

ALBIA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

Table of Contents

			<u>Page</u>
Officials			4
Independent Auditor's Report			5-6
Management's Discussion and Analysis			7-16
Basic Financial Statements:		<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>			
Statement of Net Position	A		18
Statement of Activities	B		19
<i>Governmental Fund Financial Statements:</i>			
Balance Sheet	C		20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D		21
Statement of Revenues, Expenditures and Changes in Fund Balances	E		22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F		23
<i>Proprietary Fund Financial Statements:</i>			
Statement of Net Position	G		24
Statement of Revenues, Expenses and Changes in Fund Net Position	H		25
Statement of Cash Flows	I		26
<i>Fiduciary Fund Financial Statements:</i>			
Statement of Fiduciary Assets and Liabilities	J		27
Statement of Changes in Fiduciary Net Position	K		28
Notes to Financial Statements			29-41
Required Supplementary Information:			
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund			44
Notes to Required Supplementary Information - Budgetary Reporting			45
Schedule of Funding Progress for the Retiree Health Plan			46
<i>Component Unit Financial Statements:</i>			
Statement of Assets, Liabilities and Net Position - Cash Basis			47
Statement of Support and Revenues, Expenses and Changes in Net Position - Cash Basis			48
Supplementary Information:		<u>Schedule</u>	
<i>Nonmajor Special Revenue Funds:</i>			
Combining Balance Sheet	1		50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2		51
<i>Capital Projects Accounts:</i>			
Combining Balance Sheet	3		52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4		53
Combining Schedule of Fiduciary Net Position - Private-Purpose Trust Fund	5		54-55
Combining Schedule of Changes in Fiduciary Net Position - Private-Purpose Trust Fund	6		56-57
Schedule of Changes in Assets and Liabilities - Agency Fund	7		58
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	8		59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	9		60
Schedule of Expenditures of Federal Awards	10		61

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	62-63
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	64-65
Schedule of Findings and Questioned Costs	66-72

Albia Community School District

Officials

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

(Before September 2013 Election)

Robin Haselhuhn	President	2013
Denny Amoss	Vice President	2013
Phil Brown	Board Member	2013
Russ Vanden Berg	Board Member	2013
Teresa Kipfer	Board Member	2015
Loren Pence	Board Member	2015
Bill Winke	Board Member	2015

(After September 2013 Election)

Robin Haselhuhn	President	2017
Loren Pence	Vice President	2015
Teresa Kipfer	Board Member	2015
Bill Winke	Board Member (resigned May 2014)	2015
Craig Ambrose	Board Member (appointed June 2014)	2015
Heather Cain	Board Member (resigned February 2014)	2017
Denny Amoss	Board Member (appointed February 2014)	2015
Roger George	Board Member	2017
Russ Vanden Berg	Board Member	2017

School Officials

Kevin Crall	Superintendent	2014
Melissa Bauer	District Secretary/Treasurer and Business Manager	2014
Gruhn Law Firm	Attorney	2014

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Albia 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 Albia Community School District, Albia Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Albia 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, and financial statements for the discretely presented component unit on pages 7 through 16 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Albia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 26, 2015 on our consideration of Albia Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Albia 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 \$11,329,374 in fiscal 2013 to \$11,985,610 in fiscal 2014, while General Fund expenditures increased from \$11,570,133 in fiscal 2013 to \$12,162,118 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,271,573 at June 30, 2013 to a balance of \$1,095,065 at June 30, 2014, a 13.88% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in revenues from state sources. The increase in expenditures was due primarily to an increase in instruction expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

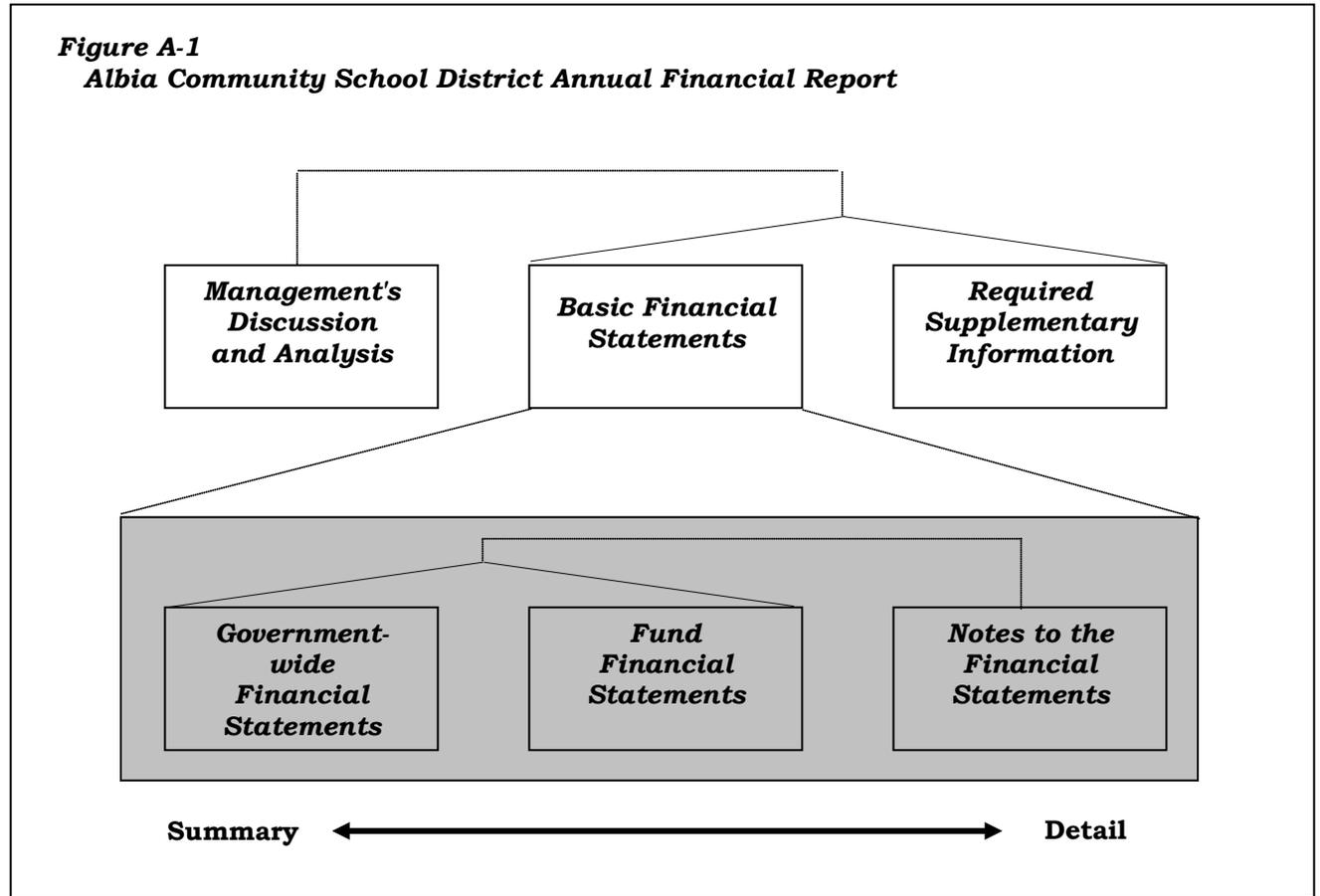


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 service operations and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, 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 they have 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 three 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.
- *Component unit:* This includes the activities of The Albia Booster Club. The District receives significant financial benefits from this component unit although it is a legally separate entity.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

