

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

JUNE 30, 2014

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**Allamakee Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Al Rissman	President	2013
Patty Nordheim	Vice President	2015
Scott Melcher	Board Member	2013
Greg Byrnes	Board Member (Resigned August 31, 2013)	2015
Thomas Baxter	Board Member (Appointed September 4, 2013)	2015
Tim Waters	Board Member	2015
<b>(After September 2013 Election)</b>		
Al Rissman	President	2017
Patty Nordheim	Vice President	2015
Scott Melcher	Board Member	2017
Thomas Baxter	Board Member	2015
Tim Waters	Board Member	2015
<b>School Officials</b>		
David Herold	Superintendent	2014
Janice Rea	District Secretary/Treasurer	2014
Gruhn Law Firm	Attorney	2014

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

**Independent Auditor's Report**

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Allamakee Community School District at 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Allamakee 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. Another auditor previously audited, in accordance with 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 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 January 19, 2015, on our consideration of the Allamakee Community School District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Allamakee Community School District’s internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2015  
Newton, Iowa

**Allamakee Community School District**

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

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Allamakee 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 \$12,815,697 in fiscal 2013 to \$12,442,303 in fiscal 2014, while General Fund expenditures increased from \$11,277,101 in fiscal 2013 to \$12,242,366 in fiscal 2014. The District's General Fund balance increased from \$5,825,206 at June 30, 2013 to \$6,025,143 at June 30, 2014.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenues as compared to the previous year. The increase in expenditures was due to the increase in instructional expenditures associated with increased salaries and benefits paid to employees during the year.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

**Figure A-1**  
**Allamakee Community School District Annual Financial Report**

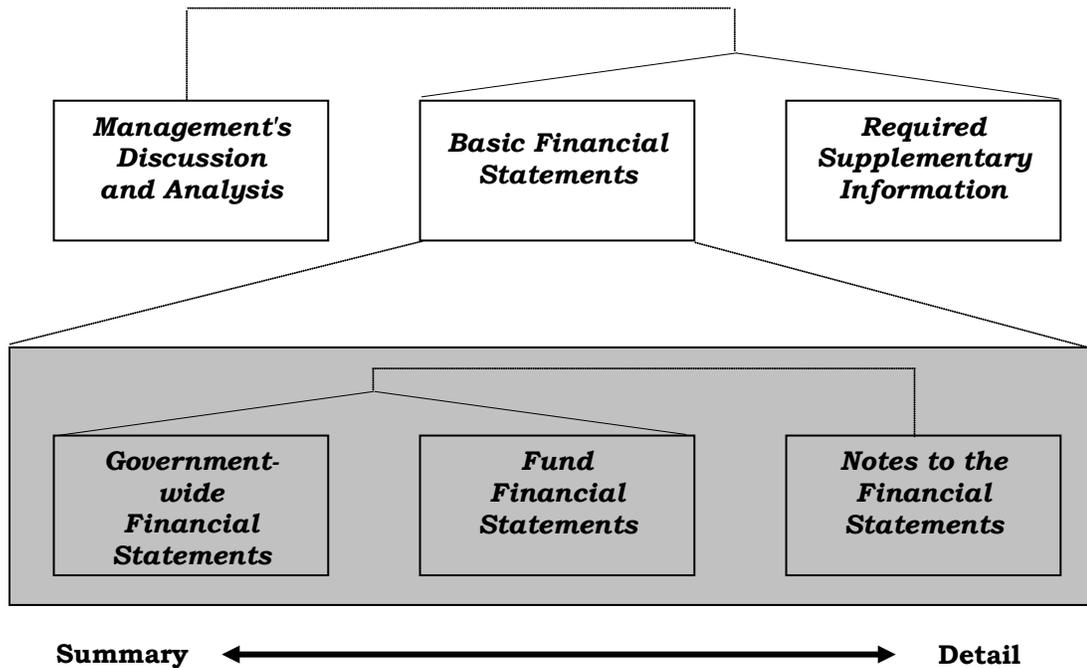


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

In the government-wide financial statements, the District's activities are divided into 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 as well as the District's Sports Camps Fund which accounts for the revenues and expenses associated with different camps the District runs.

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Figure A-3 Condensed Statement of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 22,407,404	21,144,152	733,782	666,742	23,141,186	21,810,894	6.10%
Capital assets	14,379,287	14,786,880	212,215	252,045	14,591,502	15,038,925	-2.98%
Total assets	36,786,691	35,931,032	945,997	918,787	37,732,688	36,849,819	2.40%
Long-term obligations	13,540,788	14,000,433	20,436	17,735	13,561,224	14,018,168	-3.26%
Other liabilities	1,352,764	1,444,850	23,958	22,453	1,376,722	1,467,303	-6.17%
Total liabilities	14,893,552	15,445,283	44,394	40,188	14,937,946	15,485,471	-3.54%
Deferred inflows of resources	4,635,571	4,477,182	-	-	4,635,571	4,477,182	3.54%
Net position							
Net investment in capital assets	7,529,983	7,601,880	212,215	252,045	7,742,198	7,853,925	-1.42%
Restricted	4,156,446	3,179,048	-	-	4,156,446	3,179,048	30.74%
Unrestricted	5,571,139	5,227,639	689,388	626,554	6,260,527	5,854,193	6.94%
Total net position	\$ 17,257,568	16,008,567	901,603	878,599	18,159,171	16,887,166	7.53%

The District's combined net position increased by 7.53%, or \$1,272,005, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$977,398, or 30.74% from the prior year. This was primarily the result of an increase in the net position of the Capital Projects: Statewide Sales, Services and Use Tax Fund during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$406,334 or 6.94%. This increase in unrestricted net position was primarily a result of the District's increase in the General Fund carryover balance.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 740,230	681,392	377,975	405,333	1,118,205	1,086,725	2.90%
Operating grants, contributions and restricted interest	2,188,804	1,957,877	472,908	464,997	2,661,712	2,422,874	9.86%
Capital grants, contributions and restricted interest	21,759	-	-	-	21,759	-	100.00%
General revenues:							
Property tax	4,486,835	5,071,084	-	-	4,486,835	5,071,084	-11.52%
Income surtax	579,720	471,442	-	-	579,720	471,442	22.97%
Statewide sales, services and use tax	1,058,728	1,019,995	-	-	1,058,728	1,019,995	3.80%
Unrestricted state grants	5,925,433	5,896,957	-	-	5,925,433	5,896,957	0.48%
Nonspecific program federal revenues	-	1,577	-	-	-	1,577	-100.00%
Unrestricted interest income	63,120	67,361	3,045	3,416	66,165	70,777	-6.52%
Other	96,540	338,876	12,939	-	109,479	338,876	-67.69%
Total revenues	15,161,169	15,506,561	866,867	873,746	16,028,036	16,380,307	-2.15%
Program expenses:							
Governmental activities:							
Instruction	7,671,536	7,517,797	45,893	16,592	7,717,429	7,534,389	2.43%
Support services	4,832,340	4,381,953	46,699	47,633	4,879,039	4,429,586	10.15%
Non-instructional programs	3,036	2,353	751,271	754,228	754,307	756,581	-0.30%
Other expenses	1,543,322	1,416,612	-	-	1,543,322	1,416,612	8.94%
Total expenses	14,050,234	13,318,715	843,863	818,453	14,894,097	14,137,168	5.35%
Excess of revenues over expenditures before extraordinary item	1,110,935	2,187,846	23,004	55,293	1,133,939	2,243,139	-49.45%
Extraordinary item:							
Compensation for loss of capital assets(Note 10)	138,066	-	-	-	138,066	-	100.00%
Change in net position	1,249,001	2,187,846	23,004	55,293	1,272,005	2,243,139	-43.29%
Net position beginning of year	16,008,567	13,820,721	878,599	823,306	16,887,166	14,644,027	15.32%
Net position end of year	\$ 17,257,568	16,008,567	901,603	878,599	18,159,171	16,887,166	7.53%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 79.48% of the revenue from governmental activities while charges for services and operating grants and contributions and account for 98.16% of the revenue from business type activities.

