

**ALDEN COMMUNITY SCHOOL DISTRICT
ALDEN, IOWA**

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

YEAR ENDED JUNE 30, 2014

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Alden Community School District
Alden, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Robert Ites	President	2013
Kyle Janes	Vice President	2013
Marcela Hoversten	Board Member	2015
Greg Lascheid	Board Member	2015
John Wibholm	Board Member	2015
(After September 2013 Election)		
Marcela Hoversten	President	2015
Greg Lascheid	Vice President	2015
John Wibholm	Board Member	2015
Kyle Janes	Board Member	2017
Abbey Barrick	Board Member	2017
School Officials		
Dr. John Robbins	Superintendent	2014
Kim Sharar	District Secretary/Treasurer and Business Manager	2014
Ahlers & Cooney, P.C.	Attorney	Indefinite

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

Certified Public Accountants

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Fort Dodge, IA 50501-7098
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Jerilyn J. Maher, C.P.A.
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Independent Auditor's Report

To the Board of Education of
Alden Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alden Community School District, Alden, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alden Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alden Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance

with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2015 on our consideration of Alden Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Alden Community School District's internal control over financial reporting and compliance.

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

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

March 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alden Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,322,060 in fiscal 2013 to \$3,270,645 in fiscal 2014, while General Fund expenditures increased from \$3,096,995 in fiscal 2013 to \$3,170,418 in fiscal 2014. The District's General Fund balance increased from \$1,132,076 in fiscal 2013 to \$1,232,203 in fiscal 2014, a 9% increase.
- The fiscal year 2014 General Fund revenue decrease was attributable to a decrease in property tax. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Alden Community School District
Annual Financial Report

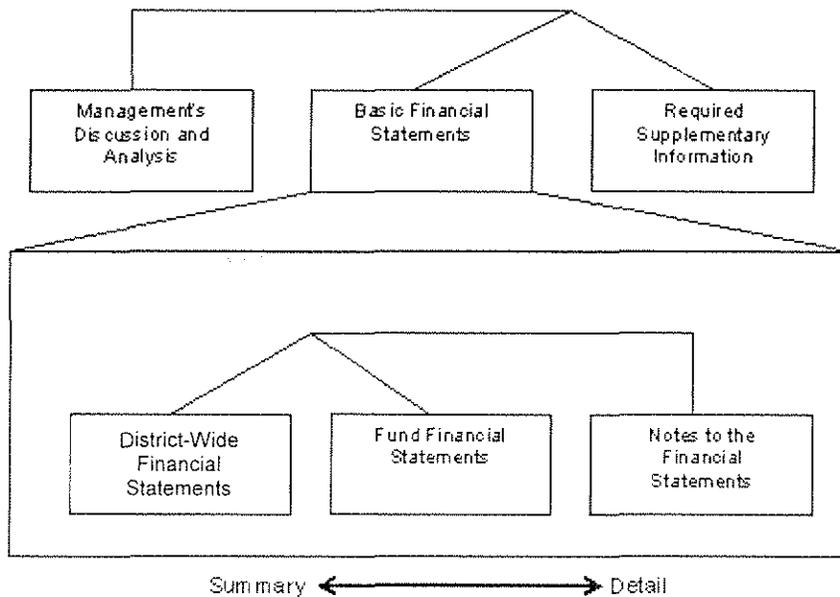


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of cash flows • Statement of revenues, expenses and changes in fund net position 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain revenue collected for vending machine sales as well as contributions and donations toward the library and nurse's office.

