

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT
ALBERT CITY, IOWA**

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

YEAR ENDED JUNE 30, 2014

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**Albert City-Truesdale Community School District
Albert City, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Bryan Beckman	President	2013
Deb Clausen	Vice President	2015
Don Loving	Board Member	2013
Brent Moens	Board Member	2013
Jessica Wood	Board Member	2015

(After September 2013 Election)

Bryan Beckman	President	2017
Deb Clausen	Vice President	2015
Jennifer Holt	Board Member	2017
Kayla McCarthy	Board Member	2017
Jessica Wood	Board Member	2015

School Officials

Jeff Dicks	Superintendent	2014
Kim Ellrich	District Secretary	2014
Michelle Dowd	District Treasurer	2014
Steve Avery	Attorney	2014

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

Certified Public Accountants

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Jerilyn J. Maher, C.P.A.
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Independent Auditor's Report

To the Board of Education of
Albert City-Truesdale 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 Albert City-Truesdale Community School District, Albert City, Iowa, as of and for the year ended June 30, 2014, and the related Notes to 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 of material misstatement.

An audit includes 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 Albert City-Truesdale Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require 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 44 through 47 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 Albert City-Truesdale 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, 2013 (which are not presented herein) and expressed unmodified 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, 2015 on our consideration of Albert City-Truesdale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Albert City-Truesdale 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, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Albert City-Truesdale 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,240,548 in fiscal 2013 to \$2,254,308 in fiscal 2014, while General Fund expenditures increased from \$2,183,618 in fiscal 2013 to \$2,239,728 in fiscal 2014. The District's General Fund balance increased from \$446,503 at the end of fiscal 2013 to \$461,083 at the end of fiscal 2014, a 3.3% increase.
- The increase in General Fund revenues was attributable to increases in 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 Albert City-Truesdale 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 Albert City-Truesdale Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Albert City-Truesdale 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.

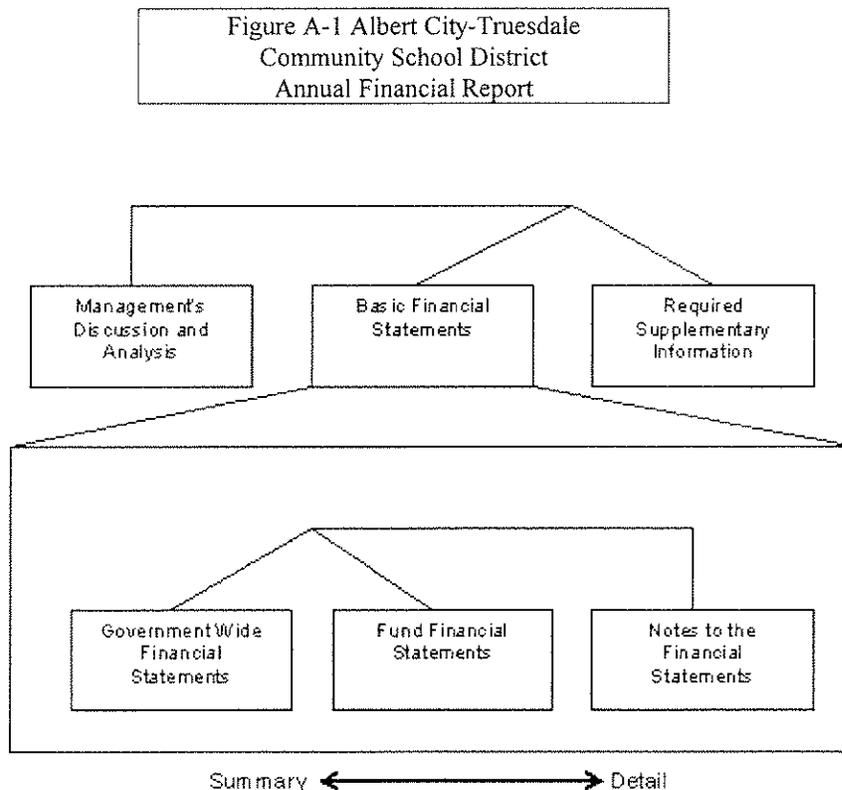


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 revenues, expenses and changes in fund net position • Statement of cash flows 	<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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 4,046	4,472	14	9	4,060	4,481	-9.4%
Capital assets	975	927	9	10	984	937	5.0%
Total assets	<u>5,021</u>	<u>5,399</u>	<u>23</u>	<u>19</u>	<u>5,044</u>	<u>5,418</u>	<u>-6.9%</u>
Long-term liabilities	86	73	---	---	86	73	17.8%
Other liabilities	202	806	6	1	208	807	-74.2%
Total liabilities	<u>288</u>	<u>879</u>	<u>6</u>	<u>1</u>	<u>294</u>	<u>880</u>	<u>-66.6%</u>
Deferred inflows of resources	<u>1,554</u>	<u>1,598</u>	<u>---</u>	<u>---</u>	<u>1,554</u>	<u>1,598</u>	<u>-2.8%</u>
Net position:							
Net investment in capital assets	975	927	9	10	984	937	5.0%
Restricted	1,916	1,654	---	---	1,916	1,654	15.8%
Unrestricted	288	341	8	8	296	349	-15.2%
Total net position	<u>\$ 3,179</u>	<u>2,922</u>	<u>17</u>	<u>18</u>	<u>3,196</u>	<u>2,940</u>	<u>8.7%</u>

The District's total net position increased 8.7%, or approximately \$256,000, from the prior year. A 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 increased approximately \$262,000, or 15.8%, over the prior year.

