

**ALDEN COMMUNITY SCHOOL DISTRICT
ALDEN, IOWA**

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

YEAR ENDED JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor’s Report	2-4
Management’s Discussion and Analysis	5-15
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 16
Statement of Activities	B 17-18
Governmental Fund Financial Statements:	
Balance Sheet	C 19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 20
Statement of Revenues, Expenditures and Changes in Fund Balances	E 21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 22
Proprietary Fund Financial Statements:	
Statement of Net Position	G 23
Statement of Revenues, Expenses and Changes in Fund Net Position	H 24
Statement of Cash Flows	I 25-26
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	J 27
Statement of Changes in Fiduciary Net Position	K 28
Notes to Financial Statements	29-44
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	45-46
Notes to Required Supplementary Information – Budgetary Reporting	47
Schedule of Funding Progress for the Retiree Health Plan	48

Table of Contents (continued)

	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	51
Capital Project Accounts:		
Combining Balance Sheet	4	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	53
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	6	54-55
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>		56-58
Schedule of Findings		59-63

Alden Community School District
Alden, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Robert Ites	President	2013
Kyle Janes	Vice President	2013
Marcela Hoversten	Board Member	2015
Greg Lascheid	Board Member	2015
John Wibholm	Board Member	2015
School Officials		
Dr. John Robbins	Superintendent	2013
Kim Sharar	District Secretary/Treasurer and Business Manager	2013
Ahlers & Cooney, P.C.	Attorney	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
Alden 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 Alden Community School District, Alden, 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 Alden 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 5 through 15 and 45 through 48 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 Alden Community School District's basic financial statements. Other auditors 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 6 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 24, 2014 on our consideration of Alden 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 Alden Community School District's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alden 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 decreased from \$3,590,908 in fiscal 2012 to \$3,322,060 in fiscal 2013, while General Fund expenditures increased from \$3,048,226 in fiscal 2012 to \$3,096,995 in fiscal 2013. The District's General Fund balance increased from \$907,011 in fiscal 2012 to \$1,132,076 in fiscal 2013, a 25% increase.
- The fiscal year 2013 General Fund revenue decrease was attributable to decreases in property tax, tuition and state revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

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 Alden 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 Alden Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alden Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Alden Community School District
Annual Financial Report

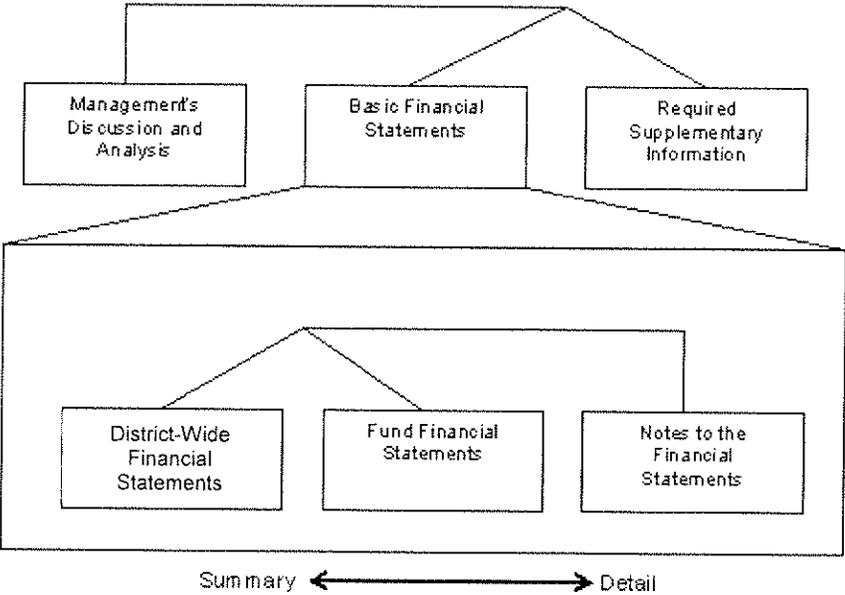


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of cash flows • Statement of revenues, expenses and changes in fund net position 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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.

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 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 and the Capital Projects Fund.