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 fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 2,950	2,755	23	34	2,973	2,789	6.6%
Capital assets	1,595	1,583	2	2	1,597	1,585	0.8%
Total assets	4,545	4,338	25	36	4,570	4,374	4.5%
Long-term liabilities	11	6	---	---	11	6	83.3%
Other liabilities	4	41	---	---	4	41	-90.2%
Total liabilities	15	47	---	---	15	47	-68.1%
Deferred inflows of resources	1,182	1,196	---	---	1,182	1,196	-1.2%
Net position:							
Net investment in capital assets	1,595	1,583	2	2	1,597	1,585	0.8%
Restricted	573	382	---	---	573	382	50.0%
Unrestricted	1,180	1,130	23	34	1,203	1,164	3.4%
Total net position	\$ 3,348	3,095	25	36	3,373	3,131	7.7%

The District's total net position increased 7% or approximately \$242,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$191,000 or 50% from the prior year. The increase was primarily a result of an increase in the amount restricted in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately 40,000 or 3.4%. This increase in unrestricted net position was a result of the District’s revenues exceeding expenditures during the year.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 710	625	65	65	775	690	12.3%
Operating grants, contributions and restricted interest	476	419	83	79	559	498	12.2%
Capital grants, contributions and restricted interest	---	---	---	---	---	---	---
General revenues:							
Property tax	1,197	1,296	---	---	1,197	1,296	-7.6%
Income surtax	145	125	---	---	145	125	16.0%
Statewide sales, services and use tax	232	218	---	---	232	218	6.4%
Unrestricted state grants	956	914	---	---	956	914	4.6%
Unrestricted investment earnings	2	2	---	---	2	2	0.0%
Other	7	9	---	---	7	9	-22.2%
Total revenues	3,725	3,608	148	144	3,873	3,752	3.2%
Program expenses:							
Instruction	2,267	2,312	---	---	2,267	2,312	1.9%
Support services	980	852	2	5	982	857	14.6%
Non-instructional programs	---	---	157	149	157	149	5.4%
Other expenses	225	218	---	---	225	218	3.2%
Total expenses	3,472	3,382	159	154	3,631	3,536	2.7%
Change in net position	253	226	(11)	(10)	242	216	12.0%
Net position beginning of year	3,095	2,869	36	46	3,131	2,915	7.4%
Net position end of year	\$ 3,348	3,095	25	36	3,373	3,131	7.7%

In fiscal year 2014, property tax and unrestricted state grants accounted for 57.8% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District’s total revenues were approximately \$3.9 million, of which approximately \$3.7 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.2% increase in revenues and a 2.7% increase in expenses. The increase in expenses is related to an increase in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,724,689 and expenses were \$3,472,139 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 2,267	2,312	1.9 %	1,246	1,409	-11.6 %
Support services	980	852	15.0 %	921	809	13.8 %
Non-instructional programs	---	---	0.0 %	---	---	0.0 %
Other expenses	<u>225</u>	<u>218</u>	<u>3.2 %</u>	<u>120</u>	<u>119</u>	<u>0.8 %</u>
Total	<u>\$ 3,472</u>	<u>3,382</u>	<u>2.7 %</u>	<u>2,287</u>	<u>2,337</u>	<u>2.1 %</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$709,964.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$475,638.
- The net cost of governmental activities was financed with \$1,574,695 in property and other taxes and \$955,583 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$148,387 representing a 3.4% increase from the prior year, while expenses totaled \$159,019, a 3.5% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,646,050, well above last year's ending fund balances of \$1,403,402.

Governmental Fund Highlights

- The General Fund balance increased from \$1,132,076 to \$1,232,303.
- The Capital Projects Fund balance increased from \$163,935 in fiscal 2013 to \$277,421 in fiscal 2014.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$35,809 at June 30, 2013 to \$25,177 at June 30, 2014, representing a decrease of approximately 30%.

BUDGETARY HIGHLIGHTS

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

The District's total revenues were \$100,623 more than total budgeted revenues, a variance of 2.6%.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$1.6 million net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 0.7% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$208,227.

The original cost of the District's capital assets was approximately \$5.0 million. Governmental funds account for the majority of this \$5.0 million.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 1	1	---	---	1	1	0.0%
Buildings	1,254	1,246	---	---	1,254	1,246	0.6%
Improvements other than buildings	56	54	---	---	56	54	3.7%
Furniture and equipment	284	282	2	2	286	284	0.7%
Total	\$ 1,595	1,583	2	2	1,597	1,585	0.8%

Long-Term Debt

At June 30, 2014, the District had no long-term liabilities.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. John Robbins, Superintendent, Alden Community School District, 209 Center Street, Alden, Iowa 50006.

