

ALBURNETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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**Alburnett Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Jennifer Slife	President	2013
Avery Reed	Vice President	2013
David Kirk	Board Member	2015
Kala Liebe	Board Member	2015
Jason Martin	Board Member	2015
<b>(After September 2013 Election)</b>		
Jennifer Slife	President	2017
Jason Martin	Vice President	2015
David Kirk	Board Member	2015
Kala Liebe	Board Member	2015
Avey Reed	Board Member	2017
<b>School Officials</b>		
Dani Trimble	Superintendent	2014
Rhonda Lange	District Secretary/Treasurer and Business Manager	2014
Holland and Anderson, LLP	Attorney	2014

**ALBURNETT COMMUNITY SCHOOL DISTRICT**



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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District, Alburnett, Iowa, as of and for the year ended June 30, 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 Alburnett Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2015, on our consideration of Alburnett Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Alburnett Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015  
Newton, Iowa

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

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Alburnett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$6,325,408 in fiscal year 2013 to \$6,783,101 in fiscal year 2014, while General Fund expenditures increased from \$5,830,201 in fiscal year 2013 to \$6,004,155 in fiscal year 2014. This resulted in an increase in the District's General Fund balance from a balance of \$137,897 at June 30, 2013 to \$916,843 at June 30, 2014, a 564.88% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax and state source revenue received during fiscal year 2014. The increase in expenditures can be attributed to an increase in instruction functional area expenditures incurred as compared to the prior year.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Alburnett Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Alburnett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alburnett Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds, the combining statements for the Capital Projects and Debt Service accounts.

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

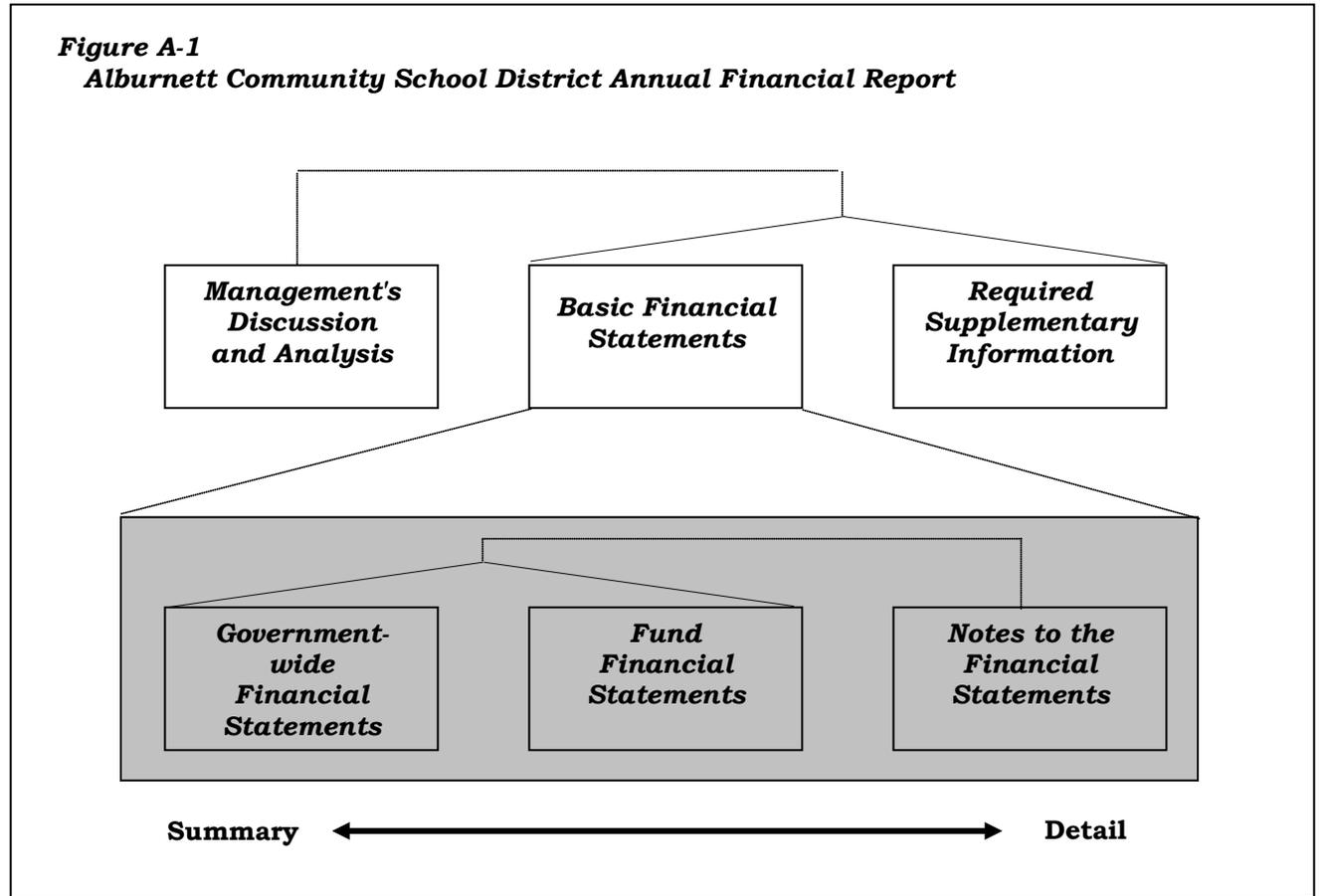


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 6,028,844	5,087,662	40,591	35,787	6,069,435	5,123,449	18.46%
Capital assets	8,828,846	8,793,564	11,714	12,797	8,840,560	8,806,361	0.39%
Total assets	<u>14,857,690</u>	<u>13,881,226</u>	<u>52,305</u>	<u>48,584</u>	<u>14,909,995</u>	<u>13,929,810</u>	<u>7.04%</u>
Long-term liabilities	2,986,084	3,215,453	-	-	2,986,084	3,215,453	-7.13%
Other liabilities	1,102,058	1,054,281	8,354	6,823	1,110,412	1,061,104	4.65%
Total liabilities	<u>4,088,142</u>	<u>4,269,734</u>	<u>8,354</u>	<u>6,823</u>	<u>4,096,496</u>	<u>4,276,557</u>	<u>-4.21%</u>
Deferred inflows of resources	<u>3,241,753</u>	<u>3,057,111</u>	<u>-</u>	<u>-</u>	<u>3,241,753</u>	<u>3,057,111</u>	<u>6.04%</u>
Net position:							
Net investment in capital assets	6,043,846	5,698,564	11,714	12,797	6,055,560	5,711,361	6.03%
Restricted	1,111,879	1,330,480	-	-	1,111,879	1,330,480	-16.43%
Unrestricted	372,070	(474,663)	32,237	28,964	404,307	(445,699)	190.71%
Total net position	<u>\$ 7,527,795</u>	<u>6,554,381</u>	<u>43,951</u>	<u>41,761</u>	<u>7,571,746</u>	<u>6,596,142</u>	<u>14.79%</u>

