

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

JUNE 30, 2015

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Albia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Robin Haselhuhn	President	2017
Denny Amoss	Vice President	2015
Teresa Kipfer	Board Member	2015
Craig Ambrose	Board Member	2015
Loren Pence	Board Member	2015
	Resigned October 2014	
Pat Johnson	Board Member	2015
	Assigned December 2014	
Roger George	Board Member	2017
Russ Vanden Berg	Board Member	2017

School Officials

Kevin Crall	Superintendent	2015
Melissa Bauer	District Secretary/Treasurer and Business Manager	2015
Gruhn Law Firm	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albia Community School District, Albia Iowa, as of and for the year ended June 30, 2015, 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.

The financial statements of the Albia Booster Club have not been audited, and we were not engaged to audit the Booster Club financial statements as part of our audit of the Albia Community School District's basic financial statements. The Booster Club's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Booster Club's financial statements, we do not express an opinion on the discretely presented component unit.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Albia Community School District as of June 30, 2015, 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.

Emphasis of Matter

As discussed on Note 13 to the financial statements, Albia Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan, and financial statements for the discretely presented component unit on pages 7 through 16 and 46 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Albia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed an unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2016 on our consideration of Albia Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Albia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,985,610 in fiscal 2014 to \$12,215,331 in fiscal 2015, General Fund expenditures increased from \$12,162,118 in fiscal 2014 to \$12,207,419 in fiscal 2015. This resulted in a increase in the District's General Fund balance from \$1,095,065 at June 30, 2014 to a balance of \$1,102,977 at June 30, 2015, a 0.72% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in revenues from state sources. The increase in expenditures was due primarily to an increase in instruction expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan, and financial statements of the District's discretely presented component unit.

