures:				
AEA flowthrough	203,923	-	-	203,923
Total expenditures	<u>5,830,201</u>	<u>351,598</u>	<u>1,143,397</u>	<u>7,325,196</u>
Excess(deficiency) of revenues over(under)expenditures	494,680	340,703	(353,064)	482,319
Other financing sources(uses):				
Operating transfers in	-	235,000	340,487	575,487
Operating transfers out	-	(575,487)	-	(575,487)
Sale of equipment	527	-	-	527
Total other financing sources(uses)	<u>527</u>	<u>(340,487)</u>	<u>340,487</u>	<u>527</u>
Change in fund balances	495,207	216	(12,577)	482,846
Fund balances beginning of year	(357,310)	440,840	415,090	498,620
Fund balances end of year	<u>\$ 137,897</u>	<u>441,056</u>	<u>402,513</u>	<u>981,466</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT 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, 2013

Change in fund balances - total governmental funds(page 22) \$ 482,846

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

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

Capital outlays	\$ 357,953	
Depreciation expense	<u>(290,944)</u>	67,009

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 407,145

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. 3,020

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.

Termination benefits	(46,484)	
Other postemployment benefits	<u>(30,667)</u>	<u>(77,151)</u>

Change in net position of governmental activities(page 19) \$ 882,869

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 JUNE 30, 2013

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 33,018
Inventories	2,769
Capital assets, net of accumulated depreciation	12,797
<b>Total assets</b>	<u>48,584</u>
<b>Liabilities</b>	
Accounts payable	266
Unearned revenues	6,557
<b>Total liabilities</b>	<u>6,823</u>
<b>Net Position</b>	
Invested in capital assets	12,797
Unrestricted	28,964
<b>Total net position</b>	<u>\$ 41,761</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 167,266
Operating expenses:	
Support services:	
Operation and maintenance of plant Services:	4,745
Non-instructional programs:	
Food service operations:	
Salaries	74,985
Benefits	12,126
Services	19,946
Supplies	169,438
Depreciation	1,709
Total operating expenses	282,949
Operating loss	(115,683)
Non-operating revenues:	
State sources	2,962
Federal sources	99,829
Interest income	80
Total non-operating revenues	102,871
Change in net position	(12,812)
Net position beginning of year	54,573
Net position end of year	\$ 41,761

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 167,980
Cash payments to employees for services	(87,111)
Cash payments to suppliers for goods or services	(180,468)
Net cash used in operating activities	(99,599)
Cash flows from non-capital financing activities:	
State grants received	2,962
Federal grants received	77,128
Net cash provided by non-capital financing activities	80,090
Cash flows from investing activities:	
Interest on investments	80
Net decrease in cash and cash equivalents	(19,429)
Cash and cash equivalents beginning of year	52,447
Cash and cash equivalents end of year	\$ 33,018
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (115,683)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	22,701
Depreciation	1,709
Decrease in inventories	587
Decrease in accounts payable	(9,627)
Increase in unearned revenue	714
Net cash used in operating activities	\$ (99,599)

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

During the year ended June 30, 2013, the District received \$22,701 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 9,756	9,729
Accounts receivable	1,337	-
<b>Total assets</b>	<b>11,093</b>	<b>9,729</b>
<b>Liabilities</b>		
Due to other groups	-	9,729
<b>Net Position</b>		
Restricted for scholarships	\$ 11,093	-

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2013

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 10,487
Deductions	
Instruction:	
Scholarships awarded	11,380
Change in net position	(893)
Net position beginning of year	11,986
Net position end of year	\$ 11,093

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

The Alburnett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Alburnett, Iowa, and the predominate agricultural territory of Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following 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 position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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 which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balance will either be reimbursed or served lunches. The lunch account balances are reflected in the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the instructional and non-instructional functional areas.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2013 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 and the Treasurer of the State of Iowa; 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.