The District’s total net position increased by 14.79%, or \$975,604, compared to the prior year. The largest portion of the District’s net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position decreased \$218,601, or 16.43% from the prior year. The decrease is due in part to the decrease in the Capital Projects: Building Projects Fund balance.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$850,006, or 190.71%. The increase in unrestricted net position resulted mainly from the increase in unassigned fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 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
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 1,362,166	1,422,851	167,854	167,266	1,530,020	1,590,117	-3.78%
Operating grants, contributions and restricted interest	376,440	384,458	112,759	102,791	489,199	487,249	0.40%
Capital grants, contributions and restricted interest	-	81,076	-	-	-	81,076	-100.00%
General revenues:							
Property tax	3,056,367	2,791,180	-	-	3,056,367	2,791,180	9.50%
Statewide sales, services and use tax	485,340	456,301	-	-	485,340	456,301	6.36%
Unrestricted state grants	2,793,682	2,655,513	-	-	2,793,682	2,655,513	5.20%
Unrestricted investment earnings	2,942	2,243	53	80	2,995	2,323	28.93%
Other	30,914	13,893	30	-	30,944	13,893	122.73%
Total revenues	<u>8,107,851</u>	<u>7,807,515</u>	<u>280,696</u>	<u>270,137</u>	<u>8,388,547</u>	<u>8,077,652</u>	<u>3.85%</u>
Program expenses:							
Governmental activities:							
Instruction	4,591,772	4,523,260	-	-	4,591,772	4,523,260	1.51%
Support services	1,996,514	1,865,491	5,557	4,745	2,002,071	1,870,236	7.05%
Non-instructional programs	-	-	272,949	278,204	272,949	278,204	-1.89%
Other expenses	546,151	535,895	-	-	546,151	535,895	1.91%
Total expenses	<u>7,134,437</u>	<u>6,924,646</u>	<u>278,506</u>	<u>282,949</u>	<u>7,412,943</u>	<u>7,207,595</u>	<u>2.85%</u>
Change in net position	973,414	882,869	2,190	(12,812)	975,604	870,057	1.00%
Net position beginning of year	<u>6,554,381</u>	<u>5,671,512</u>	<u>41,761</u>	<u>54,573</u>	<u>6,596,142</u>	<u>5,726,085</u>	<u>15.19%</u>
Net position end of year	<u>\$ 7,527,795</u>	<u>6,554,381</u>	<u>43,951</u>	<u>41,761</u>	<u>7,571,746</u>	<u>6,596,142</u>	<u>14.79%</u>

In fiscal year 2014, property tax, statewide sales, services and use tax and unrestricted state grants account for 78.14% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for nearly all of business type activities revenue.

The District's total revenues were approximately \$8.39 million, of which approximately \$8.11 million was for governmental activities and approximately \$0.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.85% increase in revenues and a 2.85% increase in expenses. The increase in revenues can be attributed in part to the increase in property tax and state source revenues. The increase in expenses was due to an increase in the support services expenditures incurred as compared to the prior year.

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## Governmental Activities

Revenues for governmental activities were \$8,107,851 and expenses were \$7,134,437 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 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		
	June 30,		Change 2013-14	June 30,		Change 2013-14
	2014	2013		2014	2013	
Instruction	\$ 4,591,772	4,523,260	1.51%	3,101,490	2,926,009	6.00%
Support services	1,996,514	1,865,491	7.02%	1,964,020	1,778,280	10.44%
Other expenses	546,151	535,895	1.91%	330,321	331,972	-0.50%
Totals	<u>\$ 7,134,437</u>	<u>6,924,646</u>	<u>3.03%</u>	<u>5,395,831</u>	<u>5,036,261</u>	<u>7.14%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,362,166.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$367,440.
- The net cost of governmental activities was financed with \$3,056,367 in property tax, \$485,340 in statewide sales, services and use tax, \$2,793,682 in unrestricted state grants, \$2,942 in interest income and \$30,914 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$280,696 and expenses were \$278,506. 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, Alburnett Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,700,236, above last year's ending fund balances of \$981,466. The primary reason for the increase was the improvement in the General Fund balance.

## Governmental Fund Highlights

- The District's General Fund balance increased from a \$137,897 at June 30, 2013 to \$916,843 at June 30, 2014. Increased revenues from property tax and state sources during the year were more than enough to offset an increase in expenditures resulting in an increase in the General Fund balance.

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- The Capital Projects Fund balance decreased from \$441,056 at June 30, 2013 to \$407,781 at June 30, 2014. This decrease can be attributed to a decrease in the Capital Projects: Building Projects Fund. The decrease in the Capital Projects: Building Projects Fund is partially attributed to replacing a portion of the gymnasium and band room roof.
  - The Debt Service Fund balance remained relatively unchanged from the prior year increasing \$482 to a balance of \$173,256 at June 30, 2014, primarily due to interest revenue earned during the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$41,761 at June 30, 2013 to \$43,951 at June 30, 2014, this represents a 5.24% increase. An increase in federal source revenues and a decrease in expenditures contributed to the increase in ending net position.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Alburnett Community School District amended its budget one time to reflect additional expenditures in the instruction functional area.

The District's revenues were \$215,519 less than budgeted revenues, a variance of 2.50%. The most significant variance resulted from the District receiving less from federal 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.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2014, the District had invested approximately \$8.84 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.39% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$288,865.