Reconciliations between the government-wide financial statements and the 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.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 6,492,891	7,791,356	125,152	151,566	6,618,043	7,942,922	-16.68%
Capital assets	11,632,820	11,038,467	142,621	137,709	11,775,441	11,176,176	5.36%
Total assets	18,125,711	18,829,823	267,773	289,275	18,393,484	19,119,098	-3.80%
Long-term liabilities	8,837,915	8,999,286	9,250	7,025	8,847,165	9,006,311	-1.77%
Other liabilities	104,383	217,640	10,404	7,293	114,787	224,933	-48.97%
Total liabilities	8,942,298	9,216,926	19,654	14,318	8,961,952	9,231,244	-2.92%
Deferred inflows of resources	3,733,024	3,662,611	0	0	3,733,024	3,662,611	1.92%
Net position:							
Net investment in capital assets	3,487,820	2,445,513	142,621	137,709	3,630,441	2,583,222	40.54%
Restricted	1,130,315	2,481,631	0	0	1,130,315	2,481,631	-54.45%
Unrestricted	832,254	1,023,142	105,498	137,248	937,752	1,160,390	-19.19%
Total net position	\$ 5,450,389	5,950,286	248,119	274,957	5,698,508	6,225,243	-8.46%

The District's combined net position decreased by 8.46%, or \$526,735, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$1,351,316 or 54.45% from the prior year. The decrease was primarily a result of the decrease in the Capital Projects: Statewide Sales and Services Tax Fund balance.

Unrestricted net position – the part of net position that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$222,638, or 19.19%. The decrease was primarily a result of the decrease in the General Fund balance.

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						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 360,115	359,195	326,954	299,635	687,069	658,830	4.29%
Operating grants, contributions and restricted interest	1,246,787	1,251,456	280,363	293,448	1,527,150	1,544,904	-1.15%
General revenues:							
Property tax	3,650,457	3,406,016	0	0	3,650,457	3,406,016	7.18%
Income surtax	473,358	381,945	0	0	473,358	381,945	23.93%
Statewide sales, services and use tax	1,032,201	1,007,529	0	0	1,032,201	1,007,529	2.45%
Unrestricted state grants	6,728,222	6,392,280	0	0	6,728,222	6,392,280	5.26%
Unrestricted investment earnings	4,386	7,669	71	233	4,457	7,902	-43.60%
Other	233,009	165,174	256	0	233,265	165,174	41.22%
Total revenues	13,728,535	12,971,264	607,644	593,316	14,336,179	13,564,580	5.69%
Program expenses:							
Instruction	8,716,344	8,229,640	0	0	8,716,344	8,229,640	5.91%
Support services	4,182,541	4,237,173	5,319	4,235	4,187,860	4,241,408	-1.26%
Non-instructional programs	13,847	14,854	629,163	628,207	643,010	643,061	-0.01%
Other expenses	1,315,700	1,207,920	0	0	1,315,700	1,207,920	8.92%
Total expenses	14,228,432	13,689,587	634,482	632,442	14,862,914	14,322,029	3.78%
Change in net position	(499,897)	(718,323)	(26,838)	(39,126)	(526,735)	(757,449)	-30.46%
Net position beginning of year	5,950,286	6,668,609	274,957	314,083	6,225,243	6,982,692	-10.85%
Net position end of year	\$ 5,450,389	5,950,286	248,119	274,957	5,698,508	6,225,243	-8.46%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 86.57% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.95% of the revenue from business type activities.

The District's total revenues were approximately \$14.34 million of which \$13.73 million was for governmental activities and approximately \$0.61 million was for business type activities. As shown in Figure A-4, the District as a whole experienced an increase of 5.69% in revenues and an increase in expenses of 3.78%. The increase in revenues was related to increases in unrestricted state grants received as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$13,728,535 and expenses were \$14,228,432 for the year ended June 30, 2014.

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.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 8,716,344	8,229,640	5.91%	7,572,643	7,069,661	7.11%
Support services	4,182,541	4,237,173	-1.29%	4,172,393	4,217,543	-1.07%
Non-instructional	13,847	14,854	-6.78%	13,847	14,854	-6.78%
Other expenses	1,315,700	1,207,920	8.92%	862,647	776,878	11.04%
Totals	<u>\$ 14,228,432</u>	<u>13,689,587</u>	<u>3.94%</u>	<u>12,621,530</u>	<u>12,078,936</u>	<u>4.49%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$360,115.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,246,787.
- The net cost of governmental activities was financed with \$3,650,457 in property tax, \$473,358 in income surtax, \$1,032,201 in statewide sales, services and use tax, \$6,728,222 in unrestricted state grants, \$4,386 in interest income and \$233,009 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$607,644 and expenses were \$634,482. 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, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Albia 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 \$2,259,331, below last year's ending fund balances of \$3,513,397. The decrease was primarily due to the continued renovation costs associated with Kendall elementary building, paid for out of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Fund balance decreased from \$1,271,573 at June 30, 2013 to \$1,095,065 at June 30, 2014. The decrease is attributable to increased spending in the instruction functional area, due to the increased negotiated salaries and benefits paid to District employees.
- The Management Levy Fund balance decreased from \$348,198 at June 30, 2013 to \$340,694 at June 30, 2014, primarily due to a decrease in local tax revenue received compared to the prior year.
- The Capital Projects Fund balance decreased from \$1,158,059 at June 30, 2013 to \$94,485 at the June 30, 2014. The decrease was the result of increased costs of the ongoing construction projects associated with the Kendall elementary building.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$274,957 at June 30, 2013 to \$248,119 at June 30, 2014, representing a decrease of 9.76%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Albia Community School District amended its budget one time to reflect additional expenditures in the instruction and other expenditures functions.

The District's revenues were \$478,968 more than budgeted revenues, a variance of 3.46%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional programs functional areas due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$11.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.36% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$706,628.

The original cost of the District's capital assets was \$17,718,373. Governmental funds account for \$17,461,141 with the remainder of \$257,232 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$786,808 at June 30, 2013, compared to \$0 reported at June 30, 2014. This decrease resulted from the completion of renovation projects at Grant Elementary and Kendall Elementary buildings during the year. These costs were capitalized as part of buildings on the District's official capital asset listing.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 339,716	339,716	0	0	339,716	339,716	0.00%
Construction in progress	0	786,808	0	0	0	786,808	-100.00%
Buildings	9,371,966	8,024,080	0	0	9,371,966	8,024,080	16.80%
Land improvements	1,373,403	1,315,927	0	0	1,373,403	1,315,927	4.37%
Machinery and equipment	547,735	571,936	142,621	137,709	690,356	709,645	-2.72%
Total	\$ 11,632,820	11,038,467	142,621	137,709	11,775,441	11,176,176	5.36%

Long-Term Debt

At June 30, 2014, the District had \$8,847,165 in total long-term debt outstanding. This represents a decrease of approximately 1.77% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds payable of \$7,530,000 at June 30, 2014.

The District had outstanding capital loan notes payable of \$615,000 at June 30, 2014.

The District had termination benefits payable of \$228,599 at June 30, 2014, payable from the Special Revenue, Management Levy Fund.

The District had outstanding compensated absences payable of \$49,265 at June 30, 2014, payable from the General Fund.