The District's total revenues were approximately \$16.03 million of which approximately \$15.16 million was for governmental activities and approximately \$0.87 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.15% decrease in revenues and a 5.35% increase in expenses. The decrease in revenues is primarily a result of a decrease in property tax revenue received while the increase in expenses is primarily related to increases in negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$15,299,235 and expenses were \$14,050,234 for the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 7,671,536	7,517,797	2.05%	5,407,890	5,473,889	-1.21%
Support services	4,832,340	4,381,953	10.28%	4,647,311	4,268,423	8.88%
Non-instructional programs	3,036	2,353	29.03%	3,036	2,353	29.03%
Other expenses	1,543,322	1,416,612	8.94%	1,041,204	934,781	11.38%
Totals	\$ 14,050,234	13,318,715	5.49%	11,099,441	10,679,446	3.93%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$740,230.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,210,563.
- The net cost of governmental activities was financed with \$4,486,835 in property tax, \$579,720 in income surtax, \$1,058,728 in statewide sales, services and use tax, \$5,925,433 in unrestricted state grants, \$63,120 in interest income and \$96,540 in other general revenues.

### Business-Type Activities

Revenues of the District's business type activities were \$866,867 and expenses were \$843,563. The District's business type activities include the School Nutrition Fund and the Sports Camps Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$16,016,172, which is more than last year's ending fund balances of \$14,871,085. This increase is primarily a result of the increase in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Management Levy Fund during the year.

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## **Governmental Fund Highlights**

- The General Fund balance increased from \$5,825,206 at June 30, 2013 to \$6,025,143 at June 30, 2014. While General Fund revenues decreased compared to the prior year they still outpaced expenditures leading to the increase in fund balance.
- The Capital Projects Fund balance increased from \$2,478,790 at June 30, 2013 to \$3,349,081 at June 30, 2014. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased from \$1,560,075 at June 30, 2013 to \$2,129,135 at June 30, 2014 primarily due to a decrease in capital outlay expenditures. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$918,715 at June 30, 2013 to \$1,219,946 at June 30, 2014 due to an increase in local tax revenue received coupled with a decrease in capital outlay expenditures compared to the prior year.
- The District's Debt Service Fund balance decreased from \$6,150,790 at June 30, 2013 to \$6,028,373 at June 30, 2014. This was primarily a result of a decrease in other local revenue received during the year.

## **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$833,770 at June 30, 2013 to \$852,690 at June 30, 2014, representing an increase of 2.27%. This increase in net position is primarily a result of an increase in federal source revenues received during fiscal year 2014.

The Sports Camps Fund net position increased from \$44,829 at June 30, 2013 to \$48,913 at June 30, 2014, representing an increase of 9.11%. This increase in net position is primarily a result of charges for services outpacing operating expenses during the year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year the Allamakee Community School District amended its budget one time to reflect additional expenditure associated with salaries and benefits paid to support staff during the year.

The District's revenues were \$741,903 more than budgeted revenues, a variance of 4.87%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$14.59 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.07% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$958,786.

The original cost of the District's capital assets was approximately \$23.72 million. Governmental funds account for approximately \$23.19 million with the remainder of approximately \$0.53 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$12,059,197 at June 30, 2014, compared to \$12,325,205 reported at June 30, 2013. This decrease was a result of annual depreciation expense incurred during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 415,141	415,141	-	-	415,141	415,141	0.00%
Buildings	12,059,197	12,535,205	-	-	12,059,197	12,535,205	-3.95%
Land improvements	514,381	526,381	-	-	514,381	526,381	-2.33%
Machinery and equipment	1,390,568	1,310,153	212,215	252,045	1,602,783	1,562,198	2.53%
Total	\$ 14,379,287	14,786,880	212,215	252,045	14,591,502	15,038,925	-3.07%

### Long-Term Debt

At June 30, 2014, the District had \$13,561,224 in general obligation and other long-term debt outstanding. This represents a decrease of 3.26% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bond indebtedness at June 30, 2014 of \$12,865,000 payable from the Debt Service Fund.

The District had total outstanding termination benefits payable from the Special Revenue - Management Levy Fund of \$198,000 at June 30, 2014.

The District had total outstanding compensated absences payable of \$20,428 at June 30, 2014. Governmental activities accounted for \$20,298 of this total payable from the General Fund while business type activities accounted for \$130 payable from the Enterprise: School Nutrition Fund.

The District had outstanding net OPEB liability at June 30, 2014 of \$477,796. The governmental activities accounted for \$457,490 of this total while Business Type Activities accounted for \$20,306.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
General Obligation Bonds	\$ 12,865,000	13,290,000	-	-	12,865,000	13,290,000	-3.20%
Termination Benefits	198,000	297,000	-	-	198,000	297,000	-33.33%
Compensated Absences	20,298	20,916	130	312	20,428	21,228	-3.77%
Net OPEB liability	457,490	392,517	20,306	17,423	477,796	409,940	16.55%
Totals	\$ 13,540,788	14,000,433	20,436	17,735	13,561,224	14,018,168	-3.26%

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

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

- The District at this time is in good financial health. A solid foundation of cash balances and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. However, costs outside the Board's control such as increase in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.
- One of the key elements of the State of Iowa school aid formula is certified enrollment. Enrollment has decreased by 100.2 during the last 5 years. When enrollment drops it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture.
- At the conclusion of the 2013 Legislative session, the Legislature passed a 2% plus 2% increase in allowable growth funding for the 2013-2014 school year plus an additional 4% increase for the 2014-2015 school year. The Legislatures are directed by law to set the supplemental state aid (previously called allowable growth) each session before the end of January this has not been completed in a timely manner which makes budgeting and negotiations difficult.
- School Infrastructure Local Option (SAVE) funds continue to be utilized to offset the District's tax levy with \$500,000 per year pledged to be utilized for District debt.