The original cost of the District's capital assets was \$11,293,028. Governmental funds account for \$11,197,064 with the remainder of \$95,964 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings was \$48,394 at June 30, 2013 compared to \$110,302 reported at June 30, 2014. This increase is partly attributed to new football and baseball field lights installed during the year.

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	\$ 1,000	1,000	-	-	1,000	1,000	0.00%
Construction in progress	30,000	-	-	-	30,000	-	100.00%
Buildings	8,504,440	8,520,692	-	-	8,504,440	8,520,692	-0.19%
Improvements other than buildings	110,302	48,394	-	-	110,302	48,394	127.92%
Machinery and equipment	183,104	223,478	11,714	12,797	194,818	236,275	-17.55%
Total	\$ 8,828,846	8,793,564	11,714	12,797	8,840,560	8,806,361	0.39%

### Long-Term Debt

At June 30, 2014, the District had \$2,986,084 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 7.13% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had total outstanding general obligation bonds payable of \$2,150,000 at June 30, 2014.
- The District had total outstanding revenue bonds payable of \$635,000 at June 30, 2014.
- The District had total outstanding termination benefits payable of \$180,985 at June 30, 2014. \$162,507 of this amount is payable from the Special Revenue, Management Levy Fund and \$18,478 is payable from the General Fund.
- The District had a net OPEB liability of \$20,099 at June 30, 2014.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General obligation bonds	\$ 2,150,000	2,265,000	-5.08%
Revenue bonds	635,000	830,000	-23.49%
Termination benefits	180,985	120,453	50.25%
Net OPEB liability	20,099	-	100.00%
Totals	\$ 2,986,084	3,215,453	-7.13%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period which began in fiscal year 2005.

- 
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
  - The increase in required employer's contribution to IPERS to 8.93% on July 1, 2013 will increase the Alburnett Community School District's employer benefit costs during fiscal 2014.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,613,945	34,385	2,648,330
Receivables:			
Property tax:			
Delinquent	20,268	-	20,268
Succeeding year	3,241,753	-	3,241,753
Accounts	640	-	640
Due from other governments	152,238	-	152,238
Inventories	-	6,206	6,206
Capital assets, net of accumulated depreciation	8,828,846	11,714	8,840,560
<b>Total assets</b>	<b>14,857,690</b>	<b>52,305</b>	<b>14,909,995</b>
<b>Liabilities</b>			
Accounts payable	336,007	-	336,007
Salaries and benefits payable	750,848	-	750,848
Accrued interest payable	15,203	-	15,203
Unearned revenues	-	8,354	8,354
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	120,000	-	120,000
Revenue bonds payable	205,000	-	205,000
Termination benefits payable	64,590	-	64,590
Portion due after one year:			
General obligation bonds payable	2,030,000	-	2,030,000
Revenue bonds payable	430,000	-	430,000
Termination benefits payable	116,395	-	116,395
Net OPEB liability	20,099	-	20,099
<b>Total liabilities</b>	<b>4,088,142</b>	<b>8,354</b>	<b>4,096,496</b>
<b>Deferred inflows of resources</b>			
Unavailable property tax revenues	3,241,753	-	3,241,753
<b>Net Position</b>			
Net investment in capital assets	6,043,846	11,714	6,055,560
Restricted for:			
Categorical funding	445,603	-	445,603
Debt service	158,053	-	158,053
Student activities	100,442	-	100,442
School infrastructure	285,694	-	285,694
Physical plant and equipment levy	122,087	-	122,087
Unrestricted	372,070	32,237	404,307
<b>Total net position</b>	<b>\$ 7,527,795</b>	<b>43,951</b>	<b>7,571,746</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,981,343	901,952	77,008	(2,002,383)	-	(2,002,383)
Special	724,750	100,062	37,513	(587,175)	-	(587,175)
Other	885,679	334,010	39,737	(511,932)	-	(511,932)
	<u>4,591,772</u>	<u>1,336,024</u>	<u>154,258</u>	<u>(3,101,490)</u>	<u>-</u>	<u>(3,101,490)</u>
Support services:						
Student	126,428	26,142	-	(100,286)	-	(100,286)
Instructional staff	172,662	-	-	(172,662)	-	(172,662)
Administration	666,363	-	-	(666,363)	-	(666,363)
Operation and maintenance of plant	688,952	-	-	(688,952)	-	(688,952)
Transportation services	342,109	-	6,352	(335,757)	-	(335,757)
	<u>1,996,514</u>	<u>26,142</u>	<u>6,352</u>	<u>(1,964,020)</u>	<u>-</u>	<u>(1,964,020)</u>
Long-term debt interest	127,528	-	-	(127,528)	-	(127,528)
Other expenditures:						
AEA flowthrough	215,830	-	215,830	-	-	-
Depreciation(unallocated)*	202,793	-	-	(202,793)	-	(202,793)
	<u>418,623</u>	<u>-</u>	<u>215,830</u>	<u>(202,793)</u>	<u>-</u>	<u>(202,793)</u>
Total governmental activities	7,134,437	1,362,166	376,440	(5,395,831)	-	(5,395,831)
Business Type activities:						
Support services:						
Operation and maintenance of plant	5,557	-	-	-	(5,557)	(5,557)
Non-instructional programs:						
Food service operations	272,949	167,854	112,759	-	7,664	7,664
Total business type activities	<u>278,506</u>	<u>167,854</u>	<u>112,759</u>	<u>-</u>	<u>2,107</u>	<u>2,107</u>
Total	<u>\$ 7,412,943</u>	<u>1,530,020</u>	<u>489,199</u>	<u>(5,395,831)</u>	<u>2,107</u>	<u>(5,393,724)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,680,413	-	2,680,413
Capital outlays				164,117	-	164,117
Debt service				211,837	-	211,837
Statewide sales, services and use tax				485,340	-	485,340
Unrestricted state grants				2,793,682	-	2,793,682
Unrestricted investment earnings				2,942	53	2,995
Other				30,914	30	30,944
Total general revenues				<u>6,369,245</u>	<u>83</u>	<u>6,369,328</u>
Change in net position				973,414	2,190	975,604
Net position beginning of year				<u>6,554,381</u>	<u>41,761</u>	<u>6,596,142</u>
Net position end of year				<u>\$ 7,527,795</u>	<u>43,951</u>	<u>7,571,746</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,838,933	381,778	171,869	221,365	2,613,945
Receivables:					
Property tax:					
Delinquent	16,943	1,074	1,387	864	20,268
Succeeding year	2,424,225	180,812	486,716	150,000	3,241,753
Accounts	467	-	-	173	640
Due from other governments	75,441	76,797	-	-	152,238
<b>Total assets</b>	<b>\$ 4,356,009</b>	<b>640,461</b>	<b>659,972</b>	<b>372,402</b>	<b>6,028,844</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
Liabilities:					
Accounts payable	\$ 264,093	51,868	-	20,046	336,007
Salaries and benefits payable	750,848	-	-	-	750,848
<b>Total liabilities</b>	<b>1,014,941</b>	<b>51,868</b>	<b>-</b>	<b>20,046</b>	<b>1,086,855</b>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,424,225	180,812	486,716	150,000	3,241,753
Fund balances:					
Restricted for:					
Categorical funding	445,603	-	-	-	445,603
Debt service	-	-	173,256	-	173,256
Management levy purposes	-	-	-	101,914	101,914
Student activities	-	-	-	100,442	100,442
School infrastructure	-	285,694	-	-	285,694
Physical plant and equipment levy	-	122,087	-	-	122,087
Unassigned	471,240	-	-	-	471,240
<b>Total fund balances</b>	<b>916,843</b>	<b>407,781</b>	<b>173,256</b>	<b>202,356</b>	<b>1,700,236</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,356,009</b>	<b>640,461</b>	<b>659,972</b>	<b>372,402</b>	<b>6,028,844</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$ 1,700,236
<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 in the governmental funds.	8,828,846
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.	(15,203)
Long-term liabilities, including bonds payable, other postemployment benefits payable and termination benefits payable are not due and payable period and, therefore, are not reported in the current as liabilites in the governmental funds.	<u>(2,986,084)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 7,527,795</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,550,446	164,117	211,837	129,967	3,056,367
Tuition	970,677	-	-	-	970,677
Other	111,493	4,860	798	332,770	449,921
State sources	3,023,257	485,340	-	-	3,508,597
Federal sources	122,289	-	-	-	122,289
Total revenues	6,778,162	654,317	212,635	462,737	8,107,851
Expenditures:					
Current:					
Instruction:					
Regular	2,790,209	106,799	-	45,247	2,942,255
Special	722,985	-	-	-	722,985
Other	543,143	-	-	349,600	892,743
	4,056,337	106,799	-	394,847	4,557,983
Support services:					
Student	125,573	-	-	-	125,573
Instructional staff	170,921	-	-	-	170,921
Administration	638,757	2,000	-	-	640,757
Operation and maintenance of plant	507,584	38,138	-	84,336	630,058
Transportation	289,153	17,819	-	10,937	317,909
	1,731,988	57,957	-	95,273	1,885,218
Capital outlay	-	297,799	-	-	297,799
Long-term debt:					
Principal	-	-	310,000	-	310,000
Interest and fiscal charges	-	-	128,390	-	128,390
	-	-	438,390	-	438,390
Other expenditures:					
AEA flowthrough	215,830	-	-	-	215,830
Total expenditures	6,004,155	462,555	438,390	490,120	7,395,220
Excess(Deficiency) of revenues over(under) expenditures	774,007	191,762	(225,755)	(27,383)	712,631
Other financing sources(uses):					
Transfer in	-	-	226,237	-	226,237
Transfer out	-	(226,237)	-	-	(226,237)
Sale of equipment	4,939	-	-	-	4,939
Insurance proceeds	-	1,200	-	-	1,200
Total other financing sources(uses)	4,939	(225,037)	226,237	-	6,139
Change in fund balances	778,946	(33,275)	482	(27,383)	718,770
Fund balances beginning of year	137,897	441,056	172,774	229,739	981,466
Fund balances end of year	\$ 916,843	407,781	173,256	202,356	1,700,236