The District had a total net OPEB liability of \$424,301 at June 30, 2014, consisting of \$415,015 in the governmental activities and \$9,250 in the business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 7,530,000	7,942,550	0	0	7,530,000	7,942,550	-5.19%
Capital loan notes	615,000	664,000	0	0	615,000	664,000	-7.38%
Termination benefits	228,599	29,332	0	0	228,599	29,332	679.35%
Compensated absences	49,265	48,160	0	0	49,265	48,160	2.29%
Net OPEB liability	415,051	315,244	9,250	7,025	424,301	322,269	31.66%
Total	\$ 8,837,915	8,999,286	9,250	7,025	8,847,165	9,006,311	-1.77%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Board has made it a priority to establish a 5-year infrastructure plan for the District. This plan includes projects that need to be completed, fleet updates, annual maintenance costs and technology purchases. The District has utilized the increased revenue from the one cent sales tax to complete a number of infrastructure improvements such as the remodel of the Kendall Center, a one-to-one technology initiative, a boiler upgrade at the Lincoln Center and a new HVAC system at the Lincoln Center. Many of these projects were completed earlier than originally planned because of low interest rates on bonds.
- The Board has recognized the need for additional revenue to support the infrastructure needs of the District. A Board approved Physical Plant and Equipment Levy (PPEL) was established for the 2013-2014 school year. Additional revenue may be needed in the form of a voter approved PPEL within the next few calendar years in order to maintain the District's infrastructure and to provide funding for needed additional improvements.
- Low allowable growth over several years and enrollment decreases has negatively impacted the District's spending authority. Contractual increases and program changes must be made with thorough consideration of our unspent authorized budget. The Board will be implementing expenditure reductions in the upcoming year to increase the unspent authorized balance and will establish a program to monitor and predict future general fund balances.

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 Melissa Bauer, District Board Secretary, Albia Community School District, 120 Benton Avenue East, Albia, Iowa, 52531.

BASIC FINANCIAL STATEMENTS

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		Component Unit	
	Governmental Activities	Business Type Activities	Total	Albia Booster Club
Assets				
Cash and pooled investments	\$ 1,736,731	102,780	1,839,511	144,673
Receivables:				
Property tax:				
Delinquent	53,692	0	53,692	0
Succeeding year	3,733,024	0	3,733,024	0
Income surtax	398,883	0	398,883	0
Accounts	12,411	0	12,411	0
Prepaid expenses	52,500	0	52,500	0
Due from other governments	505,650	1,314	506,964	0
Inventories	0	21,058	21,058	0
Capital assets, net of accumulated depreciation	11,632,820	142,621	11,775,441	0
Total assets	18,125,711	267,773	18,393,484	144,673
Liabilities				
Accounts payable	74,986	4,489	79,475	0
Due to other governments	7,431	0	7,431	0
Salaries and benefits payable	19,236	0	19,236	0
Unearned revenue	0	5,915	5,915	0
Accrued interest payable	2,730	0	2,730	0
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	420,000	0	420,000	0
Capital loan notes	51,000	0	51,000	0
Termination benefits	85,977	0	85,977	0
Compensated absences	49,265	0	49,265	0
Portion due after one year:				
Revenue bonds	7,110,000	0	7,110,000	0
Capital loan notes	564,000	0	564,000	0
Termination benefits	142,622	0	142,622	0
Net OPEB liability	415,051	9,250	424,301	0
Total liabilities	8,942,298	19,654	8,961,952	0
Deferred Inflows of Resources				
Unavailable property tax revenue	3,733,024	0	3,733,024	0
Net Position				
Net investment in capital assets	3,487,820	142,621	3,630,441	0
Restricted for:				
Categorical funding	249,878	0	249,878	0
School infrastructure	57,823	0	57,823	0
Physical plant and equipment	36,662	0	36,662	0
Management levy purposes	59,595	0	59,595	0
Student activities	100,887	0	100,887	0
Debt service	625,470	0	625,470	0
Unrestricted	832,254	105,498	937,752	144,673
Total net position	\$ 5,450,389	248,119	5,698,508	144,673

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Albia Booster Club	
				Governmental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,623,974	185,675	86,560	(5,351,739)	0	(5,351,739)	0
Special	1,133,262	20,526	156,108	(956,628)	0	(956,628)	0
Other	1,959,108	153,914	540,918	(1,264,276)	0	(1,264,276)	0
	<u>8,716,344</u>	<u>360,115</u>	<u>783,586</u>	<u>(7,572,643)</u>	<u>0</u>	<u>(7,572,643)</u>	<u>0</u>
Support services:							
Student	293,310	0	6,451	(286,859)	0	(286,859)	0
Instructional staff	469,744	0	3,497	(466,247)	0	(466,247)	0
Administration	1,397,179	0	0	(1,397,179)	0	(1,397,179)	0
Operation and maintenance of plant	1,294,649	0	0	(1,294,649)	0	(1,294,649)	0
Transportation	727,659	0	200	(727,459)	0	(727,459)	0
	<u>4,182,541</u>	<u>0</u>	<u>10,148</u>	<u>(4,172,393)</u>	<u>0</u>	<u>(4,172,393)</u>	<u>0</u>
Non-instructional programs:							
Food service program	13,847	0	0	(13,847)	0	(13,847)	0
Long-term debt interest	339,674	0	0	(339,674)	0	(339,674)	0
Other expenditures:							
AEA flowthrough	453,053	0	453,053	0	0	0	0
Depreciation(unallocated)*	522,973	0	0	(522,973)	0	(522,973)	0
	<u>976,026</u>	<u>0</u>	<u>453,053</u>	<u>(522,973)</u>	<u>0</u>	<u>(522,973)</u>	<u>0</u>
Total governmental activities	<u>14,228,432</u>	<u>360,115</u>	<u>1,246,787</u>	<u>(12,621,530)</u>	<u>0</u>	<u>(12,621,530)</u>	<u>0</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	5,319	0	0	0	(5,319)	(5,319)	0
Non-instructional programs:							
Food service operations	629,163	326,954	280,363	0	(21,846)	(21,846)	0
Total business type activities	<u>634,482</u>	<u>326,954</u>	<u>280,363</u>	<u>0</u>	<u>(27,165)</u>	<u>(27,165)</u>	<u>0</u>
Total primary government	<u>\$ 14,862,914</u>	<u>687,069</u>	<u>1,527,150</u>	<u>(12,621,530)</u>	<u>(27,165)</u>	<u>(12,648,695)</u>	<u>0</u>
Total component unit	<u>\$ 231,571</u>	<u>0</u>	<u>229,503</u>				<u>(2,068)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,570,693	0	3,570,693	0
Capital outlay				79,764	0	79,764	0
Income surtax				473,358	0	473,358	0
Statewide sales, services and use tax				1,032,201	0	1,032,201	0
Unrestricted state grants				6,728,222	0	6,728,222	0
Unrestricted investment earnings				4,386	71	4,457	708
Other				233,009	256	233,265	4,067
Total general revenues				<u>12,121,633</u>	<u>327</u>	<u>12,121,960</u>	<u>4,775</u>
Change in net position				(499,897)	(26,838)	(526,735)	2,707
Net position beginning of year				5,950,286	274,957	6,225,243	141,966
Net position end of year				<u>\$ 5,450,389</u>	<u>248,119</u>	<u>5,698,508</u>	<u>144,673</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Manage- ment Levy	Capital Projects	Nonmajor	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 964,280	291,836	35,511	731,332	2,022,959
Receivables:					
Property tax:					
Delinquent	48,512	4,005	1,175	0	53,692
Succeeding year	3,286,708	365,000	81,316	0	3,733,024
Income surtax	398,883	0	0	0	398,883
Accounts	2,908	0	7,475	2,028	12,411
Prepaid expenses	0	52,500	0	0	52,500
Due from other governments	168,210	0	337,440	0	505,650
Total assets	\$ 4,869,501	713,341	462,917	733,360	6,779,119
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 62,178	7,647	888	4,273	74,986
Excess warrants over bank balance	0	0	286,228	0	286,228
Due to other governments	7,431	0	0	0	7,431
Salaries and benefits payable	19,236	0	0	0	19,236
Total liabilities	88,845	7,647	287,116	4,273	387,881
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,286,708	365,000	81,316	0	3,733,024
Income surtax	398,883	0	0	0	398,883
Total deferred inflows of resources	3,685,591	365,000	81,316	0	4,131,907
Fund balances:					
Nonspendable	0	52,500	0	0	52,500
Restricted for:					
Categorical funding	249,878	0	0	0	249,878
School infrastructure	0	0	57,823	0	57,823
Physical plant and equipment	0	0	36,662	0	36,662
Management levy purposes	0	288,194	0	0	288,194
Student activities	0	0	0	100,887	100,887
Debt service	0	0	0	628,200	628,200
Unassigned	845,187	0	0	0	845,187
Total fund balances	1,095,065	340,694	94,485	729,087	2,259,331
Total liabilities, deferred inflows of resources and fund balances	\$ 4,869,501	713,341	462,917	733,360	6,779,119