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

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

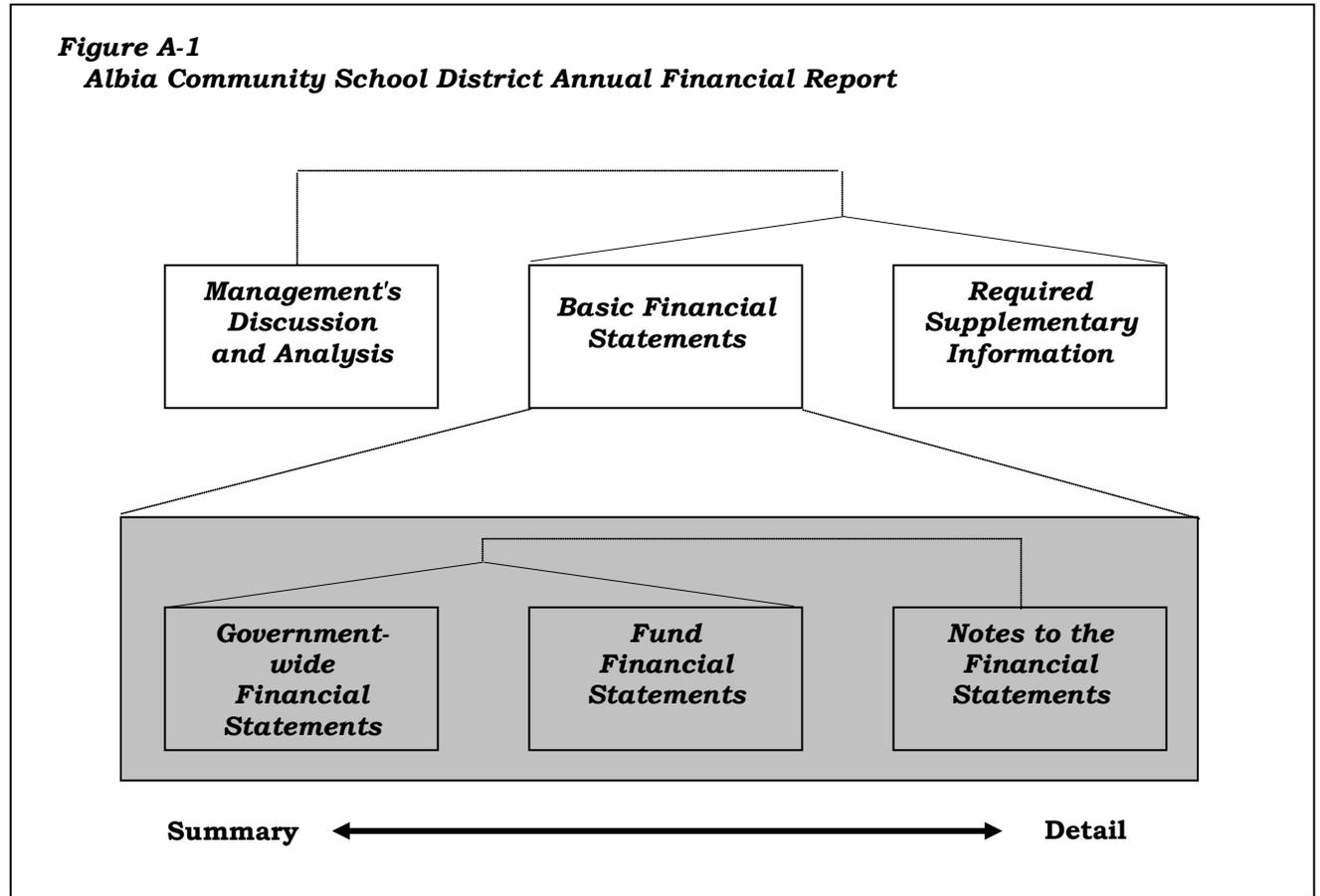


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net position and how they have changed. Net position is one way to measure the District’s financial health or financial

position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component unit*: This includes the activities of The Albia Booster Club. The District receives significant financial benefits from this component unit although it is a legally separate entity.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These

funds include the Private-Purpose Trust Fund and the Agency Fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014-15	
Current and other assets	\$ 6,939,440	6,492,891	110,546	125,152	7,049,986	6,618,043	6.53%
Capital assets	11,172,925	11,632,820	120,294	142,621	11,293,219	11,775,441	-4.10%
Total assets	18,112,365	18,125,711	230,840	267,773	18,343,205	18,393,484	-0.27%
Deferred outflows of resources	848,882	-	26,905	-	875,787	-	100.00%
Long-term liabilities	12,529,108	8,837,915	138,942	9,250	12,668,050	8,847,165	43.19%
Other liabilities	132,179	104,383	8,947	10,404	141,126	114,787	22.95%
Total liabilities	12,661,287	8,942,298	147,889	19,654	12,809,176	8,961,952	42.93%
Deferred inflows of resources	5,390,592	3,733,024	49,861	-	5,440,453	3,733,024	45.74%
Net position:							
Net investment in capital assets	3,498,925	3,487,820	120,294	142,621	3,619,219	3,630,441	-0.31%
Restricted	1,326,146	1,130,315	-	-	1,326,146	1,130,315	17.33%
Unrestricted	(3,915,703)	832,254	(60,299)	105,498	(3,976,002)	937,752	-523.99%
Total net position	\$ 909,368	5,450,389	59,995	248,119	969,363	5,698,508	-82.99%

The District’s combined net position decreased by 82.99%, or \$4,729,145, from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$195,831 or 17.33% from the prior year. The increase was primarily a result of the increase in the Capital Projects: Statewide Sales and Services Tax Fund balance.

Unrestricted net position – the part of net position that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$4,913,754, or 523.99%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$5,115,059 and \$160,918, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows or resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provided a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 426,210	360,115	329,170	326,954	755,380	687,069	9.94%
Operating grants, contributions and restricted interest	1,341,254	1,246,787	297,985	280,363	1,639,239	1,527,150	7.34%
General revenues:							
Property tax	3,735,040	3,650,457	-	-	3,735,040	3,650,457	2.32%
Income surtax	551,279	473,358	-	-	551,279	473,358	16.46%
Statewide sales, services and use tax	1,120,003	1,032,201	-	-	1,120,003	1,032,201	8.51%
Unrestricted state grants	6,800,734	6,728,222	-	-	6,800,734	6,728,222	1.08%
Unrestricted investment earnings	4,958	4,386	507	71	5,465	4,457	22.62%
Other	211,595	233,009	835	256	212,430	233,265	-8.93%
Total revenues	14,191,073	13,728,535	628,497	607,644	14,819,570	14,336,179	3.37%
Program expenses:							
Instruction	8,690,577	8,716,344	-	-	8,690,577	8,716,344	-0.30%
Support services	3,801,352	4,182,541	8,847	5,319	3,810,199	4,187,860	-9.02%
Non-instructional programs	-	13,847	646,856	629,163	646,856	643,010	0.60%
Other expenses	1,125,106	1,315,700	-	-	1,125,106	1,315,700	-14.49%
Total expenses	13,617,035	14,228,432	655,703	634,482	14,272,738	14,862,914	-3.97%
Change in net position	574,038	(499,897)	(27,206)	(26,838)	546,832	(526,735)	-203.82%
Net position beginning of year, as restated	335,330	5,950,286	87,201	274,957	422,531	6,225,243	-93.21%
Net position end of year	\$ 909,368	5,450,389	59,995	248,119	969,363	5,698,508	-82.99%