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds(page 22)** \$ 718,770

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

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

Capital outlays	\$ 322,380	
Depreciation expense	<u>(287,098)</u>	35,282

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. 310,000

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. 862

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

Termination benefits	(60,532)	
Other postemployment benefits	<u>(30,968)</u>	<u>(91,500)</u>

**Change in net position of governmental activities(page 19)** \$ 973,414

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Enterprise:</u> <u>School</u> <u>Nutrition</u>
<b>Assets</b>	
Current:	
Cash and cash equivalents	\$ 34,385
Inventories	<u>6,206</u>
<b>Total current assets</b>	<u>40,591</u>
Noncurrent:	
Capital assets, net of accumulated depreciation	<u>11,714</u>
<b>Total assets</b>	<u>52,305</u>
<b>Liabilities</b>	
Current:	
Unearned revenues	<u>8,354</u>
<b>Net Position</b>	
Net investment in capital assets	11,714
Unrestricted	<u>32,237</u>
<b>Total net position</b>	<u>\$ 43,951</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 167,854
Miscellaneous	30
Total operating revenues	167,884
Operating expenses:	
Support services:	
Instructional staff:	
Services	1,585
Operation and maintenance of plant :	
Services	3,972
	5,557
Non-instructional programs:	
Food service operations:	
Salaries	76,837
Benefits	12,491
Services	20,434
Supplies	161,270
Depreciation	1,767
Other	150
	272,949
Total operating expenses	278,506
Operating loss	(110,622)
Non-operating revenues:	
State sources	2,873
Federal sources	109,886
Interest income	53
Total non-operating revenues	112,812
Change in net position	2,190
Net position beginning of year	41,761
Net position end of year	\$ 43,951

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT 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	\$ 169,651
Cash received from miscellaneous operating activities	30
Cash payments to employees for services	(89,328)
Cash payments to suppliers for goods or services	(165,537)
Net cash used in operating activities	(85,184)
Cash flows from non-capital financing activities:	
State grants received	2,873
Federal grants received	84,309
Net cash provided by non-capital financing activities	87,182
Cash flows from investing activities:	
Interest on investments	53
Cash flows from capital financing activities:	
Purchase of assets	(684)
Net increase in cash and cash equivalents	1,367
Cash and cash equivalents beginning of year	33,018
Cash and cash equivalents end of year	\$ 34,385
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (110,622)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,577
Depreciation	1,767
Increase in inventories	(3,437)
Decrease in accounts payable	(266)
Increase in unearned revenue	1,797
Net cash used in operating activities	\$ (85,184)