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	2,259,331
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		11,632,820
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,730)
Accounts receivable income surtax is not yet available to finance expenditures of the current fiscal period and, therefore, is shown as deferred inflows of resources in the governmental funds.		398,883
Long-term liabilities, including bonds and notes payable, termination benefits payable, other postemployment benefits payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(8,837,915)</u>
Net position of governmental activities(page 18)	\$	<u><u>5,450,389</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,773,880	271,907	79,764	0	4,125,551
Tuition	175,701	0	0	0	175,701
Other	241,872	63	50,872	309,854	602,661
State sources	7,362,588	0	1,032,201	0	8,394,789
Federal sources	431,569	0	0	0	431,569
Total revenues	<u>11,985,610</u>	<u>271,970</u>	<u>1,162,837</u>	<u>309,854</u>	<u>13,730,271</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,321,749	58,424	0	0	5,380,173
Special	1,094,878	9,071	0	0	1,103,949
Other	1,571,073	13,280	0	316,334	1,900,687
	<u>7,987,700</u>	<u>80,775</u>	<u>0</u>	<u>316,334</u>	<u>8,384,809</u>
Support services:					
Student	279,483	3,744	0	0	283,227
Instructional staff	413,421	2,887	0	0	416,308
Administration	1,268,982	36,013	0	0	1,304,995
Operation and maintenance of plant	1,110,650	110,396	0	0	1,221,046
Transportation	569,317	31,812	138,181	0	739,310
	<u>3,641,853</u>	<u>184,852</u>	<u>138,181</u>	<u>0</u>	<u>3,964,886</u>
Non-instructional programs:					
Food service operations	0	13,847	0	0	13,847
Capital outlay	0	0	1,400,347	0	1,400,347
Long-term debt:					
Principal	0	0	0	461,550	461,550
Interest and fiscal charges	0	0	0	339,855	339,855
	<u>0</u>	<u>0</u>	<u>0</u>	<u>801,405</u>	<u>801,405</u>
Other expenditures:					
AEA flowthrough	453,053	0	0	0	453,053
Total expenditures	<u>12,082,606</u>	<u>279,474</u>	<u>1,538,528</u>	<u>1,117,739</u>	<u>15,018,347</u>
Deficiency of revenues under expenditures	(96,996)	(7,504)	(375,691)	(807,885)	(1,288,076)
Other financing sources(uses):					
Transfer in	0	0	206,495	801,405	1,007,900
Transfer out	(79,512)	0	(928,388)	0	(1,007,900)
Sale of real property	0	0	34,010	0	34,010
Total other financing sources(uses)	<u>(79,512)</u>	<u>0</u>	<u>(687,883)</u>	<u>801,405</u>	<u>34,010</u>
Change in fund balances	(176,508)	(7,504)	(1,063,574)	(6,480)	(1,254,066)
Fund balances beginning of year	<u>1,271,573</u>	<u>348,198</u>	<u>1,158,059</u>	<u>735,567</u>	<u>3,513,397</u>
Fund balances end of year	<u>\$ 1,095,065</u>	<u>340,694</u>	<u>94,485</u>	<u>729,087</u>	<u>2,259,331</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds(page 22) \$ (1,254,066)

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

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

Capital outlay	\$ 1,289,470	
Depreciation expense	(685,634)	
Loss on asset disposal	(9,483)	594,353

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 461,550

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 181

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. (1,736)

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 fund.

Compensated absences	(1,105)	
Termination benefits	(199,267)	
Other postemployment benefits	(99,807)	(300,179)

Changes in net position of governmental activities(page 19) \$ (499,897)

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 102,780
Due from other governments	1,314
Inventories	21,058
Total current assets	125,152
Noncurrent assets:	
Capital assets, net of accumulated depreciation	142,621
Total assets	267,773
Liabilities	
Current liabilities:	
Accounts payable	4,489
Unearned revenue	5,915
Total current liabilities	10,404
Noncurrent liabilities:	
Net OPEB liability	9,250
Total liabilities	19,654
Net Position	
Net investment in capital assets	142,621
Unrestricted	105,498
Total net position	\$ 248,119

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 326,954
Miscellaneous	256
Total operating revenues	327,210
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	5,319
Non-instructional programs:	
Food service operations:	
Salaries	213,172
Benefits	70,501
Services	13,487
Supplies	311,009
Depreciation	20,994
	629,163
Total operating expenses	634,482
Operating loss	(307,272)
Non-operating revenues	
Interest	71
State sources	4,306
Federal sources	276,057
Total non-operating revenues	280,434
Change in net position	(26,838)
Net position beginning of year	274,957
Net position end of year	\$ 248,119

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 324,689
Cash received from miscellaneous operating activities	256
Cash payments to employees for services	(281,694)
Cash payments to suppliers for goods or services	(301,563)
Net cash used in operating activities	(258,312)
Cash flows from non-capital financing activities:	
State grants received	4,306
Federal grants received	251,742
Net cash provided by non-capital financing activities	256,048
Cash flows from investing activities:	
Interest on investments	71
Cash flow from capital and related financing activities:	
Acquisition of capital assets	(25,906)
Net decrease in cash and cash equivalents	(28,099)
Cash and cash equivalents at beginning of year	130,879
Cash and cash equivalents at end of year	\$ 102,780
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (307,272)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	24,315
Depreciation	20,994
Increase in inventories	(466)
Increase in accounts receivable	(1,219)
Increase in accounts payable	4,403
Increase in salaries and benefits payable	2,225
Decrease in unearned revenue	(246)
Decrease in other postemployment benefits	(1,046)
Net cash used in operating activities	\$ (258,312)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received Federal commodities valued at \$24,315.