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 86.02% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$14.82 million of which \$14.19 million was for governmental activities and approximately \$0.63 million was for business type activities. As shown in Figure A-4, the District as a whole experienced an increase of 3.38% in revenues and a decrease in expenses of 2.68%. The increase in revenues was related to increases in property tax received as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$14,191,073 and expenses were \$13,617,035 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 8,690,577	8,716,344	-0.30%	7,403,815	7,572,643	-2.23%
Support services	3,801,352	4,182,541	-9.11%	3,790,549	4,172,393	-9.15%
Non-instructional	0	13,847	-100.00%	0	13,847	-100.00%
Other expenses	1,125,106	1,315,700	-14.49%	655,207	862,647	-24.05%
Totals	<u>\$ 13,617,035</u>	<u>14,228,432</u>	<u>-4.30%</u>	<u>11,849,571</u>	<u>12,621,530</u>	<u>-6.12%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$426,210.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,341,254.
- The net cost of governmental activities was financed with \$3,735,040 in property tax, \$551,279 in income surtax, \$1,120,003 in statewide sales, services and use tax, \$6,800,734 in unrestricted state grants, \$4,958 in interest income and \$211,595 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$628,497 and expenses were \$655,703. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,528,743, below last year's ending fund balances of \$2,259,331. The increase was primarily due to the continued renovation costs associated with Kendall elementary building, paid for out of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Fund balance increased from \$1,095,065 at June 30, 2014 to \$1,102,977 at June 30, 2015. The increase is attributable to decreased spending in the instruction functional area.
- The Management Levy Fund balance increased from \$340,694 at June 30, 2014 to \$457,544 at June 30, 2015, primarily due to an increase in local tax revenue received compared to the prior year.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$87,201 at June 30, 2014 to \$59,995 at June 30, 2015, representing a decrease of 31.20%.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$318,379 more than budgeted revenues, a variance of 2.22%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$11.3 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 4.10% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$700,997.

The original cost of the District's capital assets was \$17,773,905. Governmental funds account for \$17,518,652 with the remainder of \$255,253 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the Machinery and Equipment category. The District's Machinery and equipment totaled \$453,070 at June 30, 2015, compared to \$690,356 reported at June 30, 2014. This decrease resulted from the depreciation expense.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 339,716	339,716	-	-	339,716	339,716	0.00%
Construction in progress	-	-	-	-	-	-	0.00%
Buildings	9,423,171	9,371,966	-	-	9,423,171	9,371,966	0.55%
Land improvements	1,077,262	1,373,403	-	-	1,077,262	1,373,403	-21.56%
Machinery and equipment	332,776	547,735	120,294	142,621	453,070	690,356	-34.37%
Total	\$ 11,172,925	11,632,820	120,294	142,621	11,293,219	11,775,441	-4.10%

Long-Term Debt

At June 30, 2015, the District had \$12,668,050 in total long-term debt outstanding. This represents an increase of approximately 43.19% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds payable of \$7,110,000 at June 30, 2015.

The District had outstanding capital loan notes payable of \$564,000 at June 30, 2015.

The District had termination benefits payable of \$244,817 at June 30, 2015, payable from the Special Revenue, Management Levy Fund.

The District had outstanding compensated absences payable of \$41,086 at June 30, 2015, payable from the General Fund.

The District had a total net OPEB liability of \$535,275 at June 30, 2015, consisting of \$523,606 in the governmental activities and \$11,669 in the business type activities.