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

During the year ended June 30, 2014, the District received \$25,577 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust	Agency
	Scholarship	
<b>Assets</b>		
Cash and pooled investments	\$ 9,493	8,665
Accounts receivable	1,200	-
<b>Total assets</b>	10,693	8,665
<b>Liabilities</b>		
Due to other groups	-	8,665
<b>Net Position</b>		
Restricted for scholarships	\$ 10,693	-

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$          9,700</u>
Deductions	
Instruction:	
Scholarships awarded	<u>          10,100</u>
Change in net position	(400)
Net position beginning of year	<u>          11,093</u>
Net position end of year	<u><u>          \$      10,693</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1. Summary of Significant Accounting Policies**

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

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

***A. Reporting Entity***

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

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

***B. Basis of Presentation***

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

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

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

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

### ***C. Measurement Focus and Basis of Accounting***

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

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

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

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

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

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

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

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

#### ***D. Assets, Liabilities, 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.

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.

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

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

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

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

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

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

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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in the preceding classification.

***E. Budgets and Budgetary Accounting***

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

**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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments at June 30, 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
Debt Service: Debt Sinking	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 226,237</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Sinking Fund were for principal and interest on the Districts revenue bond indebtedness.

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

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

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2013-14 ONE included taxable warrants only. The interest rates on the Series 2013-14 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 105 basis points. The LIBOR rate at June 30, 2014 was 0.1524%. A summary of the District's ISCAP activity for the year ended June 30, 2014 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2013-14 ONE	10/1/2013	10/30/2013	\$ -	150,000	150,000	-

During the year ended June 30, 2014, the District paid \$9,000 in issuance costs and \$107 of interest on the ISCAP warrants.

#### **Note 5. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,000	-	-	1,000
Construction in progress	-	30,000	-	30,000
Total capital assets not being depreciated	1,000	30,000	-	31,000
Capital assets being depreciated:				
Buildings	9,167,869	179,728	-	9,347,597
Improvements other than buildings	228,912	68,721	-	297,633
Machinery and equipment	1,783,016	43,931	306,113	1,520,834
Total capital assets being depreciated	11,179,797	292,380	306,113	11,166,064
Less accumulated depreciation for:				
Buildings	647,177	195,980	-	843,157
Improvements other than buildings	180,518	6,813	-	187,331
Machinery and equipment	1,559,538	84,305	306,113	1,337,730
Total accumulated depreciation	2,387,233	287,098	306,113	2,368,218
Total capital assets being depreciated, net	8,792,564	5,282	-	8,797,846
Governmental activities capital assets, net	\$ 8,793,564	35,282	-	8,828,846
<b>Business type activities:</b>				
Machinery and equipment	\$ 95,280	684	-	95,964
Less accumulated depreciation	82,483	1,767	-	84,250
Business type activities capital assets, net	\$ 12,797	(1,083)	-	11,714

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 28,277
Other		6,151
Support services:		
Administration		4,226
Operation and maintenance of plant		2,283
Transportation		43,368
		<u>84,305</u>
Unallocated depreciation		<u>202,793</u>
Total governmental activities depreciation expense		<u>\$ 287,098</u>
Business type activities:		
Food service operations		<u>\$ 1,767</u>

**Note 6. Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,265,000	-	115,000	2,150,000	120,000
Revenue bonds	830,000	-	195,000	635,000	205,000
Termination benefits	120,453	132,776	72,244	180,985	64,590
Net OPEB liability	-	20,099	-	20,099	-
Total	<u>\$ 3,215,453</u>	<u>152,875</u>	<u>382,244</u>	<u>2,986,084</u>	<u>389,590</u>

**General Obligation Bonds**

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue of May 1, 2007		
		Principal	Interest	Total
2015	4.50%	\$ 120,000	91,215	211,215
2016	4.50	125,000	85,815	210,815
2017	3.90	135,000	80,190	215,190
2018	3.95	140,000	74,925	214,925
2019	4.00	145,000	69,395	214,395
2020-2024	4.05-4.30	860,000	250,393	1,110,393
2025-2027	4.35-4.45	625,000	56,110	681,110
Total		<u>\$ 2,150,000</u>	<u>708,043</u>	<u>2,858,043</u>

### Revenue Bonds

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

Year Ending June 30,	Interest Rate	Bond issue of June 1, 2009		
		Principal	Interest	Total
2015	4.00%	\$ 205,000	25,400	230,400
2016	4.00	210,000	17,200	227,200
2017	4.00	220,000	8,800	228,800
Total		\$ 635,000	51,400	686,400

The District has pledged future statewide sales and services tax revenues to repay the \$1,680,000 of bonds issued in June 2009. The bonds were issued for the purpose of financing a portion of the costs of a building project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 47 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$686,400. For the current year, principal of \$195,000 and interest of \$32,750 was paid on the bonds and total statewide sales, services and use tax revenues were \$485,340.

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

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

### Termination Benefits

The District offered a voluntary early retirement plan to its certified employees in fiscal years 2013 and 2014. Eligible employees must have been at least age fifty-five and completed at least 20 years of consecutive service with the District. Employees completed an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee was equal to 60% of the employee's base salary.

As of June 30, 2014, the District has an obligation to five retirees with a total liability of \$180,985. Early retirement benefits paid during the year ended June 30, 2014 totaled \$33,459 and \$38,785 of early retirement liability was reclassified to an explicit benefit accounted for in the net OPEB liability. A termination benefit liability has been recorded in the Statement of Net Position representing the District's obligation to fund non-current early retirement.

**Note 7. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$295,421, \$285,873 and \$260,285, respectively, equal to the required contributions for each year.

**Note 8. Other Postemployment Benefits**

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

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability. In fiscal year 2008, the District offered an early retirement incentive which included the District paying health insurance premiums until the retiree reached the age of 65. This benefit results in an explicit 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 District's net OPEB obligation:

Annual required contribution	\$ 37,343
Interest on net OPEB obligation	(272)
Adjustment to annual required contribution	2,150
Annual OPEB cost	<u>39,221</u>
Contributions made	<u>(8,253)</u>
Increase in net OPEB obligation	30,968
Net OPEB obligation beginning of year	<u>(10,869)</u>
Net OPEB obligation end of year	<u>\$ 20,099</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.