The District had no investments at June 30, 2013.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Building Projects	\$ 235,000
Debt Service: Debt Sinking	Capital Projects: Statewide Sales, Services and Use Tax	228,835
Debt Service	Capital Projects: Physical Plant and Equipment Levy	111,652
Total		<u>\$ 575,487</u>

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

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

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

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2012-13 ONE included taxable warrants only. The interest rates on the Series 2012-13 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. The LIBOR rate at June 30, 2013 was 0.1932%. A summary of the District's ISCAP activity for the year ended June 30, 2013 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2012-13 ONE	6/27/2012	12/1/2013	\$ -	550,000	550,000	-

During the year ended June 30, 2013, the District paid \$2,337 of interest on the ISCAP warrants.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,000	-	-	1,000
Construction in progress	1,841,825	164,184	2,006,009	-
Total capital assets not being depreciated	<u>1,842,825</u>	<u>164,184</u>	<u>2,006,009</u>	<u>1,000</u>
Capital assets being depreciated:				
Buildings	7,079,884	2,087,985	-	9,167,869
Land improvements	214,432	14,480	-	228,912
Machinery and equipment	1,690,562	97,313	4,859	1,783,016
Total capital assets being depreciated	<u>8,984,878</u>	<u>2,199,778</u>	<u>4,859</u>	<u>11,179,797</u>
Less accumulated depreciation for:				
Buildings	460,038	187,139	-	647,177
Land improvements	177,141	3,377	-	180,518
Machinery and equipment	1,463,969	100,428	4,859	1,559,538
Total accumulated depreciation	<u>2,101,148</u>	<u>290,944</u>	<u>4,859</u>	<u>2,387,233</u>
Total capital assets being depreciated, net	<u>6,883,730</u>	<u>1,908,834</u>	<u>-</u>	<u>8,792,564</u>
Governmental activities capital assets, net	<u>\$ 8,726,555</u>	<u>2,073,018</u>	<u>2,006,009</u>	<u>8,793,564</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 95,280	-	-	95,280
Less accumulated depreciation	80,774	1,709	-	82,483
Business type activities capital assets, net	<u>\$ 14,506</u>	<u>(1,709)</u>	<u>-</u>	<u>12,797</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 31,941
Other	3,467
Support services:	
Administration	3,852
Operation and maintenance of plant	1,100
Transportation	60,068
	<u>100,428</u>
Unallocated depreciation	<u>190,516</u>
Total governmental activities depreciation expense	<u>\$ 290,944</u>
Business type activities:	
Food service operations	<u>\$ 1,709</u>

(6) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,375,000	-	110,000	2,265,000	115,000
Revenue bonds	1,020,000	-	190,000	830,000	195,000
Bus leases	107,145	-	107,145	-	-
Termination benefits	73,969	69,740	23,256	120,453	35,361
Total	\$ 3,576,114	69,740	430,401	3,215,453	345,361

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue of May 1, 2007		
		Principal	Interest	Total
2014	4.50%	\$ 115,000	96,390	211,390
2015	4.50	120,000	91,215	211,215
2016	4.50	125,000	85,815	210,815
2017	3.90	135,000	80,190	215,190
2018	3.95	140,000	74,925	214,925
2019-2023	4.00-4.25	815,000	284,108	1,099,108
2024-2027	4.30-4.45	815,000	91,790	906,790
Total		\$ 2,265,000	804,433	3,069,433

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue of June 1, 2009		
		Principal	Interest	Total
2014	3.00%	\$ 195,000	31,250	226,250
2015	4.00	205,000	25,400	230,400
2016	4.00	210,000	17,200	227,200
2017	4.00	220,000	8,800	228,800
Total		\$ 830,000	82,650	912,650

The District has pledged future statewide sales and services tax revenues to repay the \$1,680,000 of bonds issued in June 2009. The bonds were issued for the purpose of financing a portion of the costs of a building project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds

are expected to require approximately 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$912,650. For the current year, principal of \$190,000 and interest of \$38,850 was paid on the bonds and total statewide sales, services and use tax revenues were \$456,301.

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

\$168,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

All proceeds from the statewide sales and services tax shall be placed in a revenue account.

Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

#### Termination Benefits (Early Retirement)

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and completed at least 20 years of consecutive service with the District. Employees completed an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee was equal to 60% of the employee's base salary. Early retirement benefits paid during the year ended June 30, 2013, totaled \$23,256. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current early retirement.

#### **(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$285,873, \$260,285, and \$215,728, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 58 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 44,043
Interest on net OPEB obligation	(1,038)
Adjustment to annual required contribution	<u>4,435</u>
Annual OPEB cost	47,440
Contributions made	<u>(16,773)</u>
Increase in net OPEB obligation	30,667
Net OPEB obligation beginning of year	<u>(41,536)</u>
Net OPEB obligation end of year	<u><u>\$ (10,869)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 30,739	163.70%	\$ (29,509)
2012	29,663	140.55	(41,536)
2013	47,440	35.36	(10,869)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$263,568, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$263,568. The covered payroll (annual payroll of active employees covered by the plan) was \$2,899,169, and the ratio of the UAAL to covered payroll was 9.09%. As of June 30, 2013 there were no trust fund assets.