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 – decreased approximately \$53,000 or 15.2%.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4							
Changes in Net Position							
(Expressed in Thousands)							
	Governmental		Business Type		Total School		Total
	Activities		Activities		District		Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 77	110	24	23	101	133	-24.1%
Operating grants, contributions and restricted interest	327	305	47	42	374	347	7.8%
Capital grants, contributions and restricted interest	---	36	---	---	---	36	-100.0%
General revenues:							
Property tax	1,611	1,648	---	---	1,611	1,648	-2.2%
Statewide sales, services and use tax	213	153	---	---	213	153	39.2%
Unrestricted state grants	609	525	---	---	609	525	16.0%
Unrestricted investment earnings	2	2	---	---	2	2	0.0%
Other	8	---	---	---	8	---	100.0%
Total revenues	<u>2,847</u>	<u>2,779</u>	<u>71</u>	<u>65</u>	<u>2,918</u>	<u>2,844</u>	<u>2.6%</u>
Program expenses:							
Instruction	1,753	1,577	---	---	1,753	1,577	11.2%
Support services	686	660	---	---	686	660	3.9%
Non-instructional programs	---	---	72	66	72	66	9.1%
Other expenses	151	127	---	---	151	127	18.9%
Total expenses	<u>2,590</u>	<u>2,364</u>	<u>72</u>	<u>66</u>	<u>2,662</u>	<u>2,430</u>	<u>9.5%</u>
Change in net position	257	415	(1)	(1)	256	414	38.2%
Net position beginning of year	<u>2,922</u>	<u>2,507</u>	<u>18</u>	<u>19</u>	<u>2,940</u>	<u>2,526</u>	<u>16.4%</u>
Net position end of year	<u>\$ 3,179</u>	<u>2,922</u>	<u>17</u>	<u>18</u>	<u>3,196</u>	<u>2,940</u>	<u>8.7%</u>

In fiscal 2014, property tax and unrestricted state grants account for 78.0% of governmental activities revenue while charges for service and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$2.9 million, of which approximately \$2.8 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District's as a whole experienced a 2.6% increase in revenues and a 9.5% increase in expenses. The District was still able to keep expenditures less than revenues during the year.

Governmental Activities

Revenues for governmental activities were \$2,846,782 and expenses were \$2,590,243 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by keeping expenses less than 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, 2014 compared to the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 1,753	1,577	11.2%	1,447	1,255	15.3%
Support services	686	660	3.9%	680	622	9.3%
Non-instructional program	---	---	0.0%	---	---	0.0%
Other expenses	151	127	18.9%	59	36	63.9%
Total	\$ 2,590	2,364	9.6%	2,186	1,913	14.3%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$77,180.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$326,787.
- The net cost of governmental activities was financed with \$1,824,194 in property and other taxes and \$608,941 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$70,571, representing an 8.3% increase from the prior year, while expenses totaled \$72,439, a 9.5% increase from 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.

INDIVIDUAL FUND ANALYSIS

As previously noted, Albert City-Truesdale 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 \$2,290,284, above last year's ending fund balances of \$2,068,961. The primary reason for the increase in combined fund balances is related to revenues exceeding expenditures in the Capital Projects Funds.

Governmental Fund Highlights

- The General Fund balance increased from \$446,503 to \$461,083 due, in part, to the District controlling expenditures to match available revenues.
- The Capital Projects Fund balance increased from \$1,416,064 in fiscal 2013 to \$1,585,224 in fiscal 2014 due to revenues exceeding expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$18,427 at June 30, 2013 to \$16,559 at June 30, 2014, representing a decrease of approximately 10.1%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$18,751 less than total budgeted revenues, a variance of 0.6%. Even though local and intermediate resources were less than budgeted, this was offset by state and federal sources being more than budgeted.

Total expenditures were less than budgeted by \$464,720 due primarily to the District's budget for the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$2.0 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 decrease of 1.1% 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 \$146,991.