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

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

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

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

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

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	2012-2013
Current and other assets	\$ 2,755	2,854	34	45	2,789	2,899	-3.8%
Capital assets	1,583	1,540	2	1	1,585	1,541	2.9%
Total assets	4,338	4,394	36	46	4,374	4,440	-1.5%
Long-term liabilities	6	---	---	---	6	---	100.0%
Other liabilities	1,237	1,525	---	---	1,237	1,525	-18.9%
Total liabilities	1,243	1,525	---	---	1,243	1,525	-18.5%
Net position:							
Net investment in capital assets	1,583	1,540	2	1	1,585	1,541	2.9%
Restricted	382	401	---	---	382	401	-4.7%
Unrestricted	1,130	928	34	45	1,164	973	19.6%
Total net position	\$ 3,095	2,869	36	46	3,131	2,915	7.4%

The District's total net position increased 7% or approximately \$216,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$19,000 or 5% from the prior year. The decrease was primarily a result of a decrease in the amount restricted in the Special Revenue, Management Fund.

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 approximately 191,000 or 20%. This increase in unrestricted net position was a result of the District's revenues exceeding expenditures during the year.

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							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 625	789	65	69	690	858	-19.6%
Operating grants, contributions and restricted interest	419	437	79	87	498	524	-5.0%
Capital grants, contributions and restricted interest	---	11	---	---	---	11	-100.0%
General revenues:							
Property tax	1,296	1,321	---	---	1,296	1,321	-1.9%
Income surtax	125	116	---	---	125	116	7.8%
Statewide sales, services and use tax	218	192	---	---	218	192	13.5%
Unrestricted state grants	914	965	---	---	914	965	-5.3%
Unrestricted investment earnings	2	4	---	---	2	4	-50.0%
Other	9	3	---	---	9	3	200.0%
Total revenues	<u>3,608</u>	<u>3,838</u>	<u>144</u>	<u>156</u>	<u>3,752</u>	<u>3,994</u>	<u>-6.1%</u>
Program expenses:							
Instruction	2,312	2,198	---	---	2,312	2,198	5.2%
Support services	852	930	5	---	857	930	-7.8%
Non-instructional programs	---	---	149	149	149	149	0.0%
Other expenses	218	204	---	---	218	204	6.9%
Total expenses	<u>3,382</u>	<u>3,332</u>	<u>154</u>	<u>149</u>	<u>3,536</u>	<u>3,481</u>	<u>1.6%</u>
Increase (decrease) in net position	226	506	(10)	7	216	513	-57.9%
Net position beginning of year	<u>2,869</u>	<u>2,363</u>	<u>46</u>	<u>39</u>	<u>2,915</u>	<u>2,402</u>	<u>21.4%</u>
Net position end of year	<u>\$ 3,095</u>	<u>2,869</u>	<u>36</u>	<u>46</u>	<u>3,131</u>	<u>2,915</u>	<u>7.4%</u>

In fiscal year 2013, property tax and unrestricted state grants accounted for 61.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$3.8 million, of which approximately \$3.6 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.1% decrease in revenues and a 1.6% increase in expenses. The increase in expenses is related to an increase in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,608,448 and expenses were \$3,381,552 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in thousands)

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 2,312	2,198	5.2 %	1,409	1,074	31.2 %
Support services	852	930	-8.4 %	809	930	-13.0 %
Non-instructional programs	---	---	0.0 %	---	---	0.0 %
Other expenses	218	204	6.9 %	119	90	32.2 %
Total	\$ 3,382	3,332	1.5 %	2,337	2,094	11.6 %

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$625,044.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$419,172.
- The net cost of governmental activities was financed with \$1,639,199 in property and other taxes and \$914,040 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$143,529 representing a 8.2% decrease from the prior year, while expenses totaled \$153,705, a 2.9% increase over the prior year. 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

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,403,402, well above last year's ending fund balances of \$1,221,251.

Governmental Fund Highlights

- The General Fund balance increased from \$907,011 to \$1,132,076.
- The Capital Projects Fund balance decreased from \$168,086 in fiscal 2012 to \$163,935 in fiscal 2013.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$45,985 at June 30, 2012 to \$35,809 at June 30, 2013, representing a decrease of approximately 22%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Alden Community School District did not amend its budget.

The District's total revenues were \$10,724 less than total budgeted revenues, a variance of 0.3%.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$1.6 million net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.9% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$191,891.

The original cost of the District's capital assets was approximately \$4.8 million. Governmental funds account for the majority of this \$4.8 million.