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

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$598 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

Alburnett 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.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$203,923 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Fund Balance/Net Assets**

The General Fund had a deficit unassigned fund balance at June 30, 2013 of \$467,462. Two accounts in the Special Revenue, Student Activity Fund had deficit balances totaling \$6,192. The District had a deficit unrestricted net position in the governmental activities of \$474,663.

**(12) Carl Rockwood Scholarship Fund**

The Carl Rockwood Scholarship Fund is a legally separate 501(c)(3) organization that donates funds to the Alburnett Community School District to award scholarships to graduating seniors. Although the fund entirely benefits scholarships for Alburnett seniors, no District officials have a contributing interest in the fund and therefore the fund is not considered a component unit of the District. As of June 30, 2013 the net position of the fund was \$321,806.

**(13) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 121,640
Returning Dropouts and Dropout Prevention Programs	443,600
Teacher Salary Supplement	378
Market Factor	174
Professional Development for Model Core Curriculum	37,449
Professional Development	2,118
Total	<u>\$ 605,359</u>

**(14) Budget Overexpenditure**

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the instruction and non-instructional programs functional areas exceeded the certified budget.

(15) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	<u>Invested in</u>	<u>Management</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>Capital Assets</u>	<u>Levy</u>	<u>Service</u>	<u>Unrestricted</u>
Fund balance (Exhibit C)	\$ -	108,575	172,774	(467,462)
Capital assets, net of accumulated depreciation	8,793,564	-	-	-
General obligation bond capitalized indebtedness	(2,265,000)	-	-	-
Revenue bond capitalized indebtedness	(830,000)	-	-	-
Termination benefits	-	(108,575)	-	(11,878)
Accrued interest payable	-	-	(16,065)	-
Net OPEB asset	-	-	-	10,869
Unassigned for student activities	-	-	-	(6,192)
Net position (Exhibit A)	<u>\$ 5,698,564</u>	<u>-</u>	<u>156,709</u>	<u>(474,663)</u>

REQUIRED SUPPLEMENTARY INFORMATION

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,689,143	167,346	4,856,489	4,879,154	4,879,154	(22,665)
State sources	2,883,878	2,962	2,886,840	2,975,644	2,975,644	(88,804)
Federal sources	234,494	99,829	334,323	962,000	962,000	(627,677)
Total revenues	<u>7,807,515</u>	<u>270,137</u>	<u>8,077,652</u>	<u>8,816,798</u>	<u>8,816,798</u>	<u>(739,146)</u>
Expenditures/Expenses:						
Instruction	4,478,798	-	4,478,798	4,450,000	4,450,000	(28,798)
Support services	1,818,630	4,745	1,823,375	2,059,000	2,059,000	235,625
Non-instructional programs	-	278,204	278,204	247,000	247,000	(31,204)
Other expenditures	1,027,768	-	1,027,768	1,467,194	1,467,194	439,426
Total expenditures/expenses	<u>7,325,196</u>	<u>282,949</u>	<u>7,608,145</u>	<u>8,223,194</u>	<u>8,223,194</u>	<u>615,049</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	482,319	(12,812)	469,507	593,604	593,604	(124,097)
Other financing sources, net	527	-	527	-	-	527
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	482,846	(12,812)	470,034	593,604	593,604	(123,570)
Balances beginning of year	498,620	54,573	553,193	2,111,504	2,111,504	(1,558,311)
Balances end of year	<u>\$ 981,466</u>	<u>41,761</u>	<u>1,023,227</u>	<u>2,705,108</u>	<u>2,705,108</u>	<u>(1,681,881)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 384,964	384,964	0.00%	\$ 2,577,773	14.93%
2011	July 1, 2009	-	343,617	343,617	0.00	2,703,995	12.71
2012	July 1, 2009	-	289,949	289,949	0.00	2,778,264	10.44
2013	July 1, 2012	-	263,568	263,568	0.00	2,899,169	9.09