## **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 Janice Rea, District Secretary/Treasurer, Allamakee Community School District, 1059 Third Avenue N.W., Waukon, Iowa, 52172.

## **Basic Financial Statements**

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow agent	\$ 6,015,696	-	6,015,696
Other	10,276,793	688,631	10,965,424
Receivables:			
Property tax:			
Delinquent	63,495	-	63,495
Succeeding year	4,635,571	-	4,635,571
Income surtax	467,659	-	467,659
Accounts	14,133	1,085	15,218
Due from other governments	934,057	17,439	951,496
Inventories	-	26,627	26,627
Capital assets, net of accumulated depreciation	14,379,287	212,215	14,591,502
<b>TOTAL ASSETS</b>	<b>36,786,691</b>	<b>945,997</b>	<b>37,732,688</b>
<b>LIABILITIES</b>			
Accounts payable	226,894	1,026	227,920
Salaries and benefits payable	1,061,108	11,532	1,072,640
Accrued interest payable	64,762	-	64,762
Unearned revenue	-	11,400	11,400
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	445,000	-	445,000
Termination benefits payable	99,000	-	99,000
Compensated absences payable	20,298	130	20,428
Portion due after one year:			
General obligation bonds payable	12,420,000	-	12,420,000
Termination benefits payable	99,000	-	99,000
Net OPEB liability	457,490	20,306	477,796
<b>TOTAL LIABILITIES</b>	<b>14,893,552</b>	<b>44,394</b>	<b>14,937,946</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	4,635,571	-	4,635,571
<b>NET POSITION</b>			
Net investment in capital assets	7,529,983	212,215	7,742,198
Restricted for:			
Categorical funding	391,790	-	391,790
School infrastructure	2,129,135	-	2,129,135
Physical plant and equipment	1,219,946	-	1,219,946
Management levy purposes	299,130	-	299,130
Student activities	116,445	-	116,445
Unrestricted	5,571,139	689,388	6,260,527
<b>TOTAL NET POSITION</b>	<b>\$ 17,257,568</b>	<b>901,603</b>	<b>18,159,171</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
<b>Primary Government:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 4,825,339	334,639	848,063	-	(3,642,637)	-	(3,642,637)
Special	1,436,039	47,862	282,667	-	(1,105,510)	-	(1,105,510)
Other	1,410,158	252,173	498,242	-	(659,743)	-	(659,743)
	<u>7,671,536</u>	<u>634,674</u>	<u>1,628,972</u>	<u>-</u>	<u>(5,407,890)</u>	<u>-</u>	<u>(5,407,890)</u>
Support services:							
Student	561,930	51,912	-	-	(510,018)	-	(510,018)
Instructional staff	566,016	-	-	-	(566,016)	-	(566,016)
Administration	1,354,509	-	-	-	(1,354,509)	-	(1,354,509)
Operation and maintenance of plant	1,310,842	15,448	-	21,759	(1,273,635)	-	(1,273,635)
Transportation	1,039,043	38,196	57,714	-	(943,133)	-	(943,133)
	<u>4,832,340</u>	<u>105,556</u>	<u>57,714</u>	<u>21,759</u>	<u>(4,647,311)</u>	<u>-</u>	<u>(4,647,311)</u>
Non-instructional programs:							
Food service operations	3,036	-	-	-	(3,036)	-	(3,036)
Long-term debt interest	441,295	-	-	-	(441,295)	-	(441,295)
Other expenditures:							
AEA flowthrough	502,118	-	502,118	-	-	-	-
Depreciation(unallocated)*	599,909	-	-	-	(599,909)	-	(599,909)
	<u>1,102,027</u>	<u>-</u>	<u>502,118</u>	<u>-</u>	<u>(599,909)</u>	<u>-</u>	<u>(599,909)</u>
Total governmental activities	<u>14,050,234</u>	<u>740,230</u>	<u>2,188,804</u>	<u>21,759</u>	<u>(11,099,441)</u>	<u>-</u>	<u>(11,099,441)</u>
Business type activities:							
Instruction:							
Other	45,893	49,850	-	-	-	3,957	3,957
Support services:							
Instructional staff	1,948	-	-	-	-	(1,948)	(1,948)
Administration	44,751	-	-	-	-	(44,751)	(44,751)
	<u>46,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,699)</u>	<u>(46,699)</u>
Non-instructional programs:							
Food service operations	751,271	328,125	472,908	-	-	49,762	49,762
Total business type activities	<u>843,863</u>	<u>377,975</u>	<u>472,908</u>	<u>-</u>	<u>-</u>	<u>7,020</u>	<u>7,020</u>
Total	\$ <u>14,894,097</u>	<u>1,118,205</u>	<u>2,661,712</u>	<u>21,759</u>	<u>(11,099,441)</u>	<u>7,020</u>	<u>(11,092,421)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 4,097,956	-	4,097,956
Debt service					226,772	-	226,772
Capital outlay					162,107	-	162,107
Income surtax					579,720	-	579,720
Statewide sales, services and use tax					1,058,728	-	1,058,728
Unrestricted state grants					5,925,433	-	5,925,433
Unrestricted investment earnings					63,120	3,045	66,165
Other general revenues					96,540	12,939	109,479
Total general revenues					<u>12,210,376</u>	<u>15,984</u>	<u>12,226,360</u>
Change in net position before extraordinary item					1,110,935	23,004	1,133,939
Extraordinary item:							
Compensation for the loss of capital assets(Note 10)					138,066	-	138,066
Change in net position					1,249,001	23,004	1,272,005
Net position beginning of year					16,008,567	878,599	16,887,166
Net position end of year	\$				<u>17,257,568</u>	<u>901,603</u>	<u>18,159,171</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with escrow agent	\$ -	-	6,015,696	-	6,015,696
Other	6,609,340	3,047,946	9,440	610,067	10,276,793
Receivables:					
Property tax					
Delinquent	50,861	2,314	3,237	7,083	63,495
Succeeding year	3,714,709	193,285	227,576	500,001	4,635,571
Income surtax	-	467,659	-	-	467,659
Accounts	13,740	393	-	-	14,133
Due from other governments	592,832	341,225	-	-	934,057
<b>TOTAL ASSETS</b>	<b>\$ 10,981,482</b>	<b>4,052,822</b>	<b>6,255,949</b>	<b>1,117,151</b>	<b>22,407,404</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 180,522	42,797	-	3,575	226,894
Salaries and benefits payable	1,061,108	-	-	-	1,061,108
Total liabilities	1,241,630	42,797	-	3,575	1,288,002
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,714,709	193,285	227,576	500,001	4,635,571
Income surtax	-	467,659	-	-	467,659
Total deferred inflows of resources	3,714,709	660,944	227,576	500,001	5,103,230
Fund balances:					
Restricted for:					
Categorical funding	391,790	-	-	-	391,790
School infrastructure	-	2,129,135	-	-	2,129,135
Physical plant and equipment	-	1,219,946	-	-	1,219,946
Management levy purposes	-	-	-	497,130	497,130
Student activities	-	-	-	116,445	116,445
Debt service	-	-	6,028,373	-	6,028,373
Unassigned	5,633,353	-	-	-	5,633,353
Total fund balances	6,025,143	3,349,081	6,028,373	613,575	16,016,172
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,981,482</b>	<b>4,052,822</b>	<b>6,255,949</b>	<b>1,117,151</b>	<b>22,407,404</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	16,016,172
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		14,379,287
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(64,762)
Accounts receivable income surtax, are not yet available to finance current year expenditures and therefore, is recognized as deferred inflows of resources in the governmental funds.		467,659
Long-term liabilities, including general obligation bonds payable, termination benefits payable, compensated absences payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(13,540,788)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u>17,257,568</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 3,597,015	696,987	226,772	500,941	5,021,715
Tuition	252,115	-	-	-	252,115
Other	402,347	25,472	23,727	251,106	702,652
State sources	6,702,971	1,058,836	151	330	7,762,288
Federal sources	1,362,800	14,759	-	-	1,377,559
<b>TOTAL REVENUES</b>	<b>12,317,248</b>	<b>1,796,054</b>	<b>250,650</b>	<b>752,377</b>	<b>15,116,329</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	4,828,481	-	-	157,026	4,985,507
Special	1,428,609	-	-	-	1,428,609
Other	1,167,079	-	-	239,713	1,406,792
	7,424,169	-	-	396,739	7,820,908
Support services:					
Student	553,940	-	-	3,880	557,820
Instructional staff	535,458	25,395	-	2,446	563,299
Administration	1,323,554	-	-	9,025	1,332,579
Operation and maintenance of plant	1,047,298	12,047	-	108,816	1,168,161
Transportation	855,829	165,674	-	31,159	1,052,662
	4,316,079	203,116	-	155,326	4,674,521
Non-instructional programs:					
Food service operations	-	-	-	3,036	3,036
Capital outlay	-	239,396	-	-	239,396
Long-term debt:					
Principal	-	-	425,000	-	425,000
Interest and fiscal charges	-	-	448,317	-	448,317
	-	-	873,317	-	873,317
Other expenditures:					
AEA flowthrough	502,118	-	-	-	502,118
<b>TOTAL EXPENDITURES</b>	<b>12,242,366</b>	<b>442,512</b>	<b>873,317</b>	<b>555,101</b>	<b>14,113,296</b>
Excess(Deficiency) of revenues over(under) expenditures	74,882	1,353,542	(622,667)	197,276	1,003,033
<b>OTHER FINANCING SOURCES(USES)</b>					
Sale of equipment	3,988	-	-	-	3,988
Transfer in	-	-	500,250	-	500,250
Transfer out	-	(500,250)	-	-	(500,250)
Insurance proceeds	-	-	-	-	-
Compensation for the loss of capital assets	121,067	16,999	-	-	138,066
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>125,055</b>	<b>(483,251)</b>	<b>500,250</b>	<b>-</b>	<b>142,054</b>
Change in fund balances	199,937	870,291	(122,417)	197,276	1,145,087
Fund balances beginning of year	5,825,206	2,478,790	6,150,790	416,299	14,871,085
Fund balances end of year	\$ 6,025,143	3,349,081	6,028,373	613,575	16,016,172