The District had a total net pension liability of \$4,172,872 at June 30, 2015, consisting of \$4,045,599 in the governmental activities and \$127,273 in the business type activities.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
General obligation bonds	\$ 7,110,000	7,530,000	-	-	7,110,000	7,530,000	-5.58%
Capital loan notes	564,000	615,000	-	-	564,000	615,000	-8.29%
Termination benefits	244,817	228,599	-	-	244,817	228,599	7.09%
Compensated absences	41,086	49,265	-	-	41,086	49,265	-16.60%
Net pension liability	4,045,599	-	127,273	-	4,172,872	-	100.00%
Net OPEB liability	523,606	415,051	11,669	9,250	535,275	424,301	26.15%
Total	\$ 12,529,108	8,837,915	138,942	9,250	12,668,050	8,847,165	43.19%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Melissa Bauer, District Board Secretary, Albia Community School District, 120 Benton Avenue East, Albia, Iowa, 52531.

BASIC FINANCIAL STATEMENTS

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		Component Unit	
	Governmental Activities	Business Type Activities	Total	Albia Booster Club
Assets				
Cash and pooled investments	\$ 2,145,302	75,444	2,220,746	144,105
Receivables:				
Property tax:				
Delinquent	70,324	-	70,324	-
Succeeding year	3,805,648	-	3,805,648	-
Income surtax	475,081	-	475,081	-
Accounts	17,883	-	17,883	-
Prepaid expenses	26,250	-	26,250	-
Due from other governments	398,952	1,957	400,909	-
Inventories	-	33,145	33,145	-
Capital assets, net of accumulated depreciation	11,172,925	120,294	11,293,219	-
Total assets	18,112,365	230,840	18,343,205	144,105
Deferred Outflows of Resources				
Pension related deferred outflows	848,882	26,905	875,787	-
Liabilities				
Accounts payable	110,243	1,920	112,163	-
Salaries and benefits payable	19,725	48	19,773	-
Unearned revenue	-	6,979	6,979	-
Accrued interest payable	2,211	-	2,211	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	440,000	-	440,000	-
Capital loan notes	53,000	-	53,000	-
Termination benefits	101,739	-	101,739	-
Compensated absences	41,086	-	41,086	-
Portion due after one year:				
Revenue bonds	6,670,000	-	6,670,000	-
Capital loan notes	511,000	-	511,000	-
Termination benefits	143,078	-	143,078	-
Net pension liability	4,045,599	127,273	4,172,872	-
Net OPEB liability	523,606	11,669	535,275	-
Total liabilities	12,661,287	147,889	12,809,176	-
Deferred Inflows of Resources				
Unavailable property tax revenue	3,805,648	-	3,805,648	-
Pension related deferred inflows	1,584,944	49,861	1,634,805	-
Total deferred inflows of resources	5,390,592	49,861	5,440,453	-
Net Position				
Net investment in capital assets	3,498,925	120,294	3,619,219	-
Restricted for:				
Categorical funding	147,408	-	147,408	-
School infrastructure	177,725	-	177,725	-
Physical plant and equipment	57,508	-	57,508	-
Management levy purposes	212,727	-	212,727	-
Student activities	104,760	-	104,760	-
Debt service	626,018	-	626,018	-
Unrestricted	(3,915,703)	(60,299)	(3,976,002)	144,105
Total net position	\$ 909,368	59,995	969,363	144,105