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue				
	Management Levy	Student Activity	Total	Debt Service	Total Nonmajor
<b>Assets</b>					
Cash and pooled investments	\$ 107,150	133,999	241,149	170,493	411,642
Receivables:					
Property tax:					
Delinquent	1,425	-	1,425	2,281	3,706
Succeeding year	130,000	-	130,000	211,889	341,889
Accounts	-	1,554	1,554	-	1,554
<b>Total assets</b>	<b>\$ 238,575</b>	<b>135,553</b>	<b>374,128</b>	<b>384,663</b>	<b>758,791</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	14,389	14,389	-	14,389
Deferred revenue:					
Succeeding year property tax	130,000	-	130,000	211,889	341,889
<b>Total liabilities</b>	<b>130,000</b>	<b>14,389</b>	<b>144,389</b>	<b>211,889</b>	<b>356,278</b>
Fund balances:					
Restricted for:					
Debt service	-	-	-	172,774	172,774
Management levy purposes	108,575	-	108,575	-	108,575
Student activities	-	127,356	127,356	-	127,356
Unassigned	-	(6,192)	(6,192)	-	(6,192)
<b>Total fund balances</b>	<b>108,575</b>	<b>121,164</b>	<b>229,739</b>	<b>172,774</b>	<b>402,513</b>
<b>Total liabilities and fund balances</b>	<b>\$ 238,575</b>	<b>135,553</b>	<b>374,128</b>	<b>384,663</b>	<b>758,791</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 129,985	-	129,985	211,597	341,582
Other	3,935	444,764	448,699	52	448,751
Total revenues	<u>133,920</u>	<u>444,764</u>	<u>578,684</u>	<u>211,649</u>	<u>790,333</u>
Expenditures:					
Current:					
Instruction:					
Regular	24,280	-	24,280	-	24,280
Other	-	480,040	480,040	-	480,040
Support services:					
Operation and maintenance of plant	77,657	-	77,657	-	77,657
Transportation	9,799	-	9,799	-	9,799
Long-term debt:					
Principal	-	-	-	407,145	407,145
Interest and fiscal charges	-	-	-	144,476	144,476
Total expenditures	<u>111,736</u>	<u>480,040</u>	<u>591,776</u>	<u>551,621</u>	<u>1,143,397</u>
Excess(deficiency) of revenues over(under) expenditures	22,184	(35,276)	(13,092)	(339,972)	(353,064)
Other financing sources:					
Operating transfers in	-	-	-	340,487	340,487
Change in fund balances	22,184	(35,276)	(13,092)	515	(12,577)
Fund balances beginning of year	86,391	156,440	242,831	172,259	415,090
Fund balances end of year	<u>\$ 108,575</u>	<u>121,164</u>	<u>229,739</u>	<u>172,774</u>	<u>402,513</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ (39,638)	218,625	150,554	329,541
Receivables:				
Property tax:				
Delinquent	-	-	1,663	1,663
Succeeding year	-	-	164,158	164,158
Due from other governments	135,501	-	-	135,501
<b>Total assets</b>	<b>\$ 95,863</b>	<b>218,625</b>	<b>316,375</b>	<b>630,863</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 18,482	-	7,167	25,649
Deferred revenue:				
Succeeding year property tax	-	-	164,158	164,158
Total liabilities	18,482	-	171,325	189,807
Fund balances:				
Restricted for:				
School infrastructure	77,381	218,625	-	296,006
Physical plant and equipment levy	-	-	145,050	145,050
Total fund balances	77,381	218,625	145,050	441,056
<b>Total liabilities and fund balances</b>	<b>\$ 95,863</b>	<b>218,625</b>	<b>316,375</b>	<b>630,863</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 456,301	-	154,247	610,548
Other	187	296	194	677
State sources	9,538	-	-	9,538
Federal sources	71,538	-	-	71,538
Total revenues	<u>537,564</u>	<u>296</u>	<u>154,441</u>	<u>692,301</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,951	-	-	18,951
Support services:				
Administration	1,500	500	-	2,000
Operation and maintenance of plant	15,172	-	10,816	25,988
Transportation	-	-	32,435	32,435
Capital outlay	249,217	8,604	14,403	272,224
Total expenditures	<u>284,840</u>	<u>9,104</u>	<u>57,654</u>	<u>351,598</u>
Excess(deficiency)of revenues over(under) expenditures	252,724	(8,808)	96,787	340,703
Other financing sources(uses):				
Operating transfers in	235,000	-	-	235,000
Operating transfers out	(228,835)	(235,000)	(111,652)	(575,487)
Total other financing sources(uses)	<u>6,165</u>	<u>(235,000)</u>	<u>(111,652)</u>	<u>(340,487)</u>
Change in fund balances	258,889	(243,808)	(14,865)	216
Fund balances beginning of year	<u>(181,508)</u>	<u>462,433</u>	<u>159,915</u>	<u>440,840</u>
Fund balances end of year	<u>\$ 77,381</u>	<u>218,625</u>	<u>145,050</u>	<u>441,056</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Music Parents	\$ 4,184	14,228	12,766	5,646
Band Boosters	930	63,778	70,186	(5,478)
Dugout Club	61	99	-	160
Basketball Club	1,568	4,581	3,055	3,094
Athletics	19,796	51,798	37,885	33,709
Track Club	335	1	-	336
Pom Pons	3,212	22,834	26,760	(714)
Football Squad	299	1	-	300
Baseball	2,912	1,230	1,325	2,817
Volleyball Squad	1,526	839	509	1,856
Softball Club	-	1,019	-	1,019
Class Funds	654	492	912	234
Student Project-Ven	4,470	3,786	4,125	4,131
Class of 2012	866	-	866	-
Class of 2013	933	1,752	2,248	437
Class of 2014	88	6,272	4,507	1,853
Class of 2015	1,023	202	-	1,225
Class of 2016	689	201	-	890
Class of 2017	372	201	58	515
Class of 2018	-	200	-	200
Marketing	-	2,319	2,319	-
FFA	27,256	25,017	47,009	5,264
Project Oxygen-FFA	15	-	-	15
National Honor Society	495	954	288	1,161
Booster Club	62,140	131,440	150,050	43,530
Mathcounts	1,005	376	704	677
Wrestling Club	3,218	1,180	805	3,593
FBLA	4,001	56,673	58,645	2,029
Spanish Club	935	122	120	937
Sunshine Club	-	2,319	2,319	-
Interest & Misc.	1	2,189	254	1,936
FSB Donation	535	2,000	2,405	130
Field Trip	1,351	2,006	2,164	1,193
Book Fair	296	7,646	7,942	-
Jimmy D Martin	503	-	503	-
Annual	54	4,826	4,880	-
Student Council	(580)	1,301	18	703
Elementary Club	9,038	508	5,185	4,361
Cheerleaders	2,013	1,693	1,344	2,362
Wrestling Cheerleading	(760)	5,788	4,804	224
Archery in Iowa Schools	478	-	190	288
Character Counts	398	-	-	398
Children's Miracle/Dance-a-thon	-	22,128	21,995	133
Morale Committee	130	765	895	-
Totals	\$ 156,440	444,764	480,040	121,164