Figure A-6
Capital Assets, Net of Depreciation
(Expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 1	1	---	---	1	1	0.0%
Buildings	1,246	1,208	---	---	1,246	1,208	3.1%
Improvements other than buildings	54	62	---	---	54	62	-12.9%
Furniture and equipment	282	269	2	1	284	270	5.2%
Total	\$ 1,583	1,540	2	1	1,585	1,541	2.9%

Long-Term Debt

At June 30, 2013, the District had no long-term liabilities.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2013 enrollment decreased by 4 students. The slight drop in enrollment will decrease the District's funding for fiscal year 2015.
- The District has a continuing whole grade sharing agreement with the Iowa Falls Community School District for Grades 6-12. This should allow the District to maintain its own K-5 program into the foreseeable future.
- The District will continue to be required to comply with unfunded and underfunded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the State Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.
- Education reform legislation will impact the District and all small school districts not only with budgets, but also with meeting the needs of staffing requirements.

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 Dr. John Robbins, Superintendent, Alden Community School District, 209 Center Street, Alden, Iowa 50006.

Basic Financial Statements

Alden Community School District
Alden, Iowa
Statement of Net Position
June 30, 2013

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 1,299,395	32,943	1,332,338
Receivables:			
Property tax:			
Delinquent	13,935	-	13,935
Succeeding year	1,196,046	-	1,196,046
Due from other governments	246,152	-	246,152
Inventories	-	1,202	1,202
Capital assets, net of accumulated depreciation	<u>1,582,992</u>	<u>1,664</u>	<u>1,584,656</u>
Total assets	<u>4,338,520</u>	<u>35,809</u>	<u>4,374,329</u>
Liabilities			
Accounts payable	41,435	-	41,435
Deferred revenue:			
Succeeding year property tax	1,196,046	-	1,196,046
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	<u>5,573</u>	<u>-</u>	<u>5,573</u>
Total liabilities	<u>1,243,054</u>	<u>-</u>	<u>1,243,054</u>
Net Position			
Net investment in capital assets	1,582,992	1,664	1,584,656
Restricted for:			
Categorical funding	110,635	-	110,635
Management levy purposes	96,469	-	96,469
School infrastructure	139,190	-	139,190
Physical plant and equipment	24,745	-	24,745
Student activities	10,922	-	10,922
Unrestricted	<u>1,130,513</u>	<u>34,145</u>	<u>1,164,658</u>
Total net position	<u>\$ 3,095,466</u>	<u>35,809</u>	<u>3,131,275</u>

See notes to financial statements.

Alden Community School District
Alden, Iowa
Statement of Activities
Year ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,661,658	455,553	194,474	-
Special instruction	413,437	132,753	36,295	-
Other instruction	236,674	23,651	59,535	-
	<u>2,311,769</u>	<u>611,957</u>	<u>290,304</u>	<u>-</u>
Support services:				
Student	62,288	-	5,759	-
Instructional staff	91,383	-	23,510	-
Administration	297,906	-	249	-
Operation and maintenance of plant	245,350	13,087	-	-
Transportation	154,841	-	-	-
	<u>851,768</u>	<u>13,087</u>	<u>29,518</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	23,173	-	-	-
AEA flowthrough	99,350	-	99,350	-
Depreciation (unallocated)*	95,492	-	-	-
	<u>218,015</u>	<u>-</u>	<u>99,350</u>	<u>-</u>
Total governmental activities	<u>3,381,552</u>	<u>625,044</u>	<u>419,172</u>	<u>-</u>
Business type activities:				
Support services:				
Operation and maintenance of plant	5,058	-	-	-
Non-instructional programs:				
Food service operations	148,647	64,279	79,202	-
Total business type activities	<u>153,705</u>	<u>64,279</u>	<u>79,202</u>	<u>-</u>
Total	<u>\$ 3,535,257</u>	<u>689,323</u>	<u>498,374</u>	<u>-</u>

General Revenues:

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

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	(1,011,631)	-	(1,011,631)
	(244,389)	-	(244,389)
	(153,488)	-	(153,488)
	<u>(1,409,508)</u>	<u>-</u>	<u>(1,409,508)</u>
	(56,529)	-	(56,529)
	(67,873)	-	(67,873)
	(297,657)	-	(297,657)
	(232,263)	-	(232,263)
	(154,841)	-	(154,841)
	<u>(809,163)</u>	<u>-</u>	<u>(809,163)</u>
	(23,173)	-	(23,173)
	-	-	-
	(95,492)	-	(95,492)
	(118,665)	-	(118,665)
	<u>(2,337,336)</u>	<u>-</u>	<u>(2,337,336)</u>
	-	(5,058)	(5,058)
	-	(5,166)	(5,166)
	-	(10,224)	(10,224)
	<u>(2,337,336)</u>	<u>(10,224)</u>	<u>(2,347,560)</u>
\$	1,258,906	-	1,258,906
	37,122	-	37,122
	125,393	-	125,393
	217,778	-	217,778
	914,040	-	914,040
	2,289	48	2,337
	8,704	-	8,704
	<u>2,564,232</u>	<u>48</u>	<u>2,564,280</u>
	226,896	(10,176)	216,720
	2,868,570	45,985	2,914,555
\$	<u>3,095,466</u>	<u>35,809</u>	<u>3,131,275</u>