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,551,365	240,858	101,329	(5,209,178)	-	(5,209,178)	-
Special	1,095,595	40,453	187,737	(867,405)	-	(867,405)	-
Other	2,043,617	144,899	571,486	(1,327,232)	-	(1,327,232)	-
	<u>8,690,577</u>	<u>426,210</u>	<u>860,552</u>	<u>(7,403,815)</u>	<u>-</u>	<u>(7,403,815)</u>	<u>-</u>
Support services:							
Student	305,195	-	6,210	(298,985)	-	(298,985)	-
Instructional staff	368,381	-	4,559	(363,822)	-	(363,822)	-
Administration	1,314,729	-	-	(1,314,729)	-	(1,314,729)	-
Operation and maintenance of plant	1,091,628	-	-	(1,091,628)	-	(1,091,628)	-
Transportation	721,419	-	34	(721,385)	-	(721,385)	-
	<u>3,801,352</u>	<u>-</u>	<u>10,803</u>	<u>(3,790,549)</u>	<u>-</u>	<u>(3,790,549)</u>	<u>-</u>
Long-term debt interest	325,582	-	-	(325,582)	-	(325,582)	-
Other expenditures:							
AEA flowthrough	469,899	-	469,899	-	-	-	-
Depreciation(unallocated)*	329,625	-	-	(329,625)	-	(329,625)	-
	<u>799,524</u>	<u>-</u>	<u>469,899</u>	<u>(329,625)</u>	<u>-</u>	<u>(329,625)</u>	<u>-</u>
Total governmental activities	13,617,035	426,210	1,341,254	(11,849,571)	-	(11,849,571)	-
Business type activities:							
Support services:							
Operation and maintenance of plant	8,847	-	-	-	(8,847)	(8,847)	-
Non-instructional programs:							
Food service operations	646,856	329,170	297,985	-	(19,701)	(19,701)	-
Total business type activities	<u>655,703</u>	<u>329,170</u>	<u>297,985</u>	<u>-</u>	<u>(28,548)</u>	<u>(28,548)</u>	<u>-</u>
Total primary government	\$ <u>14,272,738</u>	<u>755,380</u>	<u>1,639,239</u>	<u>(11,849,571)</u>	<u>(28,548)</u>	<u>(11,878,119)</u>	<u>-</u>
Total component unit	\$ <u>226,869</u>	<u>-</u>	<u>225,676</u>				<u>(1,193)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,653,675	-	3,653,675	-
Capital outlay				81,365	-	81,365	-
Income surtax				551,279	-	551,279	-
Statewide sales, services and use tax				1,120,003	-	1,120,003	-
Unrestricted state grants				6,800,734	-	6,800,734	-
Unrestricted investment earnings				4,958	507	5,465	174
Other				211,595	835	212,430	451
Total general revenues				<u>12,423,609</u>	<u>1,342</u>	<u>12,424,951</u>	<u>625</u>
Change in net position				574,038	(27,206)	546,832	(568)
Net position beginning of year, as restated				<u>335,330</u>	<u>87,201</u>	<u>422,531</u>	<u>144,673</u>
Net position end of year				\$ <u>909,368</u>	<u>59,995</u>	<u>969,363</u>	<u>144,105</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Management Levy	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 941,167	424,418	779,717	2,145,302
Receivables:				
Property tax:				
Delinquent	61,916	6,876	1,532	70,324
Succeeding year	3,448,473	274,999	82,176	3,805,648
Income surtax	475,081	-	-	475,081
Accounts	1,255	-	17,883	19,138
Prepaid expenses	-	26,250	-	26,250
Due from other governments	223,744	-	173,953	397,697
Total assets	\$ 5,151,636	732,543	1,055,261	6,939,440
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 105,380	-	4,863	110,243
Salaries and benefits payable	19,725	-	-	19,725
Total liabilities	125,105	-	4,863	129,968
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,448,473	274,999	82,176	3,805,648
Income surtax	475,081	-	-	475,081
Total deferred inflows of resources	3,923,554	274,999	82,176	4,280,729
Fund balances:				
Restricted for:				
Categorical funding	147,408	-	-	147,408
School infrastructure	-	-	177,725	177,725
Physical plant and equipment	-	-	57,508	57,508
Management levy purposes	-	457,544	-	457,544
Student activities	-	-	104,760	104,760
Debt service	-	-	628,229	628,229
Unassigned	955,569	-	-	955,569
Total fund balances	1,102,977	457,544	968,222	2,528,743
Total liabilities, deferred inflows of resources and fund balances	\$ 5,151,636	732,543	1,055,261	6,939,440