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2013

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,485	168,008	170,493
Receivables:			
Property tax:			
Delinquent	2,281	-	2,281
Succeeding year	211,889	-	211,889
<b>Total assets</b>	<b>\$ 216,655</b>	<b>168,008</b>	<b>384,663</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 211,889	-	211,889
Fund balances:			
Restricted for:			
Debt service	4,766	168,008	172,774
<b>Total liabilities and fund balances</b>	<b>\$ 216,655</b>	<b>168,008</b>	<b>384,663</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 DEBT SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2013

	Debt Service		
	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 211,597	-	211,597
Other	38	14	52
Total revenues	<u>211,635</u>	<u>14</u>	<u>211,649</u>
Expenditures:			
Long-term debt:			
Principal	217,145	190,000	407,145
Interest and fiscal charges	105,626	38,850	144,476
Total expenditures	<u>322,771</u>	<u>228,850</u>	<u>551,621</u>
Deficiency of revenues under expenditures	<u>(111,136)</u>	<u>(228,836)</u>	<u>(339,972)</u>
Other financing sources:			
Operating transfers in	<u>111,652</u>	<u>228,835</u>	<u>340,487</u>
Change in fund balances	516	(1)	515
Fund balances beginning of year	<u>4,250</u>	<u>168,009</u>	<u>172,259</u>
Fund balances end of year	<u>\$ 4,766</u>	<u>168,008</u>	<u>172,774</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST ACCOUNTS  
 JUNE 30, 2013