Basic Financial Statements

Alden Community School District
Alden, Iowa
Statement of Net Position
June 30, 2014

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 1,361,455	22,883	1,384,338
Receivables:			
Property tax:			
Delinquent	13,130	-	13,130
Succeeding year	1,181,557	-	1,181,557
Due from other governments	393,558	-	393,558
Inventories	-	792	792
Capital assets, net of accumulated depreciation	<u>1,595,204</u>	<u>1,502</u>	<u>1,596,706</u>
Total assets	<u>4,544,904</u>	<u>25,177</u>	<u>4,570,081</u>
Liabilities			
Accounts payable	3,657	-	3,657
Security deposits	570	-	570
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	<u>11,104</u>	<u>-</u>	<u>11,104</u>
Total liabilities	<u>15,331</u>	<u>-</u>	<u>15,331</u>
Deferred Inflows of Resources:			
Unavailable property tax revenue	<u>1,181,557</u>	<u>-</u>	<u>1,181,557</u>
Net Position			
Net investment in capital assets	1,595,204	1,502	1,596,706
Restricted for:			
Categorical funding	159,197	-	159,197
Management levy purposes	125,722	-	125,722
School infrastructure	189,742	-	189,742
Physical plant and equipment	87,679	-	87,679
Student activities	10,604	-	10,604
Unrestricted	<u>1,179,868</u>	<u>23,675</u>	<u>1,203,543</u>
Total net position	<u>\$ 3,348,016</u>	<u>25,177</u>	<u>3,373,193</u>

See notes to financial statements.

Alden Community School District
Alden, Iowa
Statement of Activities
Year ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,585,611	496,311	221,320	-
Special instruction	418,961	177,588	29,599	-
Other instruction	262,060	22,455	73,999	-
	<u>2,266,632</u>	<u>696,354</u>	<u>324,918</u>	<u>-</u>
Support services:				
Student	64,665	-	5,705	-
Instructional staff	147,135	-	39,574	-
Administration	304,046	-	-	-
Operation and maintenance of plant	291,138	13,610	-	-
Transportation	173,160	-	-	-
	<u>980,144</u>	<u>13,610</u>	<u>45,279</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	10,615	-	-	-
AEA flowthrough	105,441	-	105,441	-
Depreciation (unallocated)*	109,307	-	-	-
	<u>225,363</u>	<u>-</u>	<u>105,441</u>	<u>-</u>
Total governmental activities	<u>3,472,139</u>	<u>709,964</u>	<u>475,638</u>	<u>-</u>
Business type activities:				
Support services:				
Operation and maintenance of plant	2,025	-	-	-
Non-instructional programs:				
Food service operations	156,994	65,449	82,768	-
Total business type activities	<u>159,019</u>	<u>65,449</u>	<u>82,768</u>	<u>-</u>
Total	<u>\$ 3,631,158</u>	<u>775,413</u>	<u>558,406</u>	<u>-</u>

General Revenues:

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

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>		<u>Total</u>
(867,980)	-		(867,980)
(211,774)	-		(211,774)
(165,606)	-		(165,606)
<u>(1,245,360)</u>	<u>-</u>		<u>(1,245,360)</u>
(58,960)	-		(58,960)
(107,561)	-		(107,561)
(304,046)	-		(304,046)
(277,528)	-		(277,528)
(173,160)	-		(173,160)
<u>(921,255)</u>	<u>-</u>		<u>(921,255)</u>
(10,615)	-		(10,615)
-	-		-
<u>(109,307)</u>	<u>-</u>		<u>(109,307)</u>
<u>(119,922)</u>	<u>-</u>		<u>(119,922)</u>
<u>(2,286,537)</u>	<u>-</u>		<u>(2,286,537)</u>
-	(2,025)		(2,025)
-	(8,777)		(8,777)
-	(10,802)		(10,802)
<u>(2,286,537)</u>	<u>(10,802)</u>		<u>(2,297,339)</u>
\$ 1,079,222	-		1,079,222
117,922	-		117,922
145,494	-		145,494
232,057	-		232,057
955,583	-		955,583
2,170	170		2,340
6,639	-		6,639
<u>2,539,087</u>	<u>170</u>		<u>2,539,257</u>
252,550	(10,632)		241,918
<u>3,095,466</u>	<u>35,809</u>		<u>3,131,275</u>
<u>\$ 3,348,016</u>	<u>25,177</u>		<u>3,373,193</u>