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Change in fund balances - total governmental funds(page 22)</b>	\$	1,145,087
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 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. Depreciation expense exceed capital outlay in the current year as follows:		
Capital outlay	\$ 508,982	
Depreciation expense	<u>(916,575)</u>	(407,593)
 Income surtax accounts receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds.		 44,840
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.		 425,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		 7,022
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	\$ 99,000	
Compensated absences	618	
Other postemployment benefits	<u>(64,973)</u>	<u>34,645</u>
 <b>Changes in net position of governmental activities(page 19)</b>	 \$	 <u>1,249,001</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Business Type Activites		
	Enterprise Funds		
	School Nutrition	Sports Camps	Total
<b>ASSETS</b>			
Current assets:			
Cash and pooled investments	\$ 639,893	48,738	688,631
Accounts receivable	-	1,085	1,085
Due from other governments	17,439	-	17,439
Inventories	26,627	-	26,627
Total current assets	<u>683,959</u>	<u>49,823</u>	<u>733,782</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	212,215	-	212,215
<b>TOTAL ASSETS</b>	<u>896,174</u>	<u>49,823</u>	<u>945,997</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	116	910	1,026
Salaries and benefits payable	11,532	-	11,532
Unearned revenue	11,400	-	11,400
Total current liabilities	<u>23,048</u>	<u>910</u>	<u>23,958</u>
Noncurrent liabilities:			
Compensated absences	130	-	130
Net OPEB liability	20,306	-	20,306
Total noncurrent liabilities	<u>20,436</u>	<u>-</u>	<u>20,436</u>
<b>TOTAL LIABILITIES</b>	<u>43,484</u>	<u>910</u>	<u>44,394</u>
<b>NET POSITION</b>			
Net investment in capital assets	212,215	-	212,215
Unrestricted	640,475	48,913	689,388
<b>TOTAL NET POSITION</b>	<u>\$ 852,690</u>	<u>48,913</u>	<u>901,603</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Sports Camps	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for services	\$ 328,125	49,850	377,975
Miscellaneous	12,939	-	12,939
<b>TOTAL OPERATING REVENUES</b>	<b>341,064</b>	<b>49,850</b>	<b>390,914</b>
<b>OPERATING EXPENSES:</b>			
Instruction:			
Other:			
Supplies	-	45,771	45,771
Other	-	122	122
Total instruction	-	45,893	45,893
Support services:			
Instructional staff:			
Supplies	1,948	-	1,948
Administration:			
Salaries	28,085	-	28,085
Benefits	11,371	-	11,371
Other	5,295	-	5,295
	44,751	-	44,751
Total support services	46,699	-	46,699
Non-instructional programs:			
Salaries	211,898	-	211,898
Benefits	79,218	-	79,218
Services	14,252	-	14,252
Supplies	403,692	-	403,692
Depreciation	42,211	-	42,211
	751,271	-	751,271
<b>TOTAL OPERATING EXPENSES</b>	<b>797,970</b>	<b>45,893</b>	<b>843,863</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(456,906)</b>	<b>3,957</b>	<b>(452,949)</b>
<b>NON-OPERATING REVENUES:</b>			
State sources	5,690	-	5,690
Federal sources	467,218	-	467,218
Interest on investments	2,918	127	3,045
<b>TOTAL NON-OPERATING REVENUES</b>	<b>475,826</b>	<b>127</b>	<b>475,953</b>
Change in net position	18,920	4,084	23,004
Net position beginning of year	833,770	44,829	878,599
Net position end of year	\$ 852,690	48,913	901,603