Alden Community School District
Alden, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 1,078,366	113,638	107,391	1,299,395
Receivables:				
Property tax:				
Delinquent	13,536	399	-	13,935
Succeeding year	1,003,232	117,814	75,000	1,196,046
Due from other governments	<u>196,254</u>	<u>49,898</u>	<u>-</u>	<u>246,152</u>
Total assets	<u>\$ 2,291,388</u>	<u>281,749</u>	<u>182,391</u>	<u>2,755,528</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 41,435	-	-	41,435
Deferred revenue:				
Succeeding year property tax	1,003,232	117,814	75,000	1,196,046
Income surtax	<u>114,645</u>	<u>-</u>	<u>-</u>	<u>114,645</u>
Total liabilities	<u>1,159,312</u>	<u>117,814</u>	<u>75,000</u>	<u>1,352,126</u>
Fund balances:				
Restricted for:				
Categorical funding	110,635	-	-	110,635
Management levy purposes	-	-	96,469	96,469
Student activities	-	-	10,922	10,922
School infrastructure	-	139,190	-	139,190
Physical plant and equipment	-	24,745	-	24,745
Unassigned	<u>1,021,441</u>	<u>-</u>	<u>-</u>	<u>1,021,441</u>
Total fund balances	<u>1,132,076</u>	<u>163,935</u>	<u>107,391</u>	<u>1,403,402</u>
Total liabilities and fund balances	<u>\$ 2,291,388</u>	<u>281,749</u>	<u>182,391</u>	<u>2,755,528</u>

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit D

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

June 30, 2013

Total fund balances of governmental funds (page 19) \$ 1,403,402

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds. 1,582,992

Other long-term assets are not available to pay current period expenditures and,
therefore, are deferred in the governmental funds. 114,645

Long-term liabilities, including compensated absences and other postemployment
benefits payable, are not due and payable in the current year and, therefore, are not
reported in the governmental funds. (5,573)

Net position of governmental activities (page 16) \$ 3,095,466

See notes to financial statements.

Alden Community School District
Alden, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,376,808	254,900	-	1,631,708
Tuition	574,983	-	-	574,983
Other	38,909	157	23,827	62,893
State sources	1,243,578	13	-	1,243,591
Federal sources	87,782	-	-	87,782
Total revenues	<u>3,322,060</u>	<u>255,070</u>	<u>23,827</u>	<u>3,600,957</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,595,173	-	-	1,595,173
Special	412,764	-	-	412,764
Other	213,200	-	22,719	235,919
	<u>2,221,137</u>	<u>-</u>	<u>22,719</u>	<u>2,243,856</u>
Support services:				
Student	62,288	-	-	62,288
Instructional staff	89,713	16,956	-	106,669
Administration	293,362	-	3,289	296,651
Operation and maintenance of plant	211,059	6,741	32,986	250,786
Transportation	120,086	76,688	3,596	200,370
	<u>776,508</u>	<u>100,385</u>	<u>39,871</u>	<u>916,764</u>
Other expenditures:				
Facilities acquisition	-	158,836	-	158,836
AEA flowthrough	99,350	-	-	99,350
	<u>99,350</u>	<u>158,836</u>	<u>-</u>	<u>258,186</u>
Total expenditures	<u>3,096,995</u>	<u>259,221</u>	<u>62,590</u>	<u>3,418,806</u>
Change in fund balances	225,065	(4,151)	(38,763)	182,151
Fund balances beginning of year	<u>907,011</u>	<u>168,086</u>	<u>146,154</u>	<u>1,221,251</u>
Fund balances end of year	<u>\$ 1,132,076</u>	<u>163,935</u>	<u>107,391</u>	<u>1,403,402</u>

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit F

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 21) \$ 182,151

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

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

Expenditures for capital assets	\$ 234,556	
Depreciation expense	<u>(191,729)</u>	42,827