	FFA Scholarship	FBLA Scholarship	Floyd S. Etzel Scholarship	Carl Rockwood Scholarship	Dyer Family Scholarship	School Cents	Total
<b>Assets</b>							
Cash and pooled investments	\$ 150	500	97	1,058	7,500	451	9,756
Accounts receivable	-	-	-	-		1,337	1,337
	<u>150</u>	<u>500</u>	<u>97</u>	<u>1,058</u>	<u>7,500</u>	<u>1,788</u>	<u>11,093</u>
<b>Liabilities</b>	-	-	-	-	-	-	-
<b>Net Position</b>							
Reserved for scholarships	\$ 150	500	97	1,058	7,500	1,788	11,093

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN  
 FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	FFA Scholarship	FBLA Scholarship	Floyd S. Etzel Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	Dyer Family Scholarship	School Cents	Total
Additions:								
Local sources:								
Gifts and contributions	\$ 150	500	-	1,000	-	7,500	1,337	10,487
Deductions:								
Instruction:								
Scholarships awarded	-	-	-	1,000	-	7,500	2,880	11,380
Change in net position	150	500	-	-	-	-	(1,543)	(893)
Net position beginning of year	-	-	97	-	1,058	7,500	3,331	11,986
Net position end of year	\$ 150	500	97	-	1,058	7,500	1,788	11,093

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 11,763	-	2,034	9,729
<b>Liabilities</b>				
Due to other groups	\$ 11,763	-	2,034	9,729

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,247,481	3,203,050	3,016,059	2,913,448	2,599,494	2,513,117	1,774,897	1,562,509	1,517,880	1,474,010
Tuition	945,451	948,532	803,134	783,710	734,437	666,045	629,665	522,967	487,143	470,432
Other	496,211	466,122	492,044	514,900	542,976	578,058	393,055	339,394	386,472	310,651
Intermediate sources	-	-	-	-	-	-	-	-	-	300
State sources	2,883,878	2,883,218	2,659,831	2,386,104	2,905,207	2,928,044	2,650,067	2,657,564	2,600,046	2,436,976
Federal sources	234,494	1,118,832	432,548	350,806	485,233	84,038	142,670	89,334	80,468	117,374
Total	\$ 7,807,515	8,619,754	7,403,616	6,948,968	7,267,347	6,769,302	5,590,354	5,171,768	5,072,009	4,809,743
Expenditures:										
Instruction:										
Regular	\$ 2,803,202	2,771,165	2,619,144	2,362,906	2,521,474	2,705,950	2,556,469	2,120,940	2,276,140	2,265,072
Special	636,209	726,324	687,399	668,749	573,491	583,646	699,192	811,393	650,055	570,669
Other	1,039,387	787,860	840,610	986,356	970,270	678,129	675,071	855,806	605,003	614,222
Support services:										
Student	92,951	109,620	140,437	135,181	189,808	218,259	204,796	202,823	186,239	172,100
Instructional staff	206,450	185,992	195,282	168,134	198,509	198,980	181,380	181,200	161,357	159,331
Administration	621,910	627,260	647,176	592,275	651,203	651,062	563,538	519,676	499,878	455,873
Operation and maintenance of plant	537,855	472,490	474,997	482,889	447,658	412,168	465,995	381,106	372,588	476,911
Transportation	359,464	379,759	349,419	591,818	367,443	329,471	434,288	283,827	275,890	290,981
Capital outlay	272,224	2,236,313	218,648	663,200	4,195,081	808,449	41,071	42,974	-	53,697
Long-term debt:										
Principal	407,145	631,132	354,585	171,068	108,224	102,328	23,099	-	-	-
Interest and fiscal charges	144,476	190,062	123,563	155,169	123,152	127,079	-	-	-	-
Other expenditures:										
AEA flow-through	203,923	201,959	225,292	224,906	205,226	200,662	191,048	179,370	176,022	172,940
Total	\$ 7,325,196	9,319,936	6,876,552	7,202,651	10,551,539	7,016,183	6,035,947	5,579,115	5,203,172	5,231,796

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**To the Board of Education of the Alburnett Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies in internal control we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 through I-E-13 to be significant deficiencies.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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.

## **Alburnett Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2014  
Newton, Iowa

ALBURNETT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions, reconciling and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting and recording.

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

Response - During the 2013-2014 school year, district office personnel were reassigned to meet the needs of the district. A district secretary was added to the Central Office staffing, allowing for more segregation of duties in some of the areas listed above such as receipts, disbursements, and school lunch program. We will continue to review procedures to obtain the maximum internal control possible.

Conclusion - Response accepted.