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 79,292	9,216
Due from other governments	0	60,740
Total assets	79,292	69,956
Liabilities		
Accounts payable	0	60,826
Due to other groups	0	9,130
Total liabilities	0	69,956
Net Position		
Reserved for scholarships	54,735	0
Unrestricted	24,557	0
Total net position	\$ 79,292	0

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 815
Donations	14,450
Total additions	<u>15,265</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>17,950</u>
Support services:	
Community service operations:	
Services	<u>87</u>
Total deductions	<u>18,037</u>
Change in net position	(2,772)
Net position beginning of year	<u>82,064</u>
Net position end of year	<u>\$ 79,292</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Albia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Albia, Lovilia and Melrose, Iowa, and the predominate agricultural territory in Monroe and Appanoose 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, Albia 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.

These financial statements present the Albia Community School District (the primary government) and its component unit.

The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District. These organizations do not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, these organizations meet the definition of a component unit which should be discretely presented. These organizations are accounted for as a Governmental fund in these financial statements.

Discretely Presented Component Unit - The Albia Booster Club was created to provide support, both financial and volunteer, to the athletic programs of the District by raising money through memberships, concession stands and fundraisers. It is a legally separate not-for-profit organization with its own accounting records and board of directors. Directors volunteer and may serve for as long as they are willing.

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

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 three 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 that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for early retirement incentives.

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

The District reports the following nonmajor proprietary fund:

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

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds are as follows:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery, equipment and intangibles are reported in the applicable governmental or business type activities columns in the Government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50 years
Land improvements	20 years
Intangibles	2 or more years
Furniture and equipment	5-12 years

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences 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.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables 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 Balances - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to converted to cash.

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, the expenditures in the support services and non-instructional programs functional areas exceeded the certified budget.

Note 2. Cash and Pooled Investments

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.

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. The District had no investments at June 30, 2014.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Capital Projects: Construction Projects	Capital Projects: Physical, Plant, and Equipment Levy	\$ 77,112
Capital Projects: Construction Projects	Capital Projects: Statewide Sales, Services and Use Tax	129,383
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	721,893
Debt Service	General	<u>79,512</u>
Total		<u><u>\$ 1,007,900</u></u>

The transfer from the Capital Projects: Physical, Plant and Equipment Levy Fund to the Capital Projects: Construction Projects Fund was for construction costs.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Construction Projects Fund was for construction costs.

The transfer from the Capital Projects: Statewide Sales, Service and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

The transfer from the General Fund to the Debt Service Fund was for principal and interest payments on the District's energy loan indebtedness.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 339,716	0	0	339,716
Construction in progress	786,808	994,416	1,781,224	0
Total capital assets not being depreciated	<u>1,126,524</u>	<u>994,416</u>	<u>1,781,224</u>	<u>339,716</u>
Capital assets being depreciated:				
Buildings	11,951,251	1,803,825	173,740	13,581,336
Land improvements	1,841,839	124,510	0	1,966,349
Machinery and equipment	1,733,577	147,943	307,780	1,573,740
Total capital assets being depreciated	<u>15,526,667</u>	<u>2,076,278</u>	<u>481,520</u>	<u>17,121,425</u>
Less accumulated depreciation for:				
Buildings	3,927,171	455,939	173,740	4,209,370
Land improvements	525,912	67,034	0	592,946
Machinery and equipment	1,161,641	162,661	298,297	1,026,005
Total accumulated depreciation	<u>5,614,724</u>	<u>685,634</u>	<u>472,037</u>	<u>5,828,321</u>
Total capital assets being depreciated, net	<u>9,911,943</u>	<u>1,390,644</u>	<u>9,483</u>	<u>11,293,104</u>
Governmental activities capital assets, net	<u>\$ 11,038,467</u>	<u>2,385,060</u>	<u>1,790,707</u>	<u>11,632,820</u>
Business type activities:				
Machinery and equipment	\$ 231,326	25,906	0	257,232
Less accumulated depreciation	93,617	20,994	0	114,611
Business type activities capital assets, net	<u>\$ 137,709</u>	<u>4,912</u>	<u>0</u>	<u>142,621</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 9,016
Other	4,194
Support services:	
Instructional staff	10,032
Administration	1,070
Operation & maintenance of plant	26,479
Transportation	<u>111,870</u>
	162,661
Unallocated depreciation	<u>522,973</u>
Total governmental activities depreciation expense	<u>\$ 685,634</u>
Business type activities:	
Food service operations	<u>\$ 20,994</u>

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 7,942,550	0	412,550	7,530,000	420,000
Capital loan notes	664,000	0	49,000	615,000	51,000
Termination benefits	29,332	213,933	14,666	228,599	85,977
Compensated absences	48,160	49,265	48,160	49,265	49,265
Net OPEB liability	315,244	99,807	0	415,051	0
Total	<u>\$ 8,999,286</u>	<u>363,005</u>	<u>524,376</u>	<u>8,837,915</u>	<u>606,242</u>
Business type activities:					
Net OPEB liability	<u>\$ 7,025</u>	<u>2,225</u>	<u>0</u>	<u>9,250</u>	<u>0</u>

Revenue Bonds

Details of the District's June 30, 2014 statewide sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of January 16, 2013			Bond Issue of June 20, 2013			Bond Issue of June 20, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	1.52 %	\$ 115,000	3,496	1.20 %	\$ 0	5,690	1.00 %	\$ 0	7,770
2016	1.52	115,000	1,748	1.20	0	5,690	1.00	0	7,770
2017		0	0	1.20	0	5,690	1.00	110,000	7,770
2018		0	0	1.20	110,000	5,690	1.45	0	6,670
2019		0	0	1.20	0	4,370	1.45	115,000	6,670
2020-2024		0	0	1.20	230,000	9,200	1.95-2.30	235,000	15,525
2025-2029		0	0		0	0		0	0
Total		<u>\$ 230,000</u>	<u>5,244</u>		<u>\$ 340,000</u>	<u>36,330</u>		<u>\$ 460,000</u>	<u>52,175</u>

Year Ending June 30,	Bond Issue of April 1, 2010			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	3.75	305,000	277,670	420,000	294,626	714,626
2016	3.75	325,000	266,232	440,000	281,440	721,440
2017	3.75	345,000	254,045	455,000	267,505	722,505
2018	3.75	355,000	241,108	465,000	253,468	718,468
2019	4.00	375,000	226,908	490,000	237,948	727,948
2020-2024	4.00-4.30	2,140,000	892,886	2,605,000	917,611	3,522,611
2025-2029	4.35-4.65	2,655,000	383,317	2,655,000	383,317	3,038,317
Total		<u>\$ 6,500,000</u>	<u>2,542,166</u>	<u>7,530,000</u>	<u>2,635,915</u>	<u>10,165,915</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,000,000, \$342,550, \$340,000 and \$460,000 of bonds issued in April 2010, January 2013 and the two issues of June 2013 respectively. The bonds were issued for the purpose of financing future energy projects

and new technology devices in the District. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$10,165,915. For the current year, \$412,550 in principal and \$307,997 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,032,201.