Alden Community School District
Alden, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 1,015,777	210,175	135,503	1,361,455
Receivables:				
Property tax:				
Delinquent	11,014	1,293	823	13,130
Succeeding year	991,134	115,423	75,000	1,181,557
Due from other governments	327,605	65,953	-	393,558
Total assets	<u>\$ 2,345,530</u>	<u>392,844</u>	<u>211,326</u>	<u>2,949,700</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,657	-	-	3,657
Security deposits	570	-	-	570
Total liabilities	<u>4,227</u>	<u>-</u>	<u>-</u>	<u>4,227</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	991,134	115,423	75,000	1,181,557
Income surtax	117,866	-	-	117,866
Total deferred inflows of resources	<u>1,109,000</u>	<u>115,423</u>	<u>75,000</u>	<u>1,299,423</u>
Fund balances:				
Restricted for:				
Categorical funding	159,197	-	-	159,197
Management levy purposes	-	-	125,722	125,722
Student activities	-	-	10,604	10,604
School infrastructure	-	189,742	-	189,742
Physical plant and equipment	-	87,679	-	87,679
Unassigned	1,073,106	-	-	1,073,106
Total fund balances	<u>1,232,303</u>	<u>277,421</u>	<u>136,326</u>	<u>1,646,050</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,345,530</u>	<u>392,844</u>	<u>211,326</u>	<u>2,949,700</u>

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit D

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

June 30, 2014

Total fund balances of governmental funds (page 19) \$ 1,646,050

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds. 1,595,204

Other long-term assets are not available to pay current year expenditures and,
therefore, are recognized as deferred inflows of resources in the governmental
funds. 117,866

Long-term liabilities, including compensated absences and other postemployment
benefits payable, are not due and payable in the current year and, therefore, are not
reported in the governmental funds. (11,104)

Net position of governmental activities (page 16) \$ 3,348,016

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,146,425	117,922	75,069	1,339,416
Tuition	659,480	-	-	659,480
Other	35,408	202	25,493	61,103
State sources	1,329,979	232,106	31	1,562,116
Federal sources	99,353	-	-	99,353
Total revenues	<u>3,270,645</u>	<u>350,230</u>	<u>100,593</u>	<u>3,721,468</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,573,960	-	-	1,573,960
Special	418,188	-	-	418,188
Other	238,670	-	22,790	261,460
	<u>2,230,818</u>	<u>-</u>	<u>22,790</u>	<u>2,253,608</u>
Support services:				
Student	64,665	-	-	64,665
Instructional staff	96,714	72,926	-	169,640
Administration	301,495	-	3,596	305,091
Operation and maintenance of plant	233,210	19,310	41,346	293,866
Transportation	138,075	-	3,926	142,001
	<u>834,159</u>	<u>92,236</u>	<u>48,868</u>	<u>975,263</u>
Other expenditures:				
Facilities acquisition	-	144,508	-	144,508
AEA flowthrough	105,441	-	-	105,441
	<u>105,441</u>	<u>144,508</u>	<u>-</u>	<u>249,949</u>
Total expenditures	<u>3,170,418</u>	<u>236,744</u>	<u>71,658</u>	<u>3,478,820</u>
Change in fund balances	100,227	113,486	28,935	242,648
Fund balances beginning of year	<u>1,132,076</u>	<u>163,935</u>	<u>107,391</u>	<u>1,403,402</u>
Fund balances end of year	<u>\$ 1,232,303</u>	<u>277,421</u>	<u>136,326</u>	<u>1,646,050</u>

See notes to financial statements.