SEE NOTES TO FINANCIAL STATEMENTS.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Sports Camps	Total
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	\$ 329,136	-	329,136
Cash received from sports camp activities	-	48,765	48,765
Cash received from miscellaneous	12,939	-	12,939
Cash payments to employees for services	(327,192)	-	(327,192)
Cash payments to suppliers for goods or services	(365,576)	(46,142)	(411,718)
<b>Net cash provided by(used in) operating activities</b>	<b>(350,693)</b>	<b>2,623</b>	<b>(348,070)</b>
<b>Cash flows from non-capital financing activities:</b>			
State grants received	5,690	-	5,690
Federal grants received	403,225	-	403,225
<b>Net cash provided by non-capital financing activities</b>	<b>408,915</b>	<b>-</b>	<b>408,915</b>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(2,381)	-	(2,381)
<b>Cash flows from investing activities:</b>			
Interest on investments	2,918	127	3,045
Net increase(decrease) in cash and cash equivalents	58,759	2,750	61,509
Cash and cash equivalents at beginning of year	581,134	45,988	627,122
Cash and cash equivalents at end of year	\$ 639,893	48,738	688,631
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>			
Operating income(loss)	\$ (456,906)	3,957	(452,949)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	62,786	-	62,786
Depreciation	42,211	-	42,211
Increase in inventories	(3,239)	-	(3,239)
Increase in accounts receivable	-	(1,085)	(1,085)
Increase(Decrease) in accounts payable	64	(249)	(185)
Increase in salary and benefits payable	679	-	679
Decrease in compensated absences	(182)	-	(182)
Increase in other postemployment benefits	2,883	-	2,883
Increase in unearned revenue	1,011	-	1,011
<b>Net cash provided by(used in) operating activities</b>	<b>\$ (350,693)</b>	<b>2,623</b>	<b>(348,070)</b>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$62,786.

SEE NOTES TO FINANCIAL STATEMENTS.

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

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

The Allamakee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Waukon, Iowa, and the predominate agricultural territory of Allamakee and Winneshiek 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 Government Accounting Standards Board.

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net position* consists of net position not meeting the definition of the two 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District also 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 the following non-major proprietary fund.

The Enterprise, Sports Camps Fund and is used to account for all the sports camp activities offered by the District.

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

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

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

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

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balance of most District funds are pooled and invested. Investments are stated at fair value.

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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 the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ -
Buildings	25,000
Land improvements	25,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50 years
Land improvements	20-25 years
Intangibles	3-10 years
Machinery and equipment	5-20 years

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund and Enterprise, School Nutrition Fund.

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in preceding classifications.

**E. Budgets and Budgetary Accounting**

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

**Note 2. Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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 U.S. Treasury Securities which are stated at the fair value of \$6,015,696. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 500,250</u>

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

#### **Note 4. 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	\$ 415,141	-	-	415,141
Total capital assets not being depreciated	415,141	-	-	415,141
Capital assets being depreciated:				
Buildings	17,274,039	71,718	-	17,345,757
Land improvements	1,407,323	40,183	-	1,447,506
Machinery and equipment	3,698,219	397,081	112,696	3,982,604
Total capital assets being depreciated	22,379,581	508,982	112,696	22,775,867
Less accumulated depreciation for:				
Buildings	4,738,834	547,726	-	5,286,560
Land improvements	880,942	52,183	-	933,125
Machinery and equipment	2,388,066	316,666	112,696	2,592,036
Total accumulated depreciation	8,007,842	916,575	112,696	8,811,721
Total capital assets being depreciated, net	14,371,739	(407,593)	-	13,964,146
Governmental activities capital assets, net	\$ 14,786,880	(407,593)	-	14,379,287
Business type activities:				
Machinery and equipment	\$ 527,369	2,381	-	529,750
Less accumulated depreciation	275,324	42,211	-	317,535
Business type activities capital assets, net	\$ 252,045	(39,830)	-	212,215
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 117,447
Support services:				
Administration				13,163
Operation and maintenance of plant				16,333
Transportation				169,723
				316,666
Unallocated depreciation				599,909
Total governmental activities depreciation expense				\$ 916,575
Business type activities:				
Food service operations				\$ 42,211

## **Note 5. Long-Term Debt**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental Activities:</u></b>					
General Obligation Bonds	\$ 13,290,000	-	425,000	12,865,000	425,000
Termination Benefits	297,000	-	99,000	198,000	99,000
Compensated Absences	20,916	20,298	20,916	20,298	20,298
Net OPEB Liability	392,517	64,973	-	457,490	-
Total	<u>\$ 14,000,433</u>	<u>85,271</u>	<u>544,916</u>	<u>13,540,788</u>	<u>544,298</u>
<b><u>Business Type Activities:</u></b>					
Compensated Absences	\$ 312	130	312	130	130
Net OPEB Liability	17,423	2,883	-	20,306	-
Total	<u>\$ 17,735</u>	<u>3,013</u>	<u>312</u>	<u>20,436</u>	<u>130</u>

### **General Obligation**

On March 12, 2013 the District issued \$6,105,000 of general obligation refunding bonds, with interest rates ranging from 1.375% to 2.00%, for a crossover refunding of a portion of the general obligation bonds issued May 1, 2006. The District entered in an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Treasury Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$5,850,000 principal of the refunded general obligation bonds when they become callable on May 1, 2016, and the interest from November 1, 2013 to and including May 1, 2016 on the refunding bonds. After principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

Details of the Districts June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			Crossover Refunding Bond Issue March 12, 2013			Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2015	5.00 %	\$ 445,000	282,578	2.00 %	\$ -	105,994	\$ 445,000	388,571	833,571
2016	5.00	465,000	260,328	2.00	-	105,994	465,000	366,321	831,321
2017	3.85	485,000	237,078	2.00	550,000	105,994	1,035,000	343,071	1,378,071
2018	3.90	505,000	218,405	2.00	575,000	94,994	1,080,000	313,399	1,393,399
2019	4.00	525,000	198,710	2.00	580,000	83,494	1,105,000	282,204	1,387,204
2020-2024	4.00-4.10	2,965,000	659,945	1.25-1.75	3,085,000	275,950	6,050,000	935,895	6,985,895
2025-2026	4.15-4.25	1,370,000	87,305	1.88-2.00	1,315,000	38,788	2,685,000	126,093	2,811,093
Total		<u>\$ 6,760,000</u>	<u>1,944,348</u>		<u>\$ 6,105,000</u>	<u>811,206</u>	<u>\$ 12,865,000</u>	<u>2,755,554</u>	<u>15,620,554</u>

### **Termination Benefits**

The District did not offer an early retirement incentive for the year ended June 30, 2014. However, the District offered a voluntary early retirement plan to its employees during fiscal year 2011. The plan was only offered to employees for only one year. Employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. Applications were subject to approval by the board of education.