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

- a) \$628,200 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes

During the year ended June 30, 2009, the District issued Capital Loan Notes to provide funds for the energy savings project. The notes bear interest at 3.25% to 5.00% per annum and are payable from the General Fund. Details of the District’s indebtedness under the agreements in effect at June 30, 2014 are as follows:

Year Ending June 30,	Interest Rates	Capital Loan Notes dated October 1, 2008		
		Principal	Interest	Total
2015	4.05	% \$ 51,000	28,600	79,600
2016	4.20	53,000	26,536	79,600
2017	4.35	55,000	24,310	79,536
2018	4.50	57,000	21,916	78,916
2019	4.65	60,000	19,352	79,352
2020-2024	4.75-5.00	339,000	51,541	390,541
Total		\$ 615,000	172,255	787,545

Termination Benefits

The District offered a voluntary early retirement plan to its full-time employees in the 2010, 2012, and 2014 fiscal years. Eligible employees must have been at least age fifty-seven and must have been employed by the District for a period of twenty years. Employees had to complete an application which was subject to approval by the Board of Education. Each participating employee received as early retirement incentive pay, a cash payment, not to exceed twenty-five thousand dollars for the 2010 fiscal year and \$30,000 for the 2012 and 2014 fiscal years, that was equal to 50% of the employee’s full-time salary on the salary schedule at the time of retirement, excluding extra duty pay extra-curricular pay, Teacher Compensation Funds or other payments not included in the salary schedule.

Upon retirement, the licensed employee was eligible to continue participation in the school district's group insurance plan at the licensed employee's expense by meeting the requirements of the issuer. The insurance coverage ceases when the licensed employee becomes eligible for Medicare or is no longer permitted to continue coverage by the insurance, or dies.

At June 30, 2014, the District had obligations to ten participants with a total liability of \$228,599. During the year ended June 30, 2014, \$14,666 in retirement benefits were paid. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current early retirement.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$615,197, \$583,411, and \$531,486 respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 127 active and 10 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 131,548
Interest on net OPEB obligation	8,057
Adjustment to annual required contribution	(23,243)
Annual OPEB cost	<u>116,362</u>
Contributions made	<u>(14,330)</u>
Increase in net OPEB obligation	102,032
Net OPEB obligation beginning of year	<u>322,269</u>
Net OPEB obligation end of year	<u><u>\$ 424,301</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$14,330 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 99,163	19.13%	\$ 222,199
2013	118,518	15.57%	322,269
2014	116,362	12.32%	424,301

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 \$954,114, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$954,114. The covered payroll (annual payroll of active employees covered by the plan) was \$6,113,448, and the ratio of the UAAL to covered payroll was 15.61%. As of June 30, 2014 there were no trust fund assets.

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

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

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

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

Projected claim costs of the medical plan are \$435.06 for single and \$1,085.97 for family under Plan 200 deductible and \$406.84 for single and \$1,015.52 for family under Plan 500 deductible, for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$453,053 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.

Note 10. Categorical Funding

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

Program	Amount
Returning Dropout and Dropout Prevention	\$ 56,969
Teacher Salary Supplement	60,288
Four-Year-Old Preschool State Aid	68,499
Professional Development	14,738
Gifted and Talented	4,489
Professional Development for the Model Core Curriculum	44,895
Total	<u>\$ 249,878</u>

Note 11. Budget Overexpenditures

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2014, the expenditures in the support services and non-instructional functional areas exceeded the amounts budgeted.

Note 12. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	288,194	628,200	845,187
Capital assets, net of accumulated debt	11,632,820	-	-	-
Revenue bond capitalized indebtedness	(7,530,000)	-	-	-
Capital loan note indebtedness	(615,000)	-	-	-
Termination benefits payable	-	(228,599)	-	-
Accrued interest payable	-	-	(2,730)	-
Income surtax	-	-	-	398,883
Compensated absences	-	-	-	(49,265)
Net OPEB liability	-	-	-	(415,051)
Nonspendable fund balance	-	-	-	52,500
Net position (Exhibit A)	<u>\$ 3,487,820</u>	<u>59,595</u>	<u>625,470</u>	<u>832,254</u>

Note 13. Sale of Real Property

During the year ended June 30, 2014, the District received payment from Advantage Real Estate for \$34,010 for the purchase of the former central administration office building. The capital asset and depreciation values of \$53,454 were removed from the District's capital asset listing upon disposal.

Note 14. 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 disclosure 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.

Albia Community School District

REQUIRED SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total			Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 4,903,913	327,281	5,231,194	5,984,436	5,984,436	(753,242)
State sources	8,394,789	4,306	8,399,095	7,299,511	7,299,511	1,099,584
Federal sources	431,569	276,057	707,626	575,000	575,000	132,626
Total revenues	13,730,271	607,644	14,337,915	13,858,947	13,858,947	478,968
Expenditures/Expenses:						
Instruction	8,384,809	0	8,384,809	8,370,000	8,600,000	215,191
Support services	3,964,886	5,319	3,970,205	3,888,500	3,888,500	(81,705)
Non-instructional programs	13,847	629,163	643,010	587,000	587,000	(56,010)
Other expenditures	2,654,805	0	2,654,805	1,607,870	2,690,000	35,195
Total expenditures/expenses	15,018,347	634,482	15,652,829	14,453,370	15,765,500	112,671
Deficiency of revenues under expenditures/expenses	(1,288,076)	(26,838)	(1,314,914)	(594,423)	(1,906,553)	591,639
Other financing sources, net	34,010	0	34,010	(312)	(312)	34,322
Deficiency of revenues and other financing sources under expenditures/expenses	(1,254,066)	(26,838)	(1,280,904)	(594,735)	(1,906,865)	625,961
Balances beginning of year	3,513,397	274,957	3,788,354	2,701,225	2,701,225	1,087,129
Balances end of year	\$ 2,259,331	248,119	2,507,450	2,106,490	794,360	1,713,090

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ALBIA COMMUNITY SCHOOL DISTRICT
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 comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,312,130.

During the year ended June 30, 2014, District expenditures exceeded the certified budget in the support services and non-instructional programs functional areas.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

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	\$ 0	\$ 806,700	\$ 806,700	0.00%	\$ 5,916,252	13.64%
2011	July 1, 2009	0	806,700	806,700	0.00%	5,597,064	14.41%
2012	July 1, 2009	0	806,700	806,700	0.00%	5,283,939	15.27%
2013	July 1, 2012	0	956,266	956,266	0.00%	6,110,593	15.65%
2014	July 1, 2012	0	954,114	954,114	0.00%	6,113,448	15.61%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ALBIA COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
NET POSITION - CASH BASIS -
DISCRETE COMPONENT UNIT
JUNE 30, 2014

	<u>Albia Booster Club</u>
Assets	
Cash and pooled investments	\$ 144,673
Liabilities	<u>0</u>
Net Position	
Unrestricted	<u>\$ 144,673</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES AND EXPENSES
 AND CHANGES IN NET POSITION - CASH BASIS -
 DISCRETE COMPONENT UNIT
 YEAR ENDED JUNE 30, 2014

	Albia Booster Club
Revenues:	
Interest	\$ 658
Membership dues	16,226
Concessions	63,781
Athletics	122,247
Other	31,295
Total revenues	234,207
Expenses:	
Reimbursements	255
Athletics	160,706
Concessions	56,505
Other	14,034
Total expenses	231,500
Change in net position	2,707
Net position beginning of year	141,966
Net position end of year	\$ 144,673