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	\$ 29,663	140.55%	\$ (41,536)
2013	47,440	35.36	(10,869)
2014	39,221	21.04	20,099

**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 \$244,288, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$244,288. The covered payroll (annual payroll of active employees covered by the plan) was \$2,854,075, and the ratio of the UAAL to covered payroll was 8.56%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

**Note 9. Risk Management**

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

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$215,830 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 11. Construction Commitments**

The District has entered into a contract totaling \$55,847 for a gym/band room roof replacement. As of June 30, 2014, construction costs of \$30,000 have been incurred against the contract and the balance of \$25,847 will be paid as work on the project progresses.

### **Note 12. Prospective Accounting Change**

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

### **Note 13. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 86,271
Returning dropouts and dropout prevention programs	306,203
Beginning teacher mentoring and induction	273
Teacher salary supplement	765
Market factor	174
Professional development for model core curriculum	28,543
Professional development	4,973
Successful progression for early readers	15,350
Teacher leadership grants	3,051
Total	<u>\$ 445,603</u>

### **Note 14. Reconciliation of Governmental Fund Balances to Net Position**

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

	<u>Net investment in capital assets</u>	<u>Management Levy</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	101,914	173,256	471,240
Capital assets, net of accumulated depreciation	8,828,846	-	-	-
General obligation bond capitalized indebtedness	(2,150,000)	-	-	-
Revenue bond capitalized indebtedness	(635,000)	-	-	-
Termination benefits	-	(101,914)	-	(79,071)
Accrued interest payable	-	-	(15,203)	-
Net OPEB liability	-	-	-	(20,099)
Net position (Exhibit A)	<u>\$ 6,043,846</u>	<u>-</u>	<u>158,053</u>	<u>372,070</u>

**ALBURNETT COMMUNITY SCHOOL DISTRICT**



**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Governmental	Proprietary	Total Actual	Amounts Budgeted		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 4,476,965	167,937	4,644,902	5,350,614	5,350,614	(705,712)
State sources	3,508,597	2,873	3,511,470	3,023,452	3,023,452	488,018
Federal sources	122,289	109,886	232,175	230,000	230,000	2,175
Total revenues	<u>8,107,851</u>	<u>280,696</u>	<u>8,388,547</u>	<u>8,604,066</u>	<u>8,604,066</u>	<u>(215,519)</u>
<b>Expenditures/Expenses:</b>						
Instruction	4,557,983	-	4,557,983	4,451,000	4,701,000	143,017
Support services	1,885,218	5,557	1,890,775	2,256,000	2,256,000	365,225
Non-instructional programs	-	272,949	272,949	300,000	300,000	27,051
Other expenditures	952,019	-	952,019	1,343,347	1,343,347	391,328
Total expenditures/expenses	<u>7,395,220</u>	<u>278,506</u>	<u>7,673,726</u>	<u>8,350,347</u>	<u>8,600,347</u>	<u>926,621</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	712,631	2,190	714,821	253,719	3,719	711,102
Other financing sources, net	<u>6,139</u>	-	<u>6,139</u>	-	-	<u>6,139</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	718,770	2,190	720,960	253,719	3,719	717,241
Balances beginning of year	<u>981,466</u>	<u>41,761</u>	<u>1,023,227</u>	<u>1,935,316</u>	<u>1,935,316</u>	<u>(912,089)</u>
Balances end of year	<u>\$ 1,700,236</u>	<u>43,951</u>	<u>1,744,187</u>	<u>2,189,035</u>	<u>1,939,035</u>	<u>(194,848)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$250,000.

ALBURNETT 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	-	\$ 384,964	384,964	0.00%	\$ 2,577,773	14.93%
2011	July 1, 2009	-	343,617	343,617	0.00	2,703,995	12.71
2012	July 1, 2009	-	289,949	289,949	0.00	2,778,264	10.44
2013	July 1, 2012	-	263,568	263,568	0.00	2,899,169	9.09
2014	July 1, 2012	-	244,288	244,288	0.00	2,854,075	8.56

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **SUPPLEMENTARY INFORMATION**

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

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 103,426	117,939	221,365
Receivables:			
Property tax:			
Delinquent	864	-	864
Succeeding year	150,000	-	150,000
Accounts	-	173	173
<b>Total assets</b>	<b>\$ 254,290</b>	<b>118,112</b>	<b>372,402</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
Liabilities:			
Accounts payable	\$ 2,376	17,670	20,046
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	150,000	-	150,000
Fund balances:			
Restricted for:			
Management levy purposes	101,914	-	101,914
Student activities	-	100,442	100,442
Total fund balances	101,914	100,442	202,356
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 254,290</b>	<b>118,112</b>	<b>372,402</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 129,967	-	129,967
Other	3,892	328,878	332,770
Total revenues	133,859	328,878	462,737
Expenditures:			
Current:			
Instruction:			
Regular	45,247	-	45,247
Other	-	349,600	349,600
Support services:			
Operation and maintenance of plant	84,336	-	84,336
Transportation	10,937	-	10,937
Total expenditures	140,520	349,600	490,120
Change in fund balances	(6,661)	(20,722)	(27,383)
Fund balances beginning of year	108,575	121,164	229,739
Fund balances end of year	\$ 101,914	100,442	202,356