The early retirement benefit for each eligible employee is equal to \$45,000 paid in ten equal installments over five years.

At June 30, 2014, the District has obligations to eleven participants with a total liability of \$198,000. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$99,000. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

### **Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$620,615, \$569,816 and \$528,303 respectively, equal to the required contributions for each year.

### **Note 7. Other Postemployment Benefits(OPEB)**

Plan Description - As explained in Note 8, the District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust which provides medical and prescription drug benefits for employees, retirees and their spouses. Allamakee Community School District has 106 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, 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:

Annual required contribution	\$ 111,656
Interest on net OPEB obligation	10,249
Adjustment to annual required contribution	<u>(34,199)</u>
Annual OPEB cost	87,706
Contributions made	<u>(19,850)</u>
Increase in net OPEB obligation	67,856
Net OPEB obligation beginning of year	<u>409,940</u>
Net OPEB obligation end of year	<u><u>\$ 477,796</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$19,850 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 85,710	16.17 %	\$ 341,847
2013	85,726	20.57	409,940
2014	87,706	22.63	477,796

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 \$683,473 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$683,473. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,600,391 and the ratio of the UAAL to covered payroll was 12.20%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 8. Risk Management**

Allamakee Community School District is a member in the Northeast Iowa Conference Schools 28E Retention Pool Trust, an Iowa Code Chapter 28E organization. The Northeast Iowa Conference School 28E Retention Pool Trust (Trust) is a local government risk-sharing pool whose members include various schools throughout northeast Iowa. The primary purpose of the Trust is to provide medical and dental benefits to the School employees and retirees, and their dependents, through a partially self-funded plan.

Each member's contributions to the Trust fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Trust's general and administrative expenses, claims, claims expenses and insurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the Trust. District contributions to the Trust for the year ended June 30, 2014 were \$1,217,054.

Payments from participating schools are the sole source for paying claims and establishing reserves for the Trust's partially self-funded programs. As of June 30, 2014, settled claims have not exceeded the risk pool or insurance company coverage.

Allamakee Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

#### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$502,118 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 10. Extraordinary Item**

During the year ended June 30, 2014 the District received insurance proceeds from EMC Insurance Company for compensation for loss of fixed assets due to a wind storm and water damage that occurred during fiscal 2013 and was not settled until fiscal year 2014.

**Note 11. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 123,502
Dropout and dropout prevention	18,590
Teacher salary supplement	2,945
Four-year old preschool state aid	67,583
Successful progression for early readers	20,863
Professional development for model core curriculum	92,897
Professional development	33,762
Market factor incentives	5,957
Teacher leadership grants	6,955
Community college equipment training	18,736
Total	<u><u>\$ 391,790</u></u>

**Note 12. Operating Leases Commitment**

The District entered into a four-year contract to lease copy machines during fiscal 2012. The remaining payments the District will make over the next three years are as follows:

<u>Year</u>	<u>Lease</u>
<u>Ending</u>	<u>Payment</u>
<u>June 30,</u>	
2015	\$ 18,612
2016	17,061
Total	<u><u>\$ 35,673</u></u>

**Note 13. 28E Agreement and Ground Lease with Northeast Iowa Community Action Corporation.**

In January 2000, the District entered into a 28E agreement with the Northeast Iowa Community Action Corporation to construct a Family Service Center on the real property owned by the District, financed, constructed and operated by the Northeast Iowa Community Action Corporation for the purpose of jointly providing the facility for use by citizens within county. This agreement shall remain in effect for fifty years. The lease term may be extended at the rental rate set every ten successive year periods.

The Northeast Iowa Community Action Corporation agrees to use the leased property of the District only as a Family Service Center and to provide, preschool education, daycare for children, family and individual counseling, special education, and head-start programs. The corporation pays the District \$10 per year for rent of District grounds.

The District agrees to pay the Northeast Iowa Community Action Corporation rent of \$1,003.94 per month for subleasing of 2,514 square feet of the Family Service Center. The total rental payment over 40 years was calculated at \$85.70 per square foot for an overall cost of \$215,475 at an interest rate of 4.75 percent as amended in July 2001.

These lease expenditures are currently paid by the District out of the Capital Projects: Physical Plant and Equipment Levy Fund.

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

Reconciliation of certain governmental fund balances to net position is the following:

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	497,130	6,028,373	5,633,353
Net investment in capital assets	14,379,287	-	-	-
General obligation bond capitalized indebtedness	(6,849,304)	-	-	-
Escrow balance for crossover refunding bonds	-	-	(6,015,696)	-
Termination benefits	-	(198,000)	-	-
Accrued interest payable	-	-	(12,677)	(52,085)
Income surtax	-	-	-	467,659
Compensated absences	-	-	-	(20,298)
Net OPEB liability	-	-	-	(457,490)
Net position (Exhibit A)	\$ 7,529,983	299,130	-	5,571,139

**Note 15. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to 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.

## **Required Supplementary Information**

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
<b>Revenues:</b>						
Local sources	\$ 5,976,482	393,959	6,370,441	7,359,330	7,359,330	(988,889)
State sources	7,762,288	5,690	7,767,978	6,526,963	6,526,963	1,241,015
Federal sources	1,377,559	467,218	1,844,777	1,355,000	1,355,000	489,777
<b>Total revenues</b>	<b>15,116,329</b>	<b>866,867</b>	<b>15,983,196</b>	<b>15,241,293</b>	<b>15,241,293</b>	<b>741,903</b>
<b>Expenditures/Expenses:</b>						
Instruction	7,820,908	45,893	7,866,801	8,195,000	8,195,000	328,199
Support services	4,674,521	46,699	4,721,220	4,640,500	4,975,000	253,780
Non-instructional programs	3,036	751,271	754,307	893,500	893,500	139,193
Other expenditures	1,614,831	-	1,614,831	2,273,460	2,273,460	658,629
<b>Total expenditures/expenses</b>	<b>14,113,296</b>	<b>843,863</b>	<b>14,957,159</b>	<b>16,002,460</b>	<b>16,336,960</b>	<b>1,379,801</b>
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,003,033	23,004	1,026,037	(761,167)	(1,095,667)	2,121,704
Other financing sources, net	142,054	-	142,054	500	500	141,554
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,145,087	23,004	1,168,091	(760,667)	(1,095,167)	2,263,258
Balance beginning of year	14,871,085	878,599	15,749,684	8,749,865	8,749,865	6,999,819
Balance end of year	\$ 16,016,172	901,603	16,917,775	7,989,198	7,654,698	9,263,077