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 21) **\$ 242,648**

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

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

Expenditures for capital assets	\$ 220,327	
Depreciation expense	<u>(208,115)</u>	12,212

Certain delinquent property tax, unspent grant proceeds, and income surtax not collected for several months after year end, is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 3,221

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

Other postemployment benefits		<u>(5,531)</u>
-------------------------------	--	----------------

Change in net position of governmental activities (page 18) **\$ 252,550**

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

Enterprise,
School
Nutrition

Assets

Current assets:

Cash and cash equivalents	\$ 22,883
Inventories	<u>792</u>
Total current assets	<u>23,675</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>1,502</u>
Total noncurrent assets	<u>1,502</u>

Total assets 25,177

Liabilities

Net Position

Net investment in capital assets	1,502
Unrestricted	<u>23,675</u>

Total net position \$ 25,177

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit H

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

Year ended June 30, 2014

Enterprise,
School
Nutrition

Operating revenues:	
Local sources:	
Charges for service	\$ 65,449
Total operating revenues	<u>65,449</u>
 Operating expenses:	
Support services:	
Operation and maintenance of plant	<u>2,025</u>
 Non-instructional programs:	
Food service operations:	
Salaries	61,961
Benefits	10,494
Supplies	84,377
Depreciation	<u>162</u>
	<u>156,994</u>
Total operating expenses	<u>159,019</u>
 Operating loss	<u>(93,570)</u>
 Non-operating revenues:	
Interest income	170
State sources	1,247
Federal sources	<u>81,521</u>
Total non-operating revenues	<u>82,938</u>
 Decrease in net position	(10,632)
Net position beginning of year	<u>35,809</u>
Net position end of year	<u>\$ 25,177</u>
See notes to financial statements.	

Alden Community School District
Alden, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Enterprise, School <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 65,449
Cash paid to employees for services	(72,455)
Cash paid to suppliers for goods or services	<u>(77,134)</u>
Net cash used by operating activities	<u>(84,140)</u>
Cash flows from non-capital financing activities:	
State grants received	1,247
Federal grants received	<u>72,663</u>
Net cash provided by non-capital financing activities	<u>73,910</u>
Cash flows from investing activities:	
Interest on investments	<u>170</u>
Net decrease in cash and cash equivalents	(10,060)
Cash and cash equivalents beginning of year	<u>32,943</u>
Cash and cash equivalents end of year	<u>\$ 22,883</u>

(continued)

Alden Community School District
Alden, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

Enterprise,
School
Nutrition

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

Operating loss	\$ (93,570)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	8,858
Depreciation	162
Decrease in inventories	<u>410</u>
Net cash used by operating activities	<u>\$ (84,140)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$8,858 of federal commodities.

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash, cash equivalents and pooled investments	\$ 47,899	5,653
Total assets	47,899	5,653
Liabilities		
Other payables	-	5,653
Total liabilities	-	5,653
Net position		
Reserved for scholarships	\$ 47,899	-

See notes to financial statements.

Alden Community School District
Alden, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 945
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u> 2,000</u>
Change in net position	(1,055)
Net position beginning of year	<u> 48,954</u>
Net position end of year	<u><u> \$ 47,899</u></u>

See notes to financial statements.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

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

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

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 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.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classification.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services function.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$1,543 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	---	---	1,000
Capital assets being depreciated:				
Buildings	3,198,173	104,896	---	3,303,069
Improvements other than buildings	153,458	6,690	---	160,148
Furniture and equipment	1,453,863	108,741	---	1,562,604
Total capital assets being depreciated	4,805,494	220,327	---	5,025,821
Less accumulated depreciation for:				
Buildings	1,952,460	96,094	---	2,048,554
Improvements other than buildings	99,302	4,806	---	104,108
Furniture and equipment	1,171,740	107,215	---	1,278,955
Total accumulated depreciation	3,223,502	208,115	---	3,431,617
Total capital assets being depreciated, net	1,581,992	12,212	---	1,594,204
Governmental activities capital assets, net	\$ 1,582,992	12,212	---	1,595,204
Business type activities:				
Furniture and equipment	\$ 28,951	---	---	28,951
Less accumulated depreciation	27,287	162	---	27,449
Business type activities capital assets, net	\$ 1,664	(162)	---	1,502

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 60,292

Support services:

Instructional staff 5,677

Operation and maintenance of plant 1,680

Transportation 31,159

98,808

Unallocated 109,307

Total depreciation expense – governmental activities \$ 208,115

Business type activities:

Food service operations \$ 162

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Net OPEB liability	\$ 5,573	5,531	---	11,104	----

(5) Pension and Retirement Benefits

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$119,193, \$110,673, and \$105,107 respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 14 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

Annual required contribution	\$	5,882
Interest on net OPEB obligation		139
Adjustment to annual required contribution		<u>(490)</u>
Annual OPEB cost		5,531
Contributions made		<u>---</u>
Increase in net OPEB obligation		5,531
Net OPEB obligation beginning of year		<u>5,573</u>
Net OPEB obligation end of year	\$	<u><u>11,104</u></u>

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

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$13,000	100.0%	\$ ---
2013	7,053	20.7%	5,573
2014	5,531	0.0%	11,104

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 \$54,979, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$54,979. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$832,000 and the ratio of the UAAL to covered payroll was 6.6%. As of June 30, 2014, there were no trust fund assets.

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

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

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

(7) Risk Management

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$105,441 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.

(9) Operating Lease

The District entered into an operating lease with Hecht & Jimenez Office Machines, Inc. for the rental of two copiers on December 29, 2009 for a period of five years. The amount paid for the fiscal year ended June 30, 2014 was \$2,368. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2015	\$ <u>1,184</u>
Total	\$ <u>1,184</u>

Alden Community School District
Alden, Iowa

Notes to Financial Statements

June 30, 2014

(10) 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>
Home school assistance program	\$ 537
Four-year-old preschool state aid	1,881
Beginning teacher mentoring	184
Teacher salary supplement	116,174
Successful progression for early readers	13,782
Professional development – core curriculum	14,541
Professional development	6,835
Teacher leadership grants	<u>5,263</u>
Total	<u>\$ 159,197</u>

(11) 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.

(12) Subsequent Events

Subsequent events have been evaluated through March 30, 2015, which is the date the financial statements were available to be issued.

On February 16, 2015 the Board approved a bid for a temperature control project for \$250,300.

Required Supplementary Information

Alden Community School District
Alden, Iowa

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,059,999	65,619
State sources	1,562,116	1,247
Federal sources	<u>99,353</u>	<u>81,521</u>
Total revenues	<u>3,721,468</u>	<u>148,387</u>
Expenditures/Expenses:		
Instruction	2,253,608	-
Support services	975,263	2,025
Non-instructional programs	-	156,994
Other expenditures	<u>249,949</u>	<u>-</u>
Total expenditures/expenses	<u>3,478,820</u>	<u>159,019</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	242,648	(10,632)
Balances beginning of year	<u>1,403,402</u>	<u>35,809</u>
Balances end of year	<u>\$ 1,646,050</u>	<u>25,177</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
2,125,618	2,276,083	2,276,083	(150,465)
1,563,363	1,335,149	1,335,149	228,214
180,874	158,000	158,000	22,874
<u>3,869,855</u>	<u>3,769,232</u>	<u>3,769,232</u>	<u>100,623</u>
2,253,608	2,457,000	2,457,000	203,392
977,288	970,195	970,195	(7,093)
156,994	162,750	162,750	5,756
249,949	362,528	362,528	112,579
<u>3,637,839</u>	<u>3,952,473</u>	<u>3,952,473</u>	<u>314,634</u>
232,016	(183,241)	(183,241)	415,257
<u>1,439,211</u>	<u>1,285,169</u>	<u>1,285,169</u>	<u>154,042</u>
<u>1,671,227</u>	<u>1,101,928</u>	<u>1,101,928</u>	<u>569,299</u>

Alden Community School District
Alden, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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

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

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

During the year ended June 30, 2014, expenditures in the support services function exceeded the amounts budgeted.