I-B-13 Supporting Documentation - We noted an instance of a check (#14615) issued without an invoice or statement to be used as supporting documentation.

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

Response - This situation is the result of missing communication during the changeover period between building administrators. Proper procedure has been reviewed with present staff.

Conclusion - Response accepted.

I-C-13 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation of gate receipts to tickets used is not performed after the event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The district uses the following procedure for gate admissions procedure:

- a. Cash boxes are established with a specific amount that is documented.
- b. At least two individuals are involved in the cash collection and ticket sales process.
- c. The cash boxes are not left unattended by the assigned individuals conducting cash collection and ticket sales.
- d. At the end of each event, revenue is counted and reconciled by the assigned individuals.
- e. The reconciliation process completed by the assigned individuals includes a comparison of the established cash box amount to the collected amount.
- f. The reconciliation form is completed and signed by the assigned individuals.
- g. The cash box is turned in to a member of the administrative team assigned to work the event.
- h. The administrator assigned to work the event takes the collections to the night depository, the District vault, or a secure location in the administrative offices for deposit the next working day. The district prohibits any individual from taking the collections home.
- i. A pre-numbered receipt is issued by the business office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel periodically review the process to ensure procedures are working as prescribed.

Conclusion - Response acknowledged. The District should implement procedures for gate admissions that include the use of pre-numbered tickets and require a reconciliation of tickets sold to cash collected.

I-D-13 Purchase Orders - Of the 26 disbursements in our sample from the Student Activity Fund, we noted 7 instances of purchase orders that were dated after the ordering of supplies or services took place.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - All individuals involved with the purchase orders having non-corresponding dates have been instructed individually as to proper procedure.

Conclusion - Response accepted.

I-E-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The district will continue to develop a procedure to keep track of the hours worked by non-certified staff coaches. The district will review payroll procedures to ensure that supporting documentation is kept for all employees who receive checks and wages paid comply with Department of Labor requirements.

Conclusion - Response accepted.

I-F-13 Board Policies - We noted several board policies that have not been updated in the past 5 years. Board policies should be reviewed by the board at least once every 5 years.

Recommendation - The Board should review policies to ensure they are up to date, and make updates on the policies indicating review dates.

Response - The Board has developed a review cycle that will bring practice back into compliance.

Conclusion - Response accepted.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2013

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

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in the instruction and non-instructional programs functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The district has developed a systematic process for monitoring expenditures in relationship to the amounts budgeted in all functional areas. If the district anticipates exceeding any specific functional area, the certified budget will be amended in accordance with Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - 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.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However, we noted during our audit instances of District employees receiving mileage reimbursement of \$.25 per mile which does not comply with Board policy 803.9 which contains a provision for \$.20 per mile.

Recommendation - The District should reimburse mileage at the same rate stated in the District Board policies.

Response - All mileage reimbursement will be reimbursed at the board approved amount. Additionally, the 800 series of board policy is scheduled for review during the 2014-2015 school year.

Conclusion - Response accepted.

II-D-13 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Holsinger, Custodian Owner of Holinger Snow Removal	Snow removal	\$2,738

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

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ (181,508)
Revenues:		
Sales tax revenues	\$ 456,301	
Other local revenues	187	
Other state revenues	9,538	
Federal revenues	71,538	
Transfer from other funds	235,000	772,564
		<u>591,056</u>
Expenditures/transfers out:		
School infrastructure construction	224,601	
Equipment	34,123	
Other	26,116	
Transfers to other funds:		
Debt service fund	228,835	513,675
		<u>513,675</u>
Ending balance		<u>\$ 77,381</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Deficit Balances - The District had a deficit unassigned fund balance of \$467,462 in the General Fund. The District had two negative accounts in the Student Activity Fund with a total deficit unassigned fund balance of \$6,192: The District had a deficit unrestricted net position in the governmental activities of \$474,663.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should consider a workout plan to bring these funds to a solvent position.

Response - The district is actively pursuing a workout plan to return fund balances from the current deficits status. The workout plan involves both increasing revenues and decreasing expenditures in the General Fund and Student Activity Fund.

Conclusion - Response accepted.

II-O-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures for educational technology for the classroom which do not appear to be related to cocurricular or extracurricular activities.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. Expenditures for instructional items would appear to be more appropriate from the General Fund.

Response - The district has reviewed Student Activity Fund expenditures to ensure close alignment to cocurricular or extracurricular activities.

Conclusion - Response accepted.