The original cost of the District's capital assets was approximately \$8.0 million. Governmental funds account for nearly the entire balance.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 31	31	---	---	31	31	0.0%
Buildings	431	396	---	---	431	396	8.8%
Improvements other than buildings	65	69	---	---	65	69	-5.8%
Furniture and equipment	448	431	9	10	457	441	3.6%
Totals	\$ 975	927	9	10	984	937	5.0%

Long-Term Debt

At June 30, 2014, the District had \$54,896 long-term debt outstanding. (See Figure A-7) This represents an increase of approximately 65% from last year. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
Compensated absences	\$ 5	2	150.0%
Early retirement	50	31	61.3%
Total	\$ 55	33	66.7%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced fairly steady enrollment trends in recent years. The budget enrollment for fiscal year 2015 is projected to drop; however, the fiscal 2016 projections show a slight increase in the student count. The enrollment is expected to drop slightly in fiscal year 2017.
- The District's primary source of revenue is the State of Iowa's state aid formula. Since the state supplemental aid percentage is a major economic factor for schools, the District's administration and board will continue to communicate with the Iowa legislature to express the need for adequate state aid to fund the educational programs of our school district. The variability of this funding source is a constant concern for the District.
- The District continues to whole grade share students grades 7-12 with Sioux Central Community School District. In 2015, the sharing agreement will be renewed for another ten-year period.
- Operational sharing incentives from the State of Iowa have increased revenues for the District. The District shared the counselor, superintendent and transportation director positions with neighboring districts during the fiscal year 2014. Looking ahead to fiscal year 2015, the business services will be shared with a neighboring district which will also bring in operational sharing revenue. In addition, the District plans to continue other staff sharing to reduce staffing costs.
- Housing and daycare opportunities in the community continue to be of interest to the District. These factors have the potential to effect enrollment as families moving into the area make decisions about where they will live. In the future, the District will continue to explore possible opportunities for increased housing and day care facilities.

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 Marcia Johnson, Business Manager, Albert City-Truesdale Community School District, 300 Orchard St., Albert City, Iowa 50510.

Basic Financial Statements

Albert City-Truesdale Community School District
Albert City, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,406,751	11,451	2,418,202
Receivables:			
Property tax:			
Delinquent	12,796	-	12,796
Succeeding year	1,553,933	-	1,553,933
Accounts	-	590	590
Due from other governments	72,271	-	72,271
Inventories	-	2,112	2,112
Capital assets, net of accumulated depreciation	975,131	8,452	983,583
Total assets	<u>5,020,882</u>	<u>22,605</u>	<u>5,043,487</u>
Liabilities			
Accounts payable	90,674	-	90,674
Salaries and benefits payable	110,860	5,327	116,187
Unearned revenue	-	719	719
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	15,981	-	15,981
Portion due after one year:			
Compensated absences	4,515	-	4,515
Early retirement payable	34,400	-	34,400
Net OPEB liability	31,584	-	31,584
Total liabilities	<u>288,014</u>	<u>6,046</u>	<u>294,060</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	<u>1,553,933</u>	<u>-</u>	<u>1,553,933</u>

(continued)

Albert City-Truesdale Community School District
Albert City, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	975,131	8,452	983,583
Restricted for:			
Categorical funding	137,532	-	137,532
Management levy purposes	178,923	-	178,923
School infrastructure	955,380	-	955,380
Physical plant and equipment	629,844	-	629,844
Student activities	14,673	-	14,673
Unrestricted	<u>287,452</u>	<u>8,107</u>	<u>295,559</u>
Total net position	<u><u>\$ 3,178,935</u></u>	<u><u>16,559</u></u>	<u><u>3,195,494</u></u>

See notes to financial statements.

Albert City-Truesdale Community School District
Albert City, Iowa
Statement of Activities
Year ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,348,545	70,646	161,505	
Special instruction	287,085	-	15,741	-
Other instruction	116,964	6,534	51,502	-
	<u>1,752,594</u>	<u>77,180</u>	<u>228,748</u>	<u>-</u>
Support services:				
Student	17,861	-	4,681	-
Instructional staff	25,473	-	-	-
Administration	250,973	-	711	-
Operation and maintenance of plant	211,055	-	-	-
Transportation	180,941	-	247	-
	<u>686,303</u>	<u>-</u>	<u>5,639</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	32,545	-	-	-
AEA flowthrough	92,400	-	92,400	-
Depreciation (unallocated)*	26,401	-	-	-
	<u>151,346</u>	<u>-</u>	<u>92,400</u>	<u>-</u>
Total governmental activities	<u>2,590,243</u>	<u>77,180</u>	<u>326,787</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	72,439	24,163	46,408	-
Total business type activities	<u>72,439</u>	<u>24,163</u>	<u>46,408</u>	<u>-</u>
Total	<u>\$ 2,662,682</u>	<u>101,343</u>	<u>373,195</u>	<u>-</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net 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		
Governmental Activities	Business Type Activities	Total
(1,116,394)	-	(1,116,394)
(271,344)	-	(271,344)
(58,928)	-	(58,928)
<u>(1,446,666)</u>	<u>-</u>	<u>(1,446,666)</u>
(13,180)	-	(13,180)
(25,473)	-	(25,473)
(250,262)	-	(250,262)
(211,055)	-	(211,055)
(180,694)	-	(180,694)
<u>(680,664)</u>	<u>-</u>	<u>(680,664)</u>
(32,545)	-	(32,545)
-	-	-
(26,401)	-	(26,401)
(58,946)	-	(58,946)
<u>(2,186,276)</u>	<u>-</u>	<u>(2,186,276)</u>
-	(1,868)	(1,868)
-	(1,868)	(1,868)
<u>(2,186,276)</u>	<u>(1,868)</u>	<u>(2,188,144)</u>
1,387,389	-	1,387,389
223,429	-	223,429
213,376	-	213,376
608,941	-	608,941
2,097	-	2,097
7,583	-	7,583
<u>2,442,815</u>	<u>-</u>	<u>2,442,815</u>
256,539	(1,868)	254,671
2,922,396	18,427	2,940,823
<u>\$ 3,178,935</u>	<u>16,559</u>	<u>3,195,494</u>