Certain unspent grant proceeds and income surtax not collected for several months after year end, is not considered available revenue and is deferred in the governmental funds. 7,491

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

Other postemployment benefits	<u>(5,573)</u>	<u>(5,573)</u>
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Change in net position of governmental activities (page 18) \$ 226,896

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash, cash equivalents, and pooled investments	\$ 32,943
Inventories	<u>1,202</u>
Total current assets	<u>34,145</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,664</u>
Total noncurrent assets	<u>1,664</u>
Total assets	<u>35,809</u>
Liabilities	
Current liabilities:	<u>-</u>
Net Position	
Investment in capital assets	1,664
Unrestricted	<u>34,145</u>
Total net position	<u>\$ 35,809</u>

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit H

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

Year ended June 30, 2013

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 64,279
Total operating revenues	<u>64,279</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	<u>5,058</u>
Non-instructional programs:	
Food service operations:	
Salaries	59,912
Benefits	10,093
Supplies	78,480
Depreciation	<u>162</u>
Total operating expenses	<u>148,647</u>
Total operating expenses	<u>153,705</u>
Operating loss	<u>(89,426)</u>
Non-operating revenues:	
Interest income	48
State sources	1,305
Federal sources	<u>77,897</u>
Total non-operating revenues	<u>79,250</u>
Decrease in net position	(10,176)
Net position beginning of year	<u>45,985</u>
Net position end of year	<u>\$ 35,809</u>
See notes to financial statements.	

Alden Community School District
Alden, Iowa

Exhibit I

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	\$ 64,684
Cash paid to employees for services	(70,005)
Cash paid to suppliers for goods or services	<u>(76,986)</u>
Net cash used by operating activities	<u>(82,307)</u>
Cash flows from non-capital financing activities:	
State grants received	1,305
Federal grants received	<u>70,426</u>
Net cash provided by non-capital financing activities	<u>71,731</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(533)</u>
Cash flows from investing activities:	
Interest on investments	<u>48</u>
Net decrease in cash and cash equivalents	(11,061)
Cash and cash equivalents beginning of year	<u>44,004</u>
Cash and cash equivalents end of year	<u>\$ 32,943</u>

(continued)

Alden Community School District
Alden, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

School
Nutrition

**Reconciliation of operating loss to net cash used by
operating activities:**

Operating loss	\$ (89,426)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	7,471
Depreciation	162
Decrease in accounts receivable	405
(Increase) in inventories	<u>(919)</u>
Net cash used by operating activities	<u>\$ (82,307)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$7,471 of federal commodities.

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ <u>48,954</u>
Total assets	<u>48,954</u>
Liabilities	
Other payables	<u>-</u>
Total liabilities	<u>-</u>
Net position	
Reserved for scholarships	<u><u>\$ 48,954</u></u>

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 945
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u> 2,000</u>
Change in net position	(1,055)
Net position beginning of year	<u> 50,009</u>
Net position end of year	<u><u> \$ 48,954</u></u>

See notes to financial statements.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Alden Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades prekindergarten through twelve. An academic sharing agreement exists with Iowa Falls Community School District whereby grades seven through twelve attend the Iowa Falls Community School District. The geographic area served includes the City of Alden, Iowa and the predominate agricultural territory in Hardin and Franklin counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

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 service.

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:

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net 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.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	10-50 years
Intangibles	5-10 years
Furniture and equipment	5-12 years

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

Unassigned – All amounts not included in other spendable classifications.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash, Cash Equivalents 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; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$1,674 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standards & Poor's Financial Services.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

(3) 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	---	---	1,000
Capital assets being depreciated:				
Buildings	3,075,716	122,457	---	3,198,173
Improvements other than buildings	153,458	---	---	153,458
Furniture and equipment	1,341,764	112,099	---	1,453,863
Total capital assets being depreciated	<u>4,570,938</u>	<u>234,556</u>	<u>---</u>	<u>4,805,494</u>
Less accumulated depreciation for:				
Buildings	1,867,863	84,597	---	1,952,460
Improvements other than buildings	91,630	7,673	---	99,302
Furniture and equipment	1,072,280	99,459	---	1,171,740
Total accumulated depreciation	<u>3,031,773</u>	<u>191,729</u>	<u>---</u>	<u>3,223,502</u>
Total capital assets being depreciated, net	<u>1,539,165</u>	<u>42,827</u>	<u>---</u>	<u>1,581,992</u>
Governmental activities capital assets, net	<u>\$ 1,540,165</u>	<u>42,827</u>	<u>---</u>	<u>1,582,992</u>
Business type activities:				
Furniture and equipment	\$ 28,418	533	---	28,951
Less accumulated depreciation	<u>27,125</u>	<u>162</u>	<u>---</u>	<u>27,287</u>
Business type activities capital assets, net	<u>\$ 1,293</u>	<u>371</u>	<u>---</u>	<u>1,664</u>