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$334,500.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 909,845	\$ 909,845	0.0 %	6,085,000	14.95%
2010	July 1, 2008	-	889,333	889,333	0.0	5,775,000	15.40%
2011	July 1, 2010	-	767,054	767,054	0.0	6,160,000	12.45%
2012	July 1, 2010	-	726,460	726,460	0.0	5,370,000	13.53%
2013	July 1, 2012	-	704,620	704,620	0.0	5,472,000	12.88%
2014	July 1, 2012	-	683,473	683,473	0.0	5,600,000	12.20%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

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

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 490,379	119,688	610,067
Receivables:			
Property tax:			
Delinquent	7,083	-	7,083
Succeeding year	500,001	-	500,001
<b>TOTAL ASSETS</b>	<b>\$ 997,463</b>	<b>119,688</b>	<b>1,117,151</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 332	3,243	3,575
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	500,001	-	500,001
Fund balances:			
Restricted for:			
Management levy purposes	497,130	-	497,130
Student activities	-	116,445	116,445
Total fund balances	497,130	116,445	613,575
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 997,463</b>	<b>119,688</b>	<b>1,117,151</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 500,941	-	500,941
Other	11,809	239,297	251,106
State sources	330	-	330
<b>TOTAL REVENUES</b>	<b>513,080</b>	<b>239,297</b>	<b>752,377</b>
 <b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	157,026	-	157,026
Other	-	239,713	239,713
Support services:			
Student	3,880	-	3,880
Instructional staff	2,446	-	2,446
Administration	9,025	-	9,025
Operation and maintenance of plant	108,816	-	108,816
Transportation	31,159	-	31,159
Non-instructional programs:			
Food service operations	3,036	-	3,036
<b>TOTAL EXPENDITURES</b>	<b>315,388</b>	<b>239,713</b>	<b>555,101</b>
 Change in fund balances	197,692	(416)	197,276
 Fund balances beginning of year	299,438	116,861	416,299
 Fund balances end of year	<b>\$ 497,130</b>	<b>116,445</b>	<b>613,575</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,802,669	1,245,277	3,047,946
Receivables:			
Property tax:			
Delinquent	-	2,314	2,314
Succeeding year	-	193,285	193,285
Income surtax	-	467,659	467,659
Accounts	-	393	393
Due from other governments	326,466	14,759	341,225
<b>TOTAL ASSETS</b>	<b>\$ 2,129,135</b>	<b>1,923,687</b>	<b>4,052,822</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	42,797	42,797
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year	-	193,285	193,285
Income surtax	-	467,659	467,659
Total deferred inflows of resources	-	660,944	660,944
Fund balances:			
Restricted for:			
School infrastructure	2,129,135	-	2,129,135
Physical plant and equipment	-	1,219,946	1,219,946
Total fund balances	2,129,135	1,219,946	3,349,081
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,129,135</b>	<b>1,923,687</b>	<b>4,052,822</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT  
 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
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ -	696,987	696,987
Other	10,582	14,890	25,472
State sources	1,058,728	108	1,058,836
Federal sources	-	14,759	14,759
<b>TOTAL REVENUES</b>	<b>1,069,310</b>	<b>726,744</b>	<b>1,796,054</b>
<b>EXPENDITURES:</b>			
Current:			
Support services:			
Instructional staff	-	25,395	25,395
Operation and maintenance of plant	-	12,047	12,047
Transportation	-	165,674	165,674
Capital outlay	-	239,396	239,396
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>442,512</b>	<b>442,512</b>
Excesss of revenues over expenditures	1,069,310	284,232	1,353,542
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfer out	(500,250)	-	(500,250)
Compensation for loss of capital assets	-	16,999	16,999
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>(500,250)</b>	<b>16,999</b>	<b>(483,251)</b>
Change in fund balances	569,060	301,231	870,291
Fund balances beginning of year	1,560,075	918,715	2,478,790
Fund balances end of year	<b>\$ 2,129,135</b>	<b>1,219,946</b>	<b>3,349,081</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
<b>JUNIOR HIGH:</b>					-
DRAMA	\$ 1,142	298	310	-	1,130
BOYS ATHLETICS	-	1,543	522	-	1,021
BOYS BASKETBALL	-	1,677	1,677	-	-
BOYS FOOTBALL	(269)	3,773	3,504	-	-
BOYS TRACK	20	1,541	1,561	-	-
BOYS CROSS COUNTRY	219	-	219	-	-
BOYS WRESTLING	560	326	886	-	-
GIRLS ATHLETICS	3,094	1,312	2,400	-	2,006
GIRLS BASKETBALL	96	1,868	1,964	-	-
GIRLS VOLLEYBALL	-	3,433	3,433	-	-
GIRLS TRACK	400	1,314	1,714	-	-
GIRLS CROSS COUNTRY	233	-	233	-	-
ANNUAL	13	1,715	1,728	-	-
CHEERLEADERS	223	-	24	-	199
JUICE MACHINE	35	-	35	-	-
STUDENT COUNCIL	3,068	12,087	14,082	-	1,073
<b>HIGH SCHOOL:</b>					-
REWARDS CLUB	320	-	-	-	320
DRAMA	6,503	894	1,318	-	6,079
MUSICAL	8,994	5,636	6,865	-	7,765
BOYS ATHLETICS	10,859	18,839	7,955	-	21,743
BOYS BASKETBALL	6,491	5,665	4,322	(3,499)	4,335
BOYS FOOTBALL	6,688	22,280	15,050	(5,498)	8,420
BOYS BASEBALL	53	6,791	9,953	5,501	2,392
BOYS TRACK	-	1,656	3,523	3,000	1,133
BOYS CROSS COUNTRY	-	380	510	500	370
BOYS GOLF	16	702	573	501	646
GIRLS ATHLETICS	11,919	15,736	8,610	-	19,045
GIRLS BASKETBALL	15,494	8,756	7,904	(10,000)	6,346
GIRLS VOLLEYBALL	5,184	8,347	3,537	(4,500)	5,494
VOLLEYBALL CLUB	1,208	-	1,208	-	-
GIRLS SOFTBALL	206	4,106	8,681	5,501	1,132
GIRLS TRACK	-	1,343	4,041	4,000	1,302
GIRLS CROSS COUNTRY	-	2,917	2,855	500	562
GIRLS GOLF	-	404	502	500	402
ANNUAL	3,519	-	2,444	-	1,075
CHEERLEADERS	228	5,627	4,273	-	1,582
INTEREST	4,235	-	4,235	-	-
CLASS OF 2015	-	2,000	1,029	6	977
CLASS OF 2013	13	-	-	(13)	-
CLASS OF 2014	427	352	779	-	-
FBLA	4,245	21,163	24,186	-	1,222
FFA	3,731	65,225	68,810	-	146
SODA	468	234	-	-	702
NHS	208	239	324	-	123
STUDENT COUNCIL	7,452	4,853	4,863	-	7,442
SPANISH CLUB	8,733	-	-	-	8,733
<b>TOTALS</b>	<b>\$ 116,861</b>	<b>239,297</b>	<b>239,713</b>	<b>-</b>	<b>116,445</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Local sources:										
Local tax	\$ 5,021,715	6,558,599	6,312,578	5,869,330	6,022,180	5,583,011	5,385,131	5,411,110	5,010,212	5,017,715
Tuition	252,115	277,834	240,420	222,535	202,615	137,722	164,566	155,825	145,314	172,562
Other	702,652	862,436	1,029,122	875,011	755,862	895,076	915,649	1,269,568	884,658	623,274
State sources	7,762,288	6,673,542	6,832,524	6,392,328	5,638,118	6,519,253	6,584,505	6,403,794	6,202,183	6,021,701
Federal sources	1,377,559	1,130,228	1,468,677	2,002,751	1,888,971	1,412,940	1,351,558	1,679,652	1,389,472	1,160,599
<b>Total</b>	<b>\$ 15,116,329</b>	<b>15,502,639</b>	<b>15,883,321</b>	<b>15,361,955</b>	<b>14,507,746</b>	<b>14,548,002</b>	<b>14,401,409</b>	<b>14,919,949</b>	<b>13,631,839</b>	<b>12,995,851</b>
<b>Expenditures:</b>										
Instruction:										
Regular	\$ 4,985,507	4,691,837	4,427,278	4,761,936	4,707,555	5,062,049	5,560,725	5,215,421	5,131,305	5,060,832
Special	1,428,609	1,391,743	1,442,513	1,408,304	1,299,932	1,330,191	1,287,541	1,401,050	1,418,881	1,326,160
Other	1,406,792	1,535,359	1,654,929	1,640,046	1,681,795	1,460,516	1,205,521	1,222,688	1,239,289	1,299,578
Support services:										
Student	557,820	530,718	697,025	877,678	993,378	899,927	481,852	515,240	441,909	260,553
Instructional staff	563,299	391,473	369,471	995,567	396,466	363,287	410,966	504,002	430,164	618,854
Administration	1,332,579	1,168,754	1,025,815	962,961	952,085	1,072,810	1,252,387	1,212,009	1,314,717	1,151,871
Operation and maintenance of plant	1,168,161	1,076,956	957,549	990,839	983,518	1,014,977	1,049,080	956,074	944,881	844,649
Transportation	1,052,662	1,026,896	1,027,050	934,513	1,024,324	938,186	1,049,910	930,079	905,148	861,017
Non-instructional programs	3,036	2,353	1,995	1,785	1,645	-	-	-	-	-
Capital outlay	239,396	516,285	646,343	281,710	970,593	1,182,695	5,561,622	6,293,811	1,015,233	809,220
Long-term debt:										
Principal	425,000	1,410,000	398,045	382,878	367,508	347,131	336,938	310,000	-	-
Interest and fiscal charges	448,317	316,015	331,428	345,848	359,668	372,795	385,163	394,952	-	-
Other expenditures:										
AEA flow-through	502,118	481,831	483,260	544,592	541,103	497,033	487,015	473,417	455,445	450,862
<b>Total</b>	<b>\$ 14,113,296</b>	<b>14,540,220</b>	<b>13,462,701</b>	<b>14,128,657</b>	<b>14,279,570</b>	<b>14,541,597</b>	<b>19,068,720</b>	<b>19,428,743</b>	<b>13,296,972</b>	<b>12,683,596</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	67,568
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	377,037 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	22,613
			<u>467,218</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0135-G	221,157
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0135-GC	41,718
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 14	13,204
			<u>276,079</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE SAFETY GRANT)	84.215	FY 14	<u>14,759</u>
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 14	<u>705,237</u>
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 14	<u>21,513</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	<u>58,071</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 14	<u>6,512</u>
KEYSTONE AEA:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	<u>62,486</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>11,703</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
PROMOTING SAFE AND STABLE FAMILIES	93.556	FY 14	<u>848</u>
COOPERATIVE AGREEMENT TO SUPPORT COMPREHENSIVE HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS (AIDS EDUCATION)	93.938	FY 14	<u>170</u>
TOTAL			<u>\$ 1,624,596</u>