Albert City-Truesdale Community School District
Albert City, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 638,022	1,525,953	242,776	2,406,751
Receivables:				
Property tax:				
Delinquent	9,820	1,775	1,201	12,796
Succeeding year	1,175,704	228,228	150,001	1,553,933
Due from other governments	14,775	57,496	-	72,271
Total assets	<u>\$ 1,838,321</u>	<u>1,813,452</u>	<u>393,978</u>	<u>4,045,751</u>
 Liabilities, Deferred Inflows of Resources And Fund Balances				
Liabilities:				
Accounts payable	\$ 90,674	-	-	90,674
Salaries and benefits payable	110,860	-	-	110,860
Total liabilities	<u>201,534</u>	<u>-</u>	<u>-</u>	<u>201,534</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,175,704	228,228	150,001	1,553,933
Fund balances:				
Restricted for:				
Categorical funding	137,532	-	-	137,532
Management levy purposes	-	-	229,304	229,304
Student activities	-	-	14,673	14,673
School infrastructure	-	955,380	-	955,380
Physical plant and equipment	-	629,844	-	629,844
Unassigned	323,551	-	-	323,551
Total fund balances	<u>461,083</u>	<u>1,585,224</u>	<u>243,977</u>	<u>2,290,284</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,838,321</u>	<u>1,813,452</u>	<u>393,978</u>	<u>4,045,751</u>

See notes to financial statements.

Albert City-Truesdale Community School District
Albert City, Iowa

Exhibit D

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

June 30, 2014

Total fund balances of governmental funds (page 20) \$ 2,290,284

*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. 975,131

Long-term liabilities, including early retirement payable and other
postemployment benefits payable, are not due and payable in the current year
and, therefore, are not reported in the governmental funds. (86,480)

Net position of governmental activities (page 17) \$ 3,178,935

See notes to financial statements.

Albert City-Truesdale Community School District
Albert City, Iowa
Statement of Revenue, Expenditures
and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,236,152	223,429	151,237	1,610,818
Tuition	60,010	-	-	60,010
Other	22,548	550	3,754	26,852
State sources	867,388	213,452	52	1,080,892
Federal sources	68,210	-	-	68,210
Total revenues	<u>2,254,308</u>	<u>437,431</u>	<u>155,043</u>	<u>2,846,782</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,196,120	-	75,833	1,271,953
Special	287,362	-	-	287,362
Other	113,158	-	4,598	117,756
	<u>1,596,640</u>	<u>-</u>	<u>80,431</u>	<u>1,677,071</u>
Support services:				
Student	17,861	3,347	-	21,208
Instructional staff	14,443	59,659	-	74,102
Administration	220,101	88,081	-	308,182
Operation and maintenance of plant	159,470	-	31,950	191,420
Transportation	138,813	-	5,079	143,892
	<u>550,688</u>	<u>151,087</u>	<u>37,029</u>	<u>738,804</u>
Other expenditures:				
Facilities acquisition	-	117,184	-	117,184
AEA flowthrough	92,400	-	-	92,400
	<u>92,400</u>	<u>117,184</u>	<u>-</u>	<u>209,584</u>
Total expenditures	<u>2,239,728</u>	<u>268,271</u>	<u>117,460</u>	<u>2,625,459</u>
Change in fund balances	14,580	169,160	37,583	221,323
Fund balances beginning of year	<u>446,503</u>	<u>1,416,064</u>	<u>206,394</u>	<u>2,068,961</u>
Fund balances end of year	<u>\$ 461,083</u>	<u>1,585,224</u>	<u>243,977</u>	<u>2,290,284</u>

See notes to financial statements.

Albert City-Truesdale Community School District
Albert City, 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, 2014

Change in fund balances - total governmental funds (page 22) **\$ 221,323**

*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	\$ 193,328	
Depreciation expense	<u>(145,012)</u>	48,316

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:

Early retirement	(19,332)	
Compensated absences	(2,223)	
Other postemployment benefits	<u>8,455</u>	(13,100)

Change in net position of governmental activities (page 19) **\$ 256,539**

See notes to financial statements.