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$ 64,126	
Support services:		
Operation and maintenance of plant	952	
Transportation	<u>31,159</u>	
	96,237	
Unallocated	<u>95,492</u>	
Total depreciation expense – governmental activities	\$ <u>191,729</u>	
Business type activities:		
Food service operations	\$ <u>162</u>	

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Net OPEB liability	\$ ---	5,573	---	5,573	----

(5) 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.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

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 contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$110,673, \$105,107, and \$94,675 respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 14 active and two retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

Annual required contribution		\$ 7,033
Interest on net OPEB obligation		---
Adjustment to annual required contribution		---
Annual OPEB cost		7,033
Contributions made		(1,460)
Increase in net OPEB obligation		5,573
Net OPEB obligation beginning of year		---
Net OPEB obligation end of year		\$ 5,573

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.

For the year ended June 30, 2013, the District contributed \$1,460 to the medical plan. Plan members eligible for benefits contributed \$3,916, or 72.8% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u>June 30,</u>			
2011	\$13,000	100.0%	\$ ---
2012	13,000	100.0%	---
2013	7,053	20.7%	5,573

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 \$60,339, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$60,339. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$617,000 and the ratio of the UAAL to covered payroll was 9.8%. As of June 30, 2013, there were no trust fund assets.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the insurance plan are \$0, as there are no retirees in the plan. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

(7) Risk Management

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

(8) 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 \$99,350 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.

(9) Operating Lease

The District entered into an operating lease with Hecht & Jimenez Office Machines, Inc. for the rental of two copiers on December 29, 2009 for a period of five years. The amount paid for the fiscal year ended June 30, 2013 was \$2,368. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2014	\$ 2,368
2015	<u>1,184</u>
Total	<u>\$ 3,552</u>

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2013

(10) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 4,413
Beginning teacher mentoring	15
Teacher salary supplement	86,561
Professional development – core curriculum	12,702
Professional development	<u>6,944</u>
Total	<u>\$ 110,635</u>

(11) Subsequent Events

Subsequent events have been evaluated through March 24, 2014, which is the date the financial statements were available to be issued.

On July 15, 2013 the Board approved the purchase of 1:1 Chromebooks for the sixth grade for \$42,075.

On December 16, 2013 the Board approved extending the whole grade sharing agreement with Iowa Falls Community School District through the 2017-2018 school year.

Required Supplementary Information

Alden Community School District
Alden, Iowa

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 Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,269,584	64,327
State sources	1,243,591	1,305
Federal sources	<u>87,782</u>	<u>77,897</u>
Total revenues	<u>3,600,957</u>	<u>143,529</u>
Expenditures/Expenses:		
Instruction	2,243,856	-
Support services	916,764	5,058
Non-instructional programs	-	148,647
Other expenditures	<u>258,186</u>	<u>-</u>
Total expenditures/expenses	<u>3,418,806</u>	<u>153,705</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	182,151	(10,176)
Balances beginning of year	<u>1,221,251</u>	<u>45,985</u>
Balances end of year	<u>\$ 1,403,402</u>	<u>35,809</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
2,333,911	2,333,353	2,333,353	558
1,244,896	1,268,857	1,268,857	(23,961)
165,679	153,000	153,000	12,679
<u>3,744,486</u>	<u>3,755,210</u>	<u>3,755,210</u>	<u>(10,724)</u>
2,243,856	2,401,000	2,401,000	157,144
921,822	1,003,500	1,003,500	81,678
148,647	160,000	160,000	11,353
258,186	380,882	380,882	122,696
<u>3,572,511</u>	<u>3,945,382</u>	<u>3,945,382</u>	<u>372,871</u>
171,975	(190,172)	(190,172)	362,147
<u>1,267,236</u>	<u>1,040,041</u>	<u>1,040,041</u>	<u>227,195</u>
<u>1,439,211</u>	<u>849,869</u>	<u>849,869</u>	<u>589,342</u>

Alden Community School District
Alden, Iowa

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

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

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

During the year ended June 30, 2013, the District did not exceed its budget in any of the functional areas.