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	<u>Special Revenue</u>		
	Student Activity	Debt Service	Total
Assets			
Cash and pooled investments	\$ 103,132	628,200	731,332
Accounts receivable	2,028	0	2,028
Total assets	<u>\$ 105,160</u>	<u>628,200</u>	<u>733,360</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,273	0	4,273
Deferred inflows of resources:	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:			
Restricted for:			
Student activities	100,887	0	100,887
Debt service	0	628,200	628,200
Total fund balances	<u>100,887</u>	<u>628,200</u>	<u>729,087</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 105,160</u>	<u>628,200</u>	<u>733,360</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Student Activity	Debt Service	Total
Revenues:			
Local sources:			
Other	\$ 309,854	0	309,854
Expenditures:			
Current:			
Instruction:			
Other	316,334	0	316,334
Long-term debt:			
Principal	0	461,550	461,550
Interest and fiscal charges	0	339,855	339,855
Total expenditures	316,334	801,405	1,117,739
Deficiency of revenues under expenditures	(6,480)	(801,405)	(807,885)
Other financing sources:			
Transfer in	0	801,405	801,405
Change in fund balances	(6,480)	0	(6,480)
Fund balances beginning of year	107,367	628,200	735,567
Fund balances end of year	\$ 100,887	628,200	729,087

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 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 pooled investments	\$ 24	35,487	35,511
Receivables:			
Property tax:			
Delinquent	0	1,175	1,175
Succeeding year	0	81,316	81,316
Accounts	7,475	0	7,475
Due from other governments	337,440	0	337,440
Total assets	\$ 344,939	117,978	462,917
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 888	0	888
Excess warrants over bank balance	286,228	0	286,228
Total liabilities	287,116	0	287,116
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	0	81,316	81,316
Fund balances:			
Restricted for:			
School infrastructure	57,823	0	57,823
Physical plant and equipment	0	36,662	36,662
Total fund balances	57,823	36,662	94,485
Total liabilities, deferred inflows of resources and fund balances	\$ 344,939	117,978	462,917

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 0	0	79,764	79,764
Other	50,872	0	0	50,872
State sources	1,032,201	0	0	1,032,201
Total revenues	<u>1,083,073</u>	<u>0</u>	<u>79,764</u>	<u>1,162,837</u>
Expenditures:				
Support services:				
Transportation	138,181	0	0	138,181
Capital outlay	1,180,256	220,091	0	1,400,347
Total expenditures	<u>1,318,437</u>	<u>220,091</u>	<u>0</u>	<u>1,538,528</u>
Excess(Deficiency) of revenues over(under) expenditures	(235,364)	(220,091)	79,764	(375,691)
Other financing sources(uses):				
Transfer in	0	206,495	0	206,495
Transfer out	(851,276)	0	(77,112)	(928,388)
Sale of real property	0	0	34,010	34,010
Total other financing sources(uses)	<u>(851,276)</u>	<u>206,495</u>	<u>(43,102)</u>	<u>(687,883)</u>
Change in fund balances	(1,086,640)	(13,596)	36,662	(1,063,574)
Fund balances beginning of year	<u>1,144,463</u>	<u>13,596</u>	<u>0</u>	<u>1,158,059</u>
Fund balances end of year	<u>\$ 57,823</u>	<u>0</u>	<u>36,662</u>	<u>94,485</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2014

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Pepsi Scholarship
Assets					
Cash and pooled investments	\$ 18,401	8,153	3,507	25,803	(150)
Liabilities					
	0	0	0	0	0
Net Position					
Restricted for scholarships	18,159	7,500	3,311	25,765	0
Unrestricted	242	653	196	38	(150)
Total net position	\$ 18,401	8,153	3,507	25,803	(150)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Hope Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Class of 1933 Scholarship	Student Activity Scholarships	Women for Progress of STEM	Total
403	11,427	8,448	100	1,000	2,200	79,292
0	0	0	0	0	0	0
0	0	0	0	0	0	54,735
403	11,427	8,448	100	1,000	2,200	24,557
403	11,427	8,448	100	1,000	2,200	79,292

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2014

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Pepsi Scholarship
Additions:					
Local sources:					
Interest on investment	\$ 0	0	4	77	0
Donations	0	0	0	0	0
Total additions	0	0	4	77	0
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	250	0	24	0	150
Support services:					
Community service operations:					
Services	0	0	0	87	0
Total deductions	250	0	24	87	150
Change in net position	(250)	0	(20)	(10)	(150)
Net position beginning of year	18,651	8,153	3,527	25,813	0
Net position end of year	\$ 18,401	8,153	3,507	25,803	(150)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

Hope Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Sylvia Rosenthal Scholarship	Class of 1933 Scholarship	Student Activity Scholarships	Women for Progression of STEM	Total
0	0	234	0	0	500	0	815
0	0	0	0	0	12,250	2,200	14,450
0	0	234	0	0	12,750	2,200	15,265
200	1,000	4,976	500	100	10,750	0	17,950
0	0	0	0	0	0	0	87
200	1,000	4,976	500	100	10,750	0	18,037
(200)	(1,000)	(4,742)	(500)	(100)	2,000	2,200	(2,772)
603	12,427	13,190	500	200	(1,000)	0	82,064
403	11,427	8,448	0	100	1,000	2,200	79,292

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 8,756	142,852	142,392	9,216
Due from other governments	67,809	114,384	121,453	60,740
Total assets	\$ 76,565	257,236	263,845	69,956
Liabilities				
Accounts payable	\$ 33,706	47,939	20,819	60,826
Due to other governments	34,103	26,377	60,480	0
Due to other groups	8,756	182,920	182,546	9,130
Total liabilities	\$ 76,565	257,236	263,845	69,956

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
High school athletics	\$ 19,686	181,230	187,837	250	13,329
7th/8th grade athletics	2,888	8,270	9,358	0	1,800
HS Pop/Show Choir	1,115	1,433	807	0	1,741
HS Football	1,283	0	0	0	1,283
HS Drama	3,391	1,911	1,945	0	3,357
JH Drama	779	950	763	0	966
Vocal Music	349	0	0	0	349
Band	1,213	2,829	3,124	0	918
HS Milk for Athletes	474	3,828	1,748	0	2,554
HS Class of 2013	1,839	2,809	3,625	0	1,023
HS Class of 2014	755	4,868	5,623	0	0
HS Class of 2015	2,101	2,033	1,698	0	2,436
HS Class of 2016	2,180	0	11	0	2,169
HS Class of 2017	0	648	93	0	555
HS FFA	4,147	37,388	40,016	(1,019)	500
HS FFA Greenhouse	0	4,426	3,552	1,019	1,893
FFA Trip Account	5,661	5,897	10,856	0	702
HS National Honor Society	2,303	2,733	2,501	0	2,535
HS Student Council	2,183	8,914	7,274	0	3,823
JH Student Council	14,544	20,057	21,694	0	12,907
JH Magazine Sales	9,591	3,683	2,556	0	10,718
HS Student Pop	1,356	0	0	(1,356)	0
HS Interest Account	2,086	0	0	0	2,086
HS FCCLA	514	1,262	875	0	901
HS Mass Media	941	0	0	0	941
HS Art Club	1,461	375	100	0	1,736
JH Art Club	205	0	0	0	205
HS Ascape Club	619	0	0	0	619
HS International Club	1,324	766	571	0	1,519
HS Yearbook	19,670	10,405	6,519	0	23,556
HS Principal Student Advisory	1,192	0	109	0	1,083
HS Blue Pride	1,517	0	150	(250)	1,117
HS Student Advisory Club	0	2,914	2,929	1,356	1,341
HS Academic Team	0	225	0	0	225
Total	\$ 107,367	309,854	316,334	0	100,887