Albert City-Truesdale Community School District
Albert City, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

Enterprise
Fund
School
Nutrition

Assets

Current assets:

Cash and cash equivalents	\$ 11,451
Accounts receivable	590
Inventories	<u>2,112</u>
Total current assets	<u>14,153</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>8,452</u>
Total noncurrent assets	<u>8,452</u>
Total assets	<u>22,605</u>

Liabilities

Current liabilities:

Salaries and benefits payable	5,327
Unearned revenue	<u>719</u>
Total current liabilities	<u>6,046</u>
Total liabilities	<u>6,046</u>

Net Position

Net investment in capital assets	8,452
Unrestricted	<u>8,107</u>
Total net position	<u>\$ 16,559</u>

See notes to financial statements.

Albert City-Truesdale Community School District
Albert City, Iowa

Exhibit H

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

Year ended June 30, 2014

	Enterprise Fund School <u>Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 24,164
Total operating revenue	<u>24,164</u>
Non-instructional programs:	
Food service operations:	
Salaries	27,478
Benefits	4,706
Supplies	38,275
Depreciation	<u>1,980</u>
	<u>72,439</u>
Total operating expenses	<u>72,439</u>
Operating loss	<u>(48,275)</u>
Non-operating revenues:	
State sources	641
Federal sources	<u>45,766</u>
Total non-operating revenues	<u>46,407</u>
Decrease in net position	(1,868)
Net position beginning of year	<u>18,427</u>
Net position end of year	<u>\$ 16,559</u>
See notes to financial statements.	

Albert City-Truesdale Community School District
Albert City, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Enterprise Fund School <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 23,865
Cash paid to employees for services	(26,857)
Cash paid to suppliers for goods or services	<u>(34,950)</u>
Net cash provided by (used by) operating activities	<u>(37,942)</u>
Cash flows from non-capital financing activities:	
State grants received	641
Federal grants received	<u>41,853</u>
Net cash provided by non-capital financing activities	<u>42,494</u>
Net increase in cash and cash equivalents	4,552
Cash and cash equivalents beginning of year	<u>6,899</u>
Cash and cash equivalents end of year	<u>\$ 11,451</u>

Albert City-Truesdale Community School District
Albert City, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Enterprise Fund School <u>Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (48,275)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	3,913
Depreciation	1,980
(Increase) in accounts receivable	(590)
(Increase) in inventories	(588)
Increase in salaries and benefits payable	5,327
Increase in unearned revenue	<u>291</u>
Net cash used by operating activities	<u>\$ (37,942)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$3,913 of federal commodities.

See notes to financial statements.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Albert City-Truesdale Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education. An academic sharing agreement exists with Sioux Central Community School District whereby grades seven through twelve attend the Albert City-Truesdale Community School District. The geographic area served includes the cities of Albert City and Truesdale, Iowa, and the predominate agricultural territory in Buena Vista and Pocahontas 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, Albert City-Truesdale 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 jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista County Assessor's Conference Board.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

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 is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

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.

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.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

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, Deferred Inflows of Resources and Fund Equity

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

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit 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.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

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 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	5-20
Furniture and equipment	5-15

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave benefits for subsequent use or payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Position representing the District’s commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

Deferred Inflows of Resources – 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 inflows of resources 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 inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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.

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 the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

(2) **Cash and Cash Equivalents**

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

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

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

At June 30, 2014, the District had no investments.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,066	---	---	31,066
Capital assets being depreciated:				
Buildings	1,401,045	60,107	---	1,461,152
Improvements other than buildings	219,895	---	---	219,895
Furniture and equipment	1,380,251	133,221	(156,941)	1,356,531
Total capital assets being depreciated	<u>3,001,191</u>	<u>193,328</u>	<u>(156,941)</u>	<u>3,037,578</u>
Less accumulated depreciation for:				
Buildings	1,007,114	22,828	---	1,029,942
Improvements other than buildings	149,220	6,225	---	155,445
Furniture and equipment	949,108	115,959	(156,941)	908,126
Total accumulated depreciation	<u>2,105,442</u>	<u>145,012</u>	<u>(156,941)</u>	<u>2,093,513</u>
Total capital assets being depreciated, net	<u>895,749</u>	<u>48,316</u>	<u>---</u>	<u>944,065</u>
Governmental activities capital assets, net	<u>\$ 926,815</u>	<u>48,316</u>	<u>---</u>	<u>975,131</u>

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 73,367	---	---	73,367
Less accumulated depreciation	<u>62,936</u>	<u>1,979</u>	---	<u>64,915</u>
Business type activities capital assets, net	<u>\$ 10,431</u>	<u>1,979</u>	---	<u>8,452</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 60,118

Support services:

Administration 874

Operation and maintenance of plant 20,159

Transportation 37,460

118,611

Unallocated

26,401

Total depreciation expense – governmental activities \$ 145,012

Business type activities:

Food service operations \$ 1,979

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 31,049	78,779	59,447	50,381	15,981
Compensated absences	2,292	4,515	2,292	4,515	---
Net OPEB liability	<u>40,039</u>	---	<u>8,455</u>	<u>31,584</u>	---
Total	<u>\$ 73,380</u>	<u>83,294</u>	<u>70,194</u>	<u>86,480</u>	<u>15,981</u>

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees retiring in fiscal 2012. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which the early retirement commenced. Employees had to complete an application which was subject to approval by the Board of Education. The early retirement benefit consists of staying on the District's insurance for three years at the District's expense plus an amount equal to the difference between the salary schedule base and the current salary less supplemental pay; or extended contract pay that can be used to pay for continued District insurance coverage after the initial three years.