Alden Community School District
Alden, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	158,000	158,000	0.0%	1,373,000	11.5%
2011	July 1, 2009	-	158,000	158,000	0.0%	1,399,000	11.3%
2012	July 1, 2009	-	158,000	158,000	0.0%	763,000	20.7%
2013	July 1, 2012	-	60,339	60,339	0.0%	617,000	9.8%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Alden Community School District
Alden, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 96,469	10,922	107,391
Receivables:			
Property tax:			
Succeeding year	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total assets	<u><u>\$ 171,469</u></u>	<u><u>10,922</u></u>	<u><u>182,391</u></u>
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 75,000	-	75,000
Total liabilities	75,000	-	75,000
Fund balances:			
Restricted for:			
Management levy purposes	96,469	-	96,469
Student activities	<u>-</u>	<u>10,922</u>	<u>10,922</u>
Total fund balances	<u>96,469</u>	<u>10,922</u>	<u>107,391</u>
Total liabilities and fund balances	<u><u>\$ 171,469</u></u>	<u><u>10,922</u></u>	<u><u>182,391</u></u>

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

Schedule 2

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

Year ended June 30, 2013

	Special Revenue		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Other	\$ 162	23,665	23,827
Total revenues	162	23,665	23,827
Expenditures:			
Current:			
Instruction:			
Other instruction	-	22,719	22,719
Support services:			
Administration	3,289	-	3,289
Operation and maintenance of plant	32,986	-	32,986
Transportation	3,596	-	3,596
Total expenditures	39,871	22,719	62,590
Excess (deficiency) of revenues over (under) expenditures	(39,709)	946	(38,763)
Fund balances beginning of year	136,178	9,976	146,154
Fund balances end of year	\$ 96,469	10,922	107,391

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
Now account interest	\$ 139	15	-	-	154
Nurse Special	1,381	589	904	-	1,066
6th Student Council	179	682	723	-	138
Elementary Student Council	394	-	36	-	358
Instrumental	681	-	-	-	681
Vocal	801	500	-	-	1,301
Elementary activity	2,996	20,232	19,871	-	3,357
Vending machines	20	647	665	-	2
Library	2,775	500	520	-	2,755
Fifth grade Dare program	610	-	-	-	610
Fundraiser	-	500	-	-	500
Total	<u>\$ 9,976</u>	<u>23,665</u>	<u>22,719</u>	<u>-</u>	<u>10,922</u>

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
Assets	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Cash, cash equivalents and pooled investments	\$ 89,292	24,346	113,638
Receivables:			
Property tax:			
Delinquent	-	399	399
Succeeding year	-	117,814	117,814
Due from other governments	49,898	-	49,898
 Total assets	\$ 139,190	142,559	281,749
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	117,814	117,814
Total liabilities	-	117,814	117,814
Fund balances:			
Restricted for:			
School infrastructure	139,190	-	139,190
Physical plant and equipment	-	24,745	24,745
Total fund balances	139,190	24,745	163,935
 Total liabilities and fund balances	\$ 139,190	142,559	281,749

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 217,778	37,122	254,900
Other	67	90	157
State sources	-	13	13
Total revenues	217,845	37,225	255,070
Expenditures:			
Support services:			
Instructional staff	16,956	-	16,956
Operation and maintenance of plant	6,741	-	6,741
Transportation	76,688	-	76,688
Other expenditures:			
Facilities acquisition	82,994	75,842	158,836
Total expenditures	183,379	75,842	259,221
Excess (deficiency) of revenues over (under) expenditures	34,466	(38,617)	(4,151)
Fund balances beginning of year	104,724	63,362	168,086
Fund balances end of year	\$ 139,190	24,745	163,935

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

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

For the Last Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 1,631,708	1,627,302	1,525,856	1,493,081
Tuition	574,983	702,687	575,124	569,931
Other	62,893	93,372	88,576	178,615
State sources	1,243,591	1,326,537	1,248,163	1,013,057
Federal sources	87,782	87,079	213,681	245,139
Total	<u>\$ 3,600,957</u>	<u>3,836,977</u>	<u>3,651,400</u>	<u>3,499,823</u>
Expenditures:				
Instruction	\$ 2,243,856	2,221,330	2,315,869	2,445,606
Support services:				
Student	62,288	67,455	72,075	64,178
Instructional staff	106,669	146,652	99,147	116,628
Administration	296,651	295,232	305,725	313,121
Operation and maintenance of plant	250,786	262,917	262,463	298,171
Transportation	200,370	171,033	148,438	107,904
Central support services	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	158,836	277,994	219,278	125,557
AEA flowthrough	99,350	102,371	112,049	109,558
Total	<u>\$ 3,418,806</u>	<u>3,544,984</u>	<u>3,535,044</u>	<u>3,580,723</u>

See accompanying independent auditor's report.