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 153,015	107,750	121,013	381,778
Receivables:				
Property tax:				
Delinquent	-	-	1,074	1,074
Succeeding year	-	-	180,812	180,812
Due from other governments	76,797	-	-	76,797
<b>Total assets</b>	<b>\$ 229,812</b>	<b>107,750</b>	<b>302,899</b>	<b>640,461</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
Liabilities:				
Accounts payable	\$ 21,868	30,000	-	51,868
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	180,812	180,812
Fund balances:				
Restricted for:				
School infrastructure	207,944	77,750	-	285,694
Physical plant and equipment levy	-	-	122,087	122,087
Total fund balances	207,944	77,750	122,087	407,781
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 229,812</b>	<b>107,750</b>	<b>302,899</b>	<b>640,461</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	164,117	164,117
Other	81	121	4,658	4,860
State sources	485,340	-	-	485,340
Total revenues	485,421	121	168,775	654,317
Expenditures:				
Current:				
Instruction:				
Regular	1,329	-	105,470	106,799
Support services:				
Administration	1,500	500	-	2,000
Operation and maintenance of plant	7,512	-	30,626	38,138
Transportation	-	-	17,819	17,819
Capital outlay	119,480	140,496	37,823	297,799
Total expenditures	129,821	140,996	191,738	462,555
Excess(Deficiency)of revenues over(under) expenditures	355,600	(140,875)	(22,963)	191,762
Other financing sources(uses):				
Insurance proceeds	1,200	-	-	1,200
Transfer out	(226,237)	-	-	(226,237)
Total other financing sources(uses)	(225,037)	-	-	(225,037)
Change in fund balances	130,563	(140,875)	(22,963)	(33,275)
Fund balances beginning of year	77,381	218,625	145,050	441,056
Fund balances end of year	\$ 207,944	77,750	122,087	407,781

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ -	287	287	-
Music Parents	5,646	14,040	13,004	6,682
Band Boosters	(5,478)	8,252	754	2,020
Dugout Club	160	-	160	-
Basketball Club	3,094	4,269	4,759	2,604
Athletics	33,709	38,105	63,350	8,464
Track Club	336	-	-	336
Pom Pons	(714)	19,080	17,811	555
Football Squad	300	-	-	300
Baseball	2,817	260	-	3,077
Volleyball Squad	1,856	-	68	1,788
Softball Club	1,019	1,835	2,854	-
Class Funds	234	725	900	59
Student Project-Ven	4,131	2,955	5,739	1,347
Class of 2013	437	86	523	-
Class of 2014	1,853	2,176	3,032	997
Class of 2015	1,225	5,875	5,244	1,856
Class of 2016	890	180	435	635
Class of 2017	515	180	37	658
Class of 2018	200	180	97	283
Class of 2019	-	180	-	180
Class of 2020	-	180	-	180
Marketing	-	3,224	3,224	-
FFA	5,264	22,286	19,084	8,466
Project Oxygen-FFA	15	-	15	-
National Honor Society	1,161	283	375	1,069
Booster Club	43,530	123,854	123,362	44,022
Mathcounts	677	150	827	-
Wrestling Club	3,593	1,737	1,109	4,221
FBLA	2,029	40,810	38,927	3,912
Spanish Club	937	171	222	886
Interest & Misc.	1,936	158	2,094	-
FSB Donation	130	2,000	1,991	139
Field Trip	1,193	2,000	2,223	970
Annual	-	6,053	6,053	-
Student Council	703	837	1,540	-
Elementary Club	4,361	-	3,279	1,082
Cheerleaders	2,362	2,131	3,192	1,301
Wrestling Cheerleading	224	7,370	6,364	1,230
Archery in Iowa Schools	288	-	-	288
Character Counts	398	-	-	398
Children's Miracle/Dance-a-thon	133	16,581	16,427	287
Morale Committee	-	388	238	150
Totals	<u>\$ 121,164</u>	<u>328,878</u>	<u>349,600</u>	<u>100,442</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2014

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,861	168,008	171,869
Receivables:			
Property tax:			
Delinquent	1,387	-	1,387
Succeeding year	486,716	-	486,716
<b>Total assets</b>	<b>\$ 491,964</b>	<b>168,008</b>	<b>659,972</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	486,716	-	486,716
Fund balances:			
Restricted for:			
Debt service	5,248	168,008	173,256
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 491,964</b>	<b>168,008</b>	<b>659,972</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 DEBT SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2014

	Debt Service		
	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 211,837	-	211,837
Other	35	763	798
Total revenues	<u>211,872</u>	<u>763</u>	<u>212,635</u>
Expenditures:			
Long-term debt:			
Principal	115,000	195,000	310,000
Interest and fiscal charges	96,390	32,000	128,390
Total expenditures	<u>211,390</u>	<u>227,000</u>	<u>438,390</u>
Excess(Deficiency) of revenues over(under) expenditures	482	(226,237)	(225,755)
Other financing sources:			
Transfer in	-	226,237	226,237
Change in fund balances	482	-	482
Fund balances beginning of year	<u>4,766</u>	<u>168,008</u>	<u>172,774</u>
Fund balances end of year	<u>\$ 5,248</u>	<u>168,008</u>	<u>173,256</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST ACCOUNTS  
 JUNE 30, 2014

	FFA Scholarship	FBLA Scholarship	Floyd S. Etzel Scholarship	Carl Rockwood Scholarship	Dyer Family Scholarship	School Cents	Total
<b>Assets</b>							
Cash and pooled investments	\$ 150	500	97	1,058	7,500	188	9,493
Accounts receivable	-	-	-	-	-	1,200	1,200
	150	500	97	1,058	7,500	1,388	10,693
<b>Liabilities</b>	-	-	-	-	-	-	-
<b>Net Position</b>							
Restricted for scholarships	\$ 150	500	97	1,058	7,500	1,388	10,693

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	FFA Scholarship	FBLA Scholarship	Floyd S. Etzel Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	Dyer Family Scholarship	School Cents	Total
Additions:								
Local sources:								
Gifts and contributions	\$ -	500	-	500	-	7,500	1,200	9,700
Deductions:								
Instruction:								
Scholarships awarded	-	500	-	500	-	7,500	1,600	10,100
Change in net position	-	-	-	-	-	-	(400)	(400)
Net position beginning of year	150	500	97	-	1,058	7,500	1,788	11,093
Net position end of year	\$ 150	500	97	-	1,058	7,500	1,388	10,693

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 9,729	-	1,064	8,665
<b>Liabilities</b>				
Due to other groups	\$ 9,729	-	1,064	8,665