The District offered a voluntary early retirement plan to its certified employees retiring in fiscal 2014. Eligible employees must have completed fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which the early retirement commenced. Employees had to complete an application which was subject to approval by the Board of Education. The early retirement benefit is equal to thirty percent of the employee's base plus unused sick leave at the end of the year times \$240 per day. The benefit can be taken in one or two payments or be applied toward monthly health insurance premiums.

At June 30, 2014, the District had obligations to two participants with a total liability of \$50,381. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$59,447.

(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.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$77,142, \$75,289, and \$68,968, 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 retirees and their spouses. There are 13 active and two retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

Annual required contribution	\$	7,647
Interest on net OPEB obligation		1,802
Adjustment to annual required contribution		<u>(1,752)</u>
Annual OPEB cost		7,697
Contributions made		<u>(16,152)</u>
Increase in net OPEB obligation		(8,455)
Net OPEB obligation beginning of year		<u>40,039</u>
 Net OPEB obligation end of year	 \$	 31,584

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, 2014.

For the year ended June 30, 2014, the District contributed \$16,152 to the medical plan. Plan members eligible for benefits contributed \$0 of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 32,000	13.7%	\$ 61,240
2013	7,959	366.4%	40,039
2014	7,697	209.8%	31,584

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$72,564, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$72,564. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$523,000 and the ratio of the UAAL to covered payroll was 13.9%. As of June 30, 2014, there were no trust fund assets.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 5%; however, for fiscal year 2014 the rate was projected at 4% and increased by 1% until the ultimate medical trend rate was achieved. The ultimate medical trend rate is 5%.

Mortality rates are from the Life Expectancy Table from National Center for Health Statistics updated in 2008. Annual retirement and termination probabilities were developed from applying termination factors from the U.S. Office of Personnel Management.

Projected claim costs of the medical plan are \$666 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

(7) Risk Management

Albert City-Truesdale Community School District is a member in the Iowa School Employees Benefits Association, (ISEBA), a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides health coverage and protection.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$154,351.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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 \$92,400 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Financial Statements

June 30, 2014

(9) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 45,766
Market factor	2,926
Successful progression for Early Readers	13,349
Professional development – model core curriculum	10,003
Professional development	11,727
Teacher leadership	5,790
Gifted and Talented	3,914
Dropout prevention	<u>44,057</u>
Total	<u>\$ 137,532</u>

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(11) Subsequent Events

Subsequent events have been evaluated through March 24, 2015 which is the date the financial statements were available to be issued.

On July 9, 2014 the board approved a contract for classroom heating and cooling units for \$141,068.

Required Supplementary Information

Albert City-Truesdale Community School District
Albert City, 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, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,697,680	24,164
Intermediate sources	-	-
State sources	1,080,892	641
Federal sources	68,210	45,766
Total revenues	<u>2,846,782</u>	<u>70,571</u>
Expenditures/Expenses:		
Instruction	1,677,071	-
Support services	738,804	-
Non-instructional programs	-	72,439
Other expenditures	209,584	-
Total expenditures/expenses	<u>2,625,459</u>	<u>72,439</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	221,323	(1,868)
Other financing sources(uses)	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	221,323	(1,868)
Balances beginning of year	<u>2,068,961</u>	<u>18,427</u>
Balances end of year	<u>\$ 2,290,284</u>	<u>16,559</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
1,721,844	1,800,129	1,800,129	(78,285)
-	147,600	147,600	(147,600)
1,081,533	885,675	885,675	195,858
113,976	102,700	102,700	11,276
<u>2,917,353</u>	<u>2,936,104</u>	<u>2,936,104</u>	<u>(18,751)</u>
1,677,071	1,805,000	1,805,000	127,929
738,804	782,280	782,280	43,476
72,439	72,885	72,885	446
209,584	502,453	502,453	292,869
<u>2,697,898</u>	<u>3,162,618</u>	<u>3,162,618</u>	<u>464,720</u>
219,455	(226,514)	(226,514)	445,969
-	(10,000)	(10,000)	10,000
219,455	(236,514)	(236,514)	455,969
<u>2,087,388</u>	<u>1,437,597</u>	<u>1,437,597</u>	<u>649,791</u>
<u>2,306,843</u>	<u>1,201,083</u>	<u>1,201,083</u>	<u>1,105,760</u>

Albert City-Truesdale Community School District
Albert City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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, 2014, expenditures did not exceed the amounts budgeted.