Alden Community School District
Alden, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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	Jul 1, 2009	-	\$ 158,000	158,000	0.0%	\$ 1,373,000	11.5%
2011	Jul 1, 2009	-	158,000	158,000	0.0%	1,399,000	11.3%
2012	Jul 1, 2009	-	158,000	158,000	0.0%	763,000	20.7%
2013	Jul 1, 2012	-	60,339	60,339	0.0%	617,000	9.8%
2014	Jul 1, 2012	-	54,979	54,979	0.0%	832,000	6.6%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Alden Community School District
Alden, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 124,899	10,604	135,503
Receivables:			
Property tax:			
Delinquent	823	-	823
Succeeding year	75,000	-	75,000
Total assets	\$ 200,722	10,604	211,326
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Total liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	75,000	-	75,000
Total deferred inflows of resources	75,000	-	75,000
Fund balances:			
Restricted for:			
Management levy purposes	125,722	-	125,722
Student activities	-	10,604	10,604
Total fund balances	125,722	10,604	136,326
Total liabilities, deferred inflows of resources and fund balances	\$ 200,722	10,604	211,326

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

Schedule 2

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

Year ended June 30, 2014

	Special Revenue		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 75,069	-	75,069
Other	3,021	22,472	25,493
State sources	31	-	31
Total revenues	78,121	22,472	100,593
Expenditures:			
Current:			
Instruction:			
Other instruction	-	22,790	22,790
Support services:			
Administration	3,596	-	3,596
Operation and maintenance of plant	41,346	-	41,346
Transportation	3,926	-	3,926
Total expenditures	48,868	22,790	71,658
Excess (deficiency) of revenues over (under) expenditures	29,253	(318)	28,935
Fund balances beginning of year	96,469	10,922	107,391
Fund balances end of year	\$ 125,722	10,604	136,326

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
Now account interest	\$ 154	18	-	-	172
Nurse Special	1,066	-	1,066	-	-
6th Student Council	138	-	-	-	138
Elementary Student Council	358	-	-	-	358
Instrumental	681	400	461	-	620
Vocal	1,301	400	-	-	1,701
Elementary activity	3,357	21,254	18,372	-	6,239
Vending machines	2	-	2	-	-
Library	2,755	-	2,755	-	-
Fifth grade Dare program	610	-	134	-	476
Greenhouse	-	400	-	-	400
Fundraiser	500	-	-	-	500
Total	<u>\$ 10,922</u>	<u>22,472</u>	<u>22,790</u>	<u>-</u>	<u>10,604</u>

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 123,789	86,386	210,175
Receivables:			
Property tax:			
Delinquent	-	1,293	1,293
Succeeding year	-	115,423	115,423
Due from other governments	65,953	-	65,953
Total assets	\$ 189,742	203,102	392,844
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Total liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	115,423	115,423
Total deferred inflows of resources	-	115,423	115,423
Fund balances:			
Restricted for:			
School infrastructure	189,742	-	189,742
Physical plant and equipment	-	87,679	87,679
Total fund balances	189,742	87,679	277,421
Total liabilities, deferred inflows of resources and fund balances	\$ 189,742	203,102	392,844

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

Schedule 5

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

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	117,922	117,922
Other	68	134	202
State sources	232,057	49	232,106
Total revenues	232,125	118,105	350,230
Expenditures:			
Support services:			
Instructional staff	72,926	-	72,926
Operation and maintenance of plant	19,310	-	19,310
Other expenditures:			
Facilities acquisition	89,337	55,171	144,508
Total expenditures	181,573	55,171	236,744
Excess of revenues over expenditures	50,552	62,934	113,486
Fund balances beginning of year	139,190	24,745	163,935
Fund balances end of year	\$ 189,742	87,679	277,421

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2014

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>End</u> <u>of Year</u>
Assets				
Cash	\$ <u> -</u>	<u> 7,222</u>	<u> 1,569</u>	<u> 5,653</u>
Total assets	<u>\$ <u> -</u></u>	<u> <u>7,222</u></u>	<u> <u>1,569</u></u>	<u> <u>5,653</u></u>
Liabilities				
Other payables	\$ <u> -</u>	<u> 7,222</u>	<u> 1,569</u>	<u> 5,653</u>
Total liabilities	<u>\$ <u> -</u></u>	<u> <u>7,222</u></u>	<u> <u>1,569</u></u>	<u> <u>5,653</u></u>

See accompanying independent auditor's report.