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,056,367	3,247,481	3,203,050	3,016,059	2,913,448	2,599,494	2,513,117	1,774,897	1,562,509	1,517,880
Tuition	970,677	945,451	948,532	803,134	783,710	734,437	666,045	629,665	522,967	487,143
Other	449,921	496,211	466,122	492,044	514,900	542,976	578,058	393,055	339,394	386,472
State sources	3,508,597	2,883,878	2,883,218	2,659,831	2,386,104	2,905,207	2,928,044	2,650,067	2,657,564	2,600,046
Federal sources	122,289	234,494	1,118,832	432,548	350,806	485,233	84,038	142,670	89,334	80,468
<b>Total</b>	<b>\$ 8,107,851</b>	<b>7,807,515</b>	<b>8,619,754</b>	<b>7,403,616</b>	<b>6,948,968</b>	<b>7,267,347</b>	<b>6,769,302</b>	<b>5,590,354</b>	<b>5,171,768</b>	<b>5,072,009</b>
Expenditures:										
Instruction:										
Regular	\$ 2,942,255	2,803,202	2,771,165	2,619,144	2,362,906	2,521,474	2,705,950	2,556,469	2,120,940	2,276,140
Special	722,985	636,209	726,324	687,399	668,749	573,491	583,646	699,192	811,393	650,055
Other	892,743	1,039,387	787,860	840,610	986,356	970,270	678,129	675,071	855,806	605,003
Support services:										
Student	125,573	92,951	109,620	140,437	135,181	189,808	218,259	204,796	202,823	186,239
Instructional staff	170,921	206,450	185,992	195,282	168,134	198,509	198,980	181,380	181,200	161,357
Administration	640,757	621,910	627,260	647,176	592,275	651,203	651,062	563,538	519,676	499,878
Operation and maintenance of plant	630,058	537,855	472,490	474,997	482,889	447,658	412,168	465,995	381,106	372,588
Transportation	317,909	359,464	379,759	349,419	591,818	367,443	329,471	434,288	283,827	275,890
Capital outlay	297,799	272,224	2,236,313	218,648	663,200	4,195,081	808,449	41,071	42,974	-
Long-term debt:										
Principal	310,000	407,145	631,132	354,585	171,068	108,224	102,328	23,099	-	-
Interest and fiscal charges	128,390	144,476	190,062	123,563	155,169	123,152	127,079	-	-	-
Other expenditures:										
AEA flow-through	215,830	203,923	201,959	225,292	224,906	205,226	200,662	191,048	179,370	176,022
<b>Total</b>	<b>\$ 7,395,220</b>	<b>7,325,196</b>	<b>9,319,936</b>	<b>6,876,552</b>	<b>7,202,651</b>	<b>10,551,539</b>	<b>7,016,183</b>	<b>6,035,947</b>	<b>5,579,115</b>	<b>5,203,172</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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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 Alburnett Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District as of and for the year ended June 30, 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 27, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

## **Compliance and Other Matters**

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

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

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

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015  
Newton, Iowa

ALBURNETT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

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

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

Conclusion - Response accepted.

- I-B-14 Timesheet Approval - We noted that para-educators and custodial staff timesheets are not properly approved by the appropriate supervisor before payment.

Recommendation - The District should review its procedures to ensure that timesheets are properly approved by an appropriate individual before being submitted to payroll for processing.

Response - Beginning in the 2014-2015 school year, department supervisors are reviewing all district employee timecards and noting their approval by signing the timecards prior to payment.

Conclusion - Response accepted.

- I-C-14 Receipting Procedures - We noted that receipts are not issued to students for lunch deposits or payment of fees.

Recommendation - The District should use a two-part, pre-numbered receipting system. One copy should be provided to the student while the other copy is kept on file. This allows total deposits to be independently verified by another person for each sequentially numbered receipt.

Response - Receipts are now printed from the Meal Tracker program and handed to students.

Conclusion - Response accepted.

- I-D-14 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation of gate receipts to tickets used is not performed after the event.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.

- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

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

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

Conclusion - Response accepted.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 did not exceed the certified amounts certified to the Department of Education. However, we noted that the District did not publish a notice of public hearing on the budget amendment adopted.

Recommendation - Chapter 24.9 of the Iowa Code requires a notice of the time when and the place where such hearing shall be held not less than ten nor more than twenty days before the hearing. This notice shall be published in a newspaper of general circulation.

Response - The district has documentation that the publication was submitted to the newspaper. Upon holding the hearing and requesting proof of publication to submit with the files to Department of Management, the district was informed that the publication did not occur. The district has developed a plan to have district personnel verify all publications and has requested a verification receipt from the newspaper.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Gary Holsinger, Custodian Owner of Holinger Snow Removal	Snow removal	\$ 5,363

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

II-E-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.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

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

- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-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.
- II-K-14 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	77,381
Revenues:			
Sales tax revenues	\$	485,340	
Other local revenues		81	
Insurance proceeds		1,200	
		<u>486,621</u>	
			<u>564,002</u>
Expenditures/transfers out:			
School infrastructure construction		119,480	
Equipment		8,841	
Other		1,500	
Transfers to other funds:			
Debt service fund		226,237	
		<u>356,058</u>	
Ending balance			<u><u>\$ 207,944</u></u>

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

- II-M-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

**Questionable Accounts** - We noted accounts in the Student Activity Fund that do not appear to be extracurricular or cocurricular in nature as follows:

*Field Trips* - This account is used for instructional field trips taken during the year. This appears to be more appropriately accounted for in the General Fund.

*Character Counts* - This account is used to record transactions related to plaques given to students chosen by staff for character shown during the year. This does not appear to be cocurricular or extracurricular in nature and should be accounted for in the General Fund.

*Morale Committee* - This account is used for teachers jeans day collections that help pay for welcome packets for teachers and staff. This does not appear to be cocurricular or extracurricular in nature and should be accounted for in the General Fund.

Recommendation - These accounts do not appear to be appropriate in the Student Activity Fund per Chapter 298A.8 of the Iowa Code and should be transferred to the more appropriate General Fund.

Response - The funds in these accounts have been transferred to the General Fund.

Conclusion - Response accepted.

**Commissions Revenue** - We noted commissions from RSchool for apparel sales were receipted into the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa, all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund; therefore, apparel commissions would be more appropriately receipted into the General Fund.

Response - The district no long receives commission from RSchool. Any future commission will be receipted into the General Fund.

Conclusion - Response accepted.

II-N-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

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

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

Conclusion - Response accepted.