Albert City-Truesdale Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$293,000	293,000	0.0%	\$ 590,000	49.7%
2011	July 1, 2009	-	293,000	293,000	0.0%	579,000	50.6%
2012	July 1, 2009	-	293,000	293,000	0.0%	603,000	48.6%
2013	July 1, 2012	-	72,564	72,564	0.0%	811,910	8.9%
2014	July 1, 2012	-	72,564	72,564	0.0%	523,000	13.9%

See Note 6 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

Albert City-Truesdale Community School District
Albert City, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue		
Assets	<u>Student Activity</u>	<u>Management Levy</u>	<u>Total</u>
Cash and cash equivalents	\$ 14,673	228,103	242,776
Receivables:			
Property tax:			
Delinquent	-	1,201	1,201
Succeeding year	-	150,001	150,001
	-	150,001	150,001
Total assets	\$ 14,673	379,305	393,978
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	150,001	150,001
	-	150,001	150,001
Fund balances:			
Restricted for:			
Management levy purposes	-	229,304	229,304
Student activities	14,673	-	14,673
Total fund balances	14,673	229,304	243,977
Total liabilities, deferred inflows of resources and fund balances	\$ 14,673	379,305	393,978

See accompanying independent auditor's report.

Albert City-Truesdale Community School District
 Albert City, Iowa

Schedule 2

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

Year ended June 30, 2014

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	151,237	151,237
Other	1,612	2,142	3,754
State sources	-	52	52
Total revenues	<u>1,612</u>	<u>153,431</u>	<u>155,043</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	75,833	75,833
Other	4,598	-	4,598
	<u>4,598</u>	<u>75,833</u>	<u>80,431</u>
Support services:			
Operation and maintenance of plant	-	31,950	31,950
Transportation	-	5,079	5,079
	<u>-</u>	<u>37,029</u>	<u>37,029</u>
Total expenditures	<u>4,598</u>	<u>112,862</u>	<u>117,460</u>
Excess (deficiency) of revenues over (under) expenditures	(2,986)	40,569	37,583
Fund balances beginning of year	<u>17,659</u>	<u>188,735</u>	<u>206,394</u>
Fund balances end of year	<u>\$ 14,673</u>	<u>229,304</u>	<u>243,977</u>

See accompanying independent auditor's report.

Albert City-Truesdale Community School District
Albert City, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Commerce Club	\$ 11,136	-	2,107	-	9,029
Demers Kids	120	-	-	-	120
Tag Club	710	-	-	-	710
Student Council	<u>5,693</u>	<u>1,612</u>	<u>2,491</u>	<u>-</u>	<u>4,814</u>
 Total	 <u>\$ 17,659</u>	 <u>1,612</u>	 <u>4,598</u>	 <u>-</u>	 <u>14,673</u>

See accompanying independent auditor's report.

Albert City-Truesdale Community School District
 Albert City, Iowa

Schedule 4

Combining Balance Sheet
 Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 897,884	628,069	1,525,953
Receivables:			
Property tax:			
Delinquent	-	1,775	1,775
Succeeding year	-	228,228	228,228
Due from other governments	57,496	-	57,496
Total assets	\$ 955,380	858,072	1,813,452
Liabilities, Deferred Inflows of Resources And Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	228,228	228,228
Fund balances:			
Restricted for:			
School infrastructure	955,380	-	955,380
Physical plant and equipment	-	629,844	629,844
Total fund balances	955,380	629,844	1,585,224
Total liabilities, deferred inflows of resources and fund balances	\$ 955,380	858,072	1,813,452

See accompanying independent auditor's report. 51

Albert City-Truesdale Community School District
 Albert City, Iowa

Schedule 5

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

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	223,429	223,429
Other	550	-	550
State sources	213,375	77	213,452
Total revenues	<u>213,925</u>	<u>223,506</u>	<u>437,431</u>
Expenditures:			
Support services:			
Student	3,347	-	3,347
Instructional staff	2,118	57,541	59,659
Administration	88,081	-	88,081
Other expenditures:			
Facilities acquisition	66,087	51,097	117,184
Total expenditures	<u>159,633</u>	<u>108,638</u>	<u>268,271</u>
Excess of revenues over expenditures	54,292	114,868	169,160
Fund balances beginning of year	901,088	514,976	1,416,064
Fund balances end of year	<u>\$ 955,380</u>	<u>629,844</u>	<u>1,585,224</u>

See accompanying independent auditor's report.