Schedule 6

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1,397,228	1,376,466	1,573,026	1,497,734	1,499,897	1,394,044
509,818	619,961	441,897	373,019	342,727	70,938
156,095	85,973	108,612	205,764	52,600	133,753
1,196,175	1,143,334	932,536	977,376	917,993	856,238
90,457	111,773	112,802	142,230	109,004	199,200
<u>3,349,773</u>	<u>3,337,507</u>	<u>3,168,873</u>	<u>3,196,123</u>	<u>2,922,221</u>	<u>2,654,173</u>
2,281,157	2,472,380	2,065,539	1,673,511	1,751,086	1,814,431
62,958	41,144	26,845	30,810	48,796	61,643
79,003	72,972	85,673	69,239	86,258	81,106
311,426	296,468	270,298	262,360	269,584	391,729
282,428	271,268	215,799	213,961	258,904	188,659
101,948	173,347	169,467	99,311	92,140	114,176
-	-	-	-	-	27,202
-	-	-	5,000	525	1,761
156,999	247,058	261,527	182,679	82,286	102,973
<u>96,850</u>	<u>94,518</u>	<u>89,683</u>	<u>87,394</u>	<u>87,283</u>	<u>89,173</u>
<u>3,372,769</u>	<u>3,669,155</u>	<u>3,184,831</u>	<u>2,624,265</u>	<u>2,676,862</u>	<u>2,872,853</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

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

To the Board of Education of
Alden Community School District:

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alden 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 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alden 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 Alden Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Alden 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 certain deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or

a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alden 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 that 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.

Alden Community School District's Responses to Findings

Alden Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Alden 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 Alden 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 24, 2014

Alden Community School District
Alden, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Some, but not all, cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes. We have started having two people count most of the receipts.

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-13 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Alden Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Alden Community School District
Alden, Iowa

Schedule of Findings

Year ended June 30, 2013

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Alden Community School District
Alden, Iowa

Schedule of Findings
Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 did not exceed the certified budget amounts. However, the budget was not published in accordance with Chapter 24.9 of the Code of Iowa.

Recommendation – The proposed budget summary and notice of public hearing should have been published not less than ten nor more than twenty days before the public hearing.

Response – Future budgets will be published with the required time frame.

Conclusion – Response accepted.

II-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kim Sharar, Board secretary, Husband owns King Construction & Sharar’s Floorcoverings	Repairs and flooring	\$ 12,173

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions with the spouse of the Board Secretary do 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 is reviewed annually to ensure the coverage is adequate for current operations.

Alden Community School District
Alden, Iowa

Schedule of Findings

Year ended June 30, 2013

- II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted. However, the enrollment was not properly certified to the Iowa Department of Education by October 15, 2012.

Recommendation –The District should ensure the enrollment is certified timely to the Iowa Department of Education.

Response –We will certify our enrollment by the due date.

Conclusion – Response accepted.

- 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 – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-13 Categorical Funding – No instances 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:

Alden Community School District
Alden, Iowa

Schedule of Findings

Year ended June 30, 2013

Beginning balance		\$ 104,724
Revenues/transfer in:		
Sales tax revenues	\$ 217,778	
Other local revenues	<u>67</u>	<u>217,845</u>
		322,569
Expenditures/transfer out:		
Equipment	101,182	
Other	<u>82,197</u>	<u>183,379</u>
Ending balance		\$ <u>139,190</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 Reclassification of Student Activity Fund Accounts – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to account for the extracurricular and co-curricular activities offered as part of the District’s educational program. The Student Activity Fund should not have any miscellaneous type of accounts and each account should relate to a specific extra-curricular or co-curricular student activity. We noted accounts in the Student Activity Fund for Nurse Special, vending machines and library that do not appear to be extra-curricular or co-curricular.

Recommendation – The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

Response – We will review the types of transactions in the Student Activity Fund accounts and make any necessary fund reclassifications.

Conclusion – Response accepted.