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,125,551	4,812,434	4,543,028	4,556,238	4,292,276	4,269,650	3,988,298	3,917,887	3,951,152	4,118,763
Tuition	175,701	198,686	196,852	281,619	182,691	195,003	232,280	204,936	210,231	177,593
Other	602,661	556,494	602,407	614,693	524,273	608,966	465,750	546,839	587,492	395,416
State sources	8,394,789	7,010,780	7,033,193	6,604,913	5,826,231	6,334,640	6,537,204	6,094,941	6,079,697	5,891,353
Federal sources	431,569	409,814	689,881	1,004,132	1,137,096	567,500	389,845	468,729	323,229	521,793
Total	\$ 13,730,271	12,988,208	13,065,361	13,061,595	11,962,567	11,975,759	11,613,377	11,233,332	11,151,801	11,104,918
Expenditures:										
Instruction:										
Regular	\$ 5,380,173	5,401,720	5,089,808	4,782,136	5,100,936	5,081,393	4,402,344	4,303,385	4,003,087	4,284,697
Special	1,103,949	1,080,581	954,871	980,121	1,494,686	1,551,960	1,241,840	1,413,475	1,455,258	1,340,465
Other	1,900,687	1,881,843	1,720,584	1,702,482	1,014,212	1,084,846	1,533,156	1,393,853	1,391,063	921,826
Support services:										
Student	283,227	376,870	409,221	353,507	337,352	329,261	326,793	293,144	266,405	261,066
Instructional staff	416,308	376,236	338,002	323,872	295,815	276,874	312,518	128,962	140,091	213,495
Administration	1,304,995	1,202,950	1,181,251	1,108,076	1,154,757	1,083,639	1,113,779	1,103,978	1,055,302	923,136
Operation and maintenance of plant	1,221,046	1,069,426	1,014,465	928,608	902,534	873,358	936,951	891,349	811,743	756,098
Transportation	739,310	724,691	711,976	757,304	645,356	602,152	652,602	528,322	508,069	428,711
Other support	0	0	0	0	0	0	0	0	7,720	6,677
Non-instructional:										
Food service operations	13,847	14,854	13,687	12,123	10,530	11,542	10,453	7,524	0	0
Capital outlay	1,400,347	1,387,726	1,774,749	4,668,152	1,129,234	2,046,905	919,438	674,741	301,292	214,162
Long Term Debt:										
Principal	461,550	467,000	371,000	149,000	43,000	0	0	45,000	380,000	370,000
Interest	339,855	341,481	491,302	277,287	49,992	24,579	0	1,412	8,253	13,803
Other expenditures:										
AEA flow-through	453,053	431,042	420,468	459,303	453,944	407,689	402,198	379,098	369,055	360,731
Total	\$ 15,018,347	14,756,420	14,491,384	16,501,971	12,632,348	13,374,198	11,852,072	11,164,243	10,697,338	10,094,867

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF AGRICULTURE:			
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	FY 14	\$ <u>50</u>
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	46,971
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	<u>229,086</u>
			<u>276,057</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	9,148
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-G	168,430
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-GC	9,148
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 14	<u>13,504</u>
			<u>200,230</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	<u>55,358</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 14	<u>6,281</u>
GREAT PRARIE AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	<u>57,972</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>13,173</u>
NATIONAL ENDOMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY 14	<u>200</u>
U.S. DEPARTEMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 14	<u>170</u>
TOTAL			<u>\$ 609,491</u>

* Includes \$24,315 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the
Albia Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 Albia 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 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Albia Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albia Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Albia Community School District's internal control over financial reporting.

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

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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

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

Compliance and Other Matters

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

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

Albia Community School District's Responses to Findings

Albia Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Albia Community School District's responses 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 Albia Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2015
Newton, Iowa

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

Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of
Albia Community School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Albia Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Albia Community School District's major federal programs for the year ended June 30, 2014. Albia Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Albia Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Albia Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Albia Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Albia Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Albia Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Albia Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2015
Newton, Iowa

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Individual:
 - CFDA Number 84.010 - Title I Grant to Local Educational Agencies
 - CFDA Number 84.010 - Title I Schools in Need of Assistance
 - Clustered:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Albia Community School District did not qualify as a low-risk auditee.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Capital assets - purchasing, recording and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) Journal entries - noted that journal entries are written and approved by the same individual.

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

Response - The District has re-aligned job functions and cross-trained Central Office personnel to perform the various functions throughout the office. Duties have been aligned so one person does not handle every aspect of the transaction and all transactions are verified by at least one other staff member in the office.

Conclusion - Response accepted.

II-B-14 Deficit Lunch Account Balances - We noted during the audit that the Nutrition Fund is carrying numerous negative student account balances on the books, some of which appear to be excessive in amount.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District has implemented a new negative lunch account balance policy that includes contacting parents immediately with low and negative lunch account balances by phone and letter, having administrators contact parents with deficit balances of \$50 or more, and sending certified letters to parents stating unpaid balances over \$100 will be sent to small claims court. Free and reduced applications are sent home and assistance is offered to the parents to complete the applications. A significant decrease in negative lunch account balances has been noted and parents are making arrangements on larger balances.

Conclusion - Response accepted.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010 - Title I Schools in Need of Assistance
CFDA Number 84.010 - Title I Grant to Local Educational Agencies
Federal Award Year: 2013 and 2014
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of internal accounting control is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Wire transfers - processing and approving.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - The District has re-aligned job functions and cross-trained Central Office personnel to perform the various functions throughout the office. Duties have been aligned so one person does not handle every aspect of the transaction and all transactions are verified by at least one other staff member in the office.

Conclusion - Response accepted.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the certified budgeted amounts in the support services and non-instructional functional areas.

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

Response - The Board Secretary/Business Manager has corrected the budget reports utilized in the accounting software to include all funds and encumbrances for the school year. These reports will be utilized on a minimum of a monthly basis to track expenditures for the District. The Board reviews this information on a monthly basis and the budget will be revised as needed.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - We noted during our audit that gift cards were purchased by the District and given to students as talent show prizes. Gift cards given to students as prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response - The District does not allow the purchase of any type of gift card for any purpose. All staff have been notified of this and there will be no further purchases of gift cards.

Conclusion - Response accepted.

IV-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.

IV-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie McGee, Teacher Spouse owns McGee Sanitation, LLC	Services	\$13,385
Janice Dorpinghouse, Teacher Spouse owns Ducea Motors	Vehicles	\$41,866
Robin Haselhuhn, Board President Brother owns Reed Excavaion	Services	\$3,780

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with family members of district employees and the board president do not appear to represent a conflict of interest.

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the Schedule of Bills was not always published timely.

Recommendation - The District should publish the Schedule of bills at least monthly, as required by 279.35 of the Code of Iowa.

Response - The District will publish the schedule of bills on a monthly basis.

Conclusion - Response accepted.

IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

IV-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

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

IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	1,144,463
Revenues:			
Other local revenues	\$	50,872	
Sales tax revenue		<u>1,032,201</u>	<u>1,083,073</u>
			2,227,536
Expenditures/transfers out:			
School infrastructure construction		890,556	
Equipment		299,530	
Other		128,351	
Transfers to other funds:			
Debt service fund		721,893	
Other transfers		<u>129,383</u>	<u>2,169,713</u>
Ending Balance			<u>\$ 57,823</u>

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