Albert City-Truesdale Community School District
Albert City, Iowa

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

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 1,610,818	1,801,685	1,743,853	1,618,335
Tuition	60,010	101,411	95,305	86,520
Other	26,852	52,164	39,546	76,022
State sources	1,080,892	755,385	686,970	805,999
Federal sources	68,210	69,080	71,343	140,192
Total	<u>\$ 2,846,782</u>	<u>2,779,725</u>	<u>2,637,017</u>	<u>2,727,068</u>
Expenditures:				
Instruction:				
Regular	\$ 1,271,953	1,291,786	1,240,859	1,282,345
Special	287,362	264,917	199,881	207,349
Other	117,756	64,725	141,032	132,949
Support services:				
Student	21,208	21,262	15,661	14,777
Instructional staff	74,102	5,927	6,262	44,785
Administration	308,182	228,908	271,271	216,421
Operation and maintenance of plant	191,420	208,970	170,755	177,636
Transportation	143,892	200,147	223,998	129,794
Other expenditures:				
Facilities acquisition	117,184	39,870	179,725	88,296
AEA flowthrough	92,400	87,859	87,165	99,999
Total	<u>\$ 2,625,459</u>	<u>2,414,371</u>	<u>2,536,609</u>	<u>2,394,351</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1,437,441	1,408,106	1,230,310	1,305,277	1,396,406	1,473,703
47,141	31,998	30,768	34,517	28,717	38,946
70,004	68,746	126,989	116,555	89,256	94,918
670,379	820,802	1,023,371	893,327	962,707	1,082,874
200,717	63,808	78,936	82,156	174,935	156,744
<u>2,425,682</u>	<u>2,393,460</u>	<u>2,490,374</u>	<u>2,431,832</u>	<u>2,652,021</u>	<u>2,847,185</u>
1,276,901	1,339,388	1,447,205	1,005,780	1,161,357	1,220,301
202,491	249,463	257,361	336,269	345,814	368,136
139,889	119,572	61,670	48,227	44,927	16,314
15,612	19,329	20,243	70,828	59,567	59,620
21,357	15,331	22,825	27,507	30,611	52,441
293,041	234,446	240,344	217,774	189,727	222,877
180,544	181,889	205,299	169,862	166,508	180,753
184,492	138,111	133,017	137,272	180,028	165,875
77,329	104,418	182,499	103,279	66,033	51,174
99,914	90,398	89,973	86,360	84,489	86,066
<u>2,491,570</u>	<u>2,492,345</u>	<u>2,660,436</u>	<u>2,203,158</u>	<u>2,329,061</u>	<u>2,423,557</u>

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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
Albert City-Truesdale Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District as of and for the year ended June 30, 2014, 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, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 and I-B-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-14 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

Albert City-Truesdale Community School District's Responses to the Findings

Albert City-Truesdale Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Albert City-Truesdale 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 Albert City-Truesdale 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, 2015

Albert City-Truesdale Community School District
Albert City, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. 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.

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-14 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 Albert City-Truesdale 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.

Albert City-Truesdale Community School District
Albert City, Iowa

Schedule of Findings

Year ended June 30, 2014

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.

I-C-14 Disbursement Approval – For two of the disbursements tested, there was no evidence of Board approval.

Recommendation – The District should ensure all expenditures are properly approved.

Response – We will ensure all expenditures are properly approved.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Albert City-Truesdale Community School District
Albert City, Iowa

Schedule of Findings

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, did not exceed the amounts budgeted.
- II-B-14 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-14 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-14 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>
Deb Clausen, Board Member Husband owns Clausen Hardware & Service	Supplies	\$7,470

In accordance with an Attorney General's Opinion dated November 9, 1976, the above transaction with Board Member Clausen's husband does not appear to represent a conflict of interest.

- II-E-14 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.
- II-F-14 Board Minutes – As previously noted, two disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board.

Albert City-Truesdale Community School District
Albert City, Iowa

Schedule of Findings

Year ended June 30, 2014

Response – All disbursements will be approved by the Board.

Conclusion – Response accepted.

- II-G-14 Certified Enrollment - The number of students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2013 was overstated. The District included a student that should have been funded as a CPI student and another student was counted that did not reside in the District.

Recommendation – The District should develop procedures to ensure accurate counts are taken and accurate enrollment data is certified to the Iowa Department of Education.

Response – In the future, the school will review student counts to ensure all students attending the District are properly included in the enrollment data certified to the Iowa Department of Education.

Conclusion – Response accepted.

- II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-14 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-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- II-L-14 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.

Albert City-Truesdale Community School District
Albert City, Iowa

Schedule of Findings

Year ended June 30, 2014

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

Beginning balance		\$ 901,088
Revenues/transfers in:		
Sales tax revenues	\$ 213,375	
Other local revenues	<u>550</u>	<u>213,925</u>
		1,115,013
Expenditures/transfers out:		
School infrastructure construction	62,982	
Equipment	58,486	
Other	<u>38,165</u>	<u>159,633</u>
Ending balance		\$ <u>955,380</u>

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

II-M-14 Booster Clubs – We noted Booster Clubs were using the District's federal identification number on their bank accounts, but the District does not keep the Clubs' financial records. Bank accounts not owned or controlled by the District should not use the District's federal identification number.

Recommendation – The Booster Clubs should obtain their own federal identification number and cease using the District's identification number or have the financial transactions recorded on the District's books.

Response – We will talk to the Booster Clubs about this issue.

Conclusion – Response accepted.