\* Includes \$62,786 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Allamakee 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 Allamakee Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Allamakee 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 Allamakee Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Allamakee 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 and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allamakee Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Allamakee Community School District's Responses to Findings

Allamakee Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Allamakee 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 controls 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 Allamakee Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2015  
Newton, Iowa

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination on Allamakee Community School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Allamakee Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Allamakee Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2015  
Newton, Iowa

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

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Program:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
  - Individual Program:
    - CFDA Number 84.287 - Twenty-First Century Community Learning Centers
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Allamakee Community School District did not qualify as a low-risk auditee.

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash in the Nutrition Fund.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Capital assets - purchasing, recording and reconciling.
- 4) School lunch program - journalizing, posting, reconciling, check preparation, mailing and recording.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

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

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10,559: Summer Food Service Program for Children  
Federal Award Year: 2014  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.287: Twenty First Century Community Learning Centers  
Federal Award Year: 2014  
U.S. Department of Education  
Passed through the Iowa Department of Education

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash in the Nutrition Fund.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Capital assets - purchasing, recording and reconciling.
- 4) School lunch program - journalizing, posting, reconciling, check preparation, mailing and recording.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

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

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted.

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

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

However, we noted that an employee on District business paid for a meal and did not provide the District a detailed receipt of the purchase. District policy 401.7 states “Reimbursement for expenses may be allowed for travel outside the school district if the employee received pre-approval for the travel. Prior to reimbursement of expenses, the employee must provide the school district with a detailed receipt, indicating the date, purpose and nature of the expense for each claim item. ”

Recommendation - The District should review its procedures regarding reimbursements for travel outside the District to ensure the District is following its policies set forth by the Board of Education.

Response - The payment of \$9.84 was made from a credit card receipt issued by the restaurant to the employee. We had the employee contact the restaurant for a more detailed receipt. Policies and procedures will be reviewed with all staff.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Tim Waters, Board Member Athletic Official	Purchased Services	\$250
Carlyn Wacker, Teacher Owner Fronts & Foto	Purchased Services	\$195
Neal Todd, Teacher Owner Supply Sales	Purchased Services	\$1,905
Ron Herman, Custodian Owner Ron Herman Lawn Spraying	Purchased Services	\$5,310

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with the teachers and custodian do not appear to represent a conflict of interest.

- IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-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 was noted.
- IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	1,560,075
Revenues:			
Sales tax revenues	\$	1,058,728	
Other local revenues		10,582	1,069,310
Total revenues			<u>2,629,385</u>
Expenditures:			
Transfer to another fund:			
Debt service fund		500,250	500,250
Ending balance			<u>\$ 2,129,135</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2014 the District reduced the following levies:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.19857	\$ 500,250