Alden Community School District
Alden, Iowa

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

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 1,339,416	1,631,708	1,627,302	1,525,856
Tuition	659,480	574,983	702,687	575,124
Other	61,103	62,893	93,372	88,576
State sources	1,562,116	1,243,591	1,326,537	1,248,163
Federal sources	99,353	87,782	87,079	213,681
Total	<u>\$ 3,721,468</u>	<u>3,600,957</u>	<u>3,836,977</u>	<u>3,651,400</u>
Expenditures:				
Instruction	\$ 2,253,608	2,243,856	2,221,330	2,315,869
Support services:				
Student	64,665	62,288	67,455	72,075
Instructional staff	169,640	106,669	146,652	99,147
Administration	305,091	296,651	295,232	305,725
Operation and maintenance of plant	293,866	250,786	262,917	262,463
Transportation	142,001	200,370	171,033	148,438
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	144,508	158,836	277,994	219,278
AEA flowthrough	105,441	99,350	102,371	112,049
Total	<u>\$ 3,478,820</u>	<u>3,418,806</u>	<u>3,544,984</u>	<u>3,535,044</u>

See accompanying independent auditor's report.

Schedule 7

Modified Accrual Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1,493,081	1,397,228	1,376,466	1,573,026	1,497,734	1,499,897
569,931	509,818	619,961	441,897	373,019	342,727
178,615	156,095	85,973	108,612	205,764	52,600
1,013,057	1,196,175	1,143,334	932,536	977,376	917,993
245,139	90,457	111,773	112,802	142,230	109,004
<u>3,499,823</u>	<u>3,349,773</u>	<u>3,337,507</u>	<u>3,168,873</u>	<u>3,196,123</u>	<u>2,922,221</u>
2,445,606	2,281,157	2,472,380	2,065,539	1,673,511	1,751,086
64,178	62,958	41,144	26,845	30,810	48,796
116,628	79,003	72,972	85,673	69,239	86,258
313,121	311,426	296,468	270,298	262,360	269,584
298,171	282,428	271,268	215,799	213,961	258,904
107,904	101,948	173,347	169,467	99,311	92,140
-	-	-	-	5,000	525
125,557	156,999	247,058	261,527	182,679	82,286
109,558	96,850	94,518	89,683	87,394	87,283
<u>3,580,723</u>	<u>3,372,769</u>	<u>3,669,155</u>	<u>3,184,831</u>	<u>2,624,265</u>	<u>2,676,862</u>

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

To the Board of Education of
Alden Community School District:

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

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Alden Community School District's Responses to the Findings

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

Purpose of this Report

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

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

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

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

March 30, 2015

Alden Community School District
Alden, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Some, but not all, cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

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

I-B-14 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Alden Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Alden Community School District
Alden, Iowa

Schedule of Findings

Year ended June 30, 2014

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Alden Community School District
Alden, Iowa

Schedule of Findings

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the support services function. Also, the budget was not properly certified to the County Auditor by April 15, 2013.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should ensure the budget is certified to the County Auditor by April 15 per Chapter 24.17 of the Code of Iowa.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. Also, future budgets will be certified timely to the County Auditor.

Conclusion – Response accepted.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kim Sharar, Board Secretary, Husband owns King Construction & Sharar’s Floorcoverings	Repairs and flooring	\$ 14,582

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions with the spouse of the Board Secretary do not appear to represent a conflict of interest.

Alden Community School District
Alden, Iowa

Schedule of Findings

Year ended June 30, 2014

- II-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.
- II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- 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 – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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:

Alden Community School District
Alden, Iowa

Schedule of Findings

Year ended June 30, 2014

Beginning balance		\$ 139,190
Revenues/transfer in:		
Sales tax revenues	\$ 232,057	
Other local revenues	<u>68</u>	<u>232,125</u>
		371,315
Expenditures/transfer out:		
Equipment	138,351	
Other	<u>43,222</u>	<u>181,573</u>
Ending balance		\$ <u>189,742</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.