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds(page 20)	\$	2,528,743
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		11,172,925
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,211)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 848,882	
Deferred inflows of resources	<u>(1,584,944)</u>	(736,062)
Accounts receivable income surtax is not yet available to finance expenditures of the current fiscal period and, therefore, is shown as deferred inflows of resources in the governmental funds.		475,081
Long-term liabilities, including bonds and notes payable, termination benefits payable, other postemployment benefits payable, net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(12,529,108)</u>
Net position of governmental activities(page 18)	\$	<u><u>909,368</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Manage- ment Levy	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,763,518	365,238	81,365	4,210,121
Tuition	253,087	-	-	253,087
Other	258,516	23,003	305,765	587,284
State sources	7,463,119	3,159	1,120,707	8,586,985
Federal sources	477,091	251	56	477,398
Total revenues	<u>12,215,331</u>	<u>391,651</u>	<u>1,507,893</u>	<u>14,114,875</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,351,327	45,531	11,415	5,408,273
Special	1,096,356	10,512	-	1,106,868
Other	1,727,261	-	301,114	2,028,375
	<u>8,174,944</u>	<u>56,043</u>	<u>312,529</u>	<u>8,543,516</u>
Support services:				
Student	293,351	-	-	293,351
Instructional staff	379,578	11,589	-	391,167
Administration	1,244,345	117,457	-	1,361,802
Operation and maintenance of plant	990,271	81,565	-	1,071,836
Transportation	575,431	8,147	40,546	624,124
	<u>3,482,976</u>	<u>218,758</u>	<u>40,546</u>	<u>3,742,280</u>
Capital outlay	-	-	292,667	292,667
Long-term debt:				
Principal	-	-	471,000	471,000
Interest and fiscal charges	-	-	326,101	326,101
	<u>-</u>	<u>-</u>	<u>797,101</u>	<u>797,101</u>
Other expenditures:				
AEA flowthrough	469,899	-	-	469,899
Total expenditures	<u>12,127,819</u>	<u>274,801</u>	<u>1,442,843</u>	<u>13,845,463</u>
Excess of revenues over expenditures	87,512	116,850	65,050	269,412
Other financing sources(uses):				
Transfer in	-	-	797,130	797,130
Transfer out	(79,600)	-	(717,530)	(797,130)
Total other financing sources(uses)	<u>(79,600)</u>	<u>-</u>	<u>79,600</u>	<u>-</u>
Change in fund balances	7,912	116,850	144,650	269,412
Fund balances beginning of year	1,095,065	340,694	823,572	2,259,331
Fund balances end of year	<u>\$ 1,102,977</u>	<u>457,544</u>	<u>968,222</u>	<u>2,528,743</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds(page 22) \$ 269,412

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

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

Capital outlay	\$ 220,319	
Depreciation expense	<u>(680,214)</u>	(459,895)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 471,000

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. 519

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 76,198

The current year district employer share of IPERS contribution are reported as expenditures in the governmental funds, but are reported as s deferred outflows of resources in the Statement of Net Position. 626,373

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

Compensated absences	8,179	
Termination benefits	(16,218)	
Pension expense	(292,975)	
Other postemployment benefits	<u>(108,555)</u>	<u>(409,569)</u>

Changes in net position of governmental activities(page 19) \$ 574,038

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 75,444
Due from other governments	1,957
Inventories	33,145
Total current assets	110,546
Noncurrent assets:	
Capital assets, net of accumulated depreciation	120,294
Total assets	230,840
 Deferred outflows of Resources	
Pension related deferred outflows	26,905
 Liabilities	
Current liabilities:	
Accounts payable	1,920
Salary and Benefits payable	48
Unearned revenue	6,979
Total current liabilities	8,947
Noncurrent liabilities:	
Net pension liability	127,273
Net OPEB liability	11,669
Total liabilities	147,889
 Deferred inflows of Resources	
Pension related deferred inflows	49,861
 Net Position	
Net investment in capital assets	120,294
Unrestricted	(60,299)
Total net position	\$ 59,995

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 329,170
Miscellaneous	835
Total operating revenues	330,005
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	8,847
Non-instructional programs:	
Food service operations:	
Salaries	231,759
Benefits	60,828
Services	5,900
Supplies	326,042
Depreciation	20,783
Total operating expenses	654,159
Operating loss	(324,154)
Non-operating revenues (expenses)	
Loss on Disposal	(1,544)
Interest	507
State sources	4,189
Federal sources	293,796
Total non-operating revenues (expenses)	296,948
Change in net position	(27,206)
Net position beginning of year, as restated	87,201
Net position end of year	\$ 59,995

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 331,548
Cash received from miscellaneous operating activities	835
Cash payments to employees for services	(300,809)
Cash payments to suppliers for goods or services	(320,373)
Net cash used in operating activities	(288,799)
Cash flows from non-capital financing activities:	
State grants received	4,189
Federal grants received	256,767
Net cash provided by non-capital financing activities	260,956
Cash flows from investing activities:	
Interest on investments	507
Net decrease in cash and pooled investments	(27,336)
Cash and pooled investment at beginning of year	102,780
Cash and pooled investment at end of year	\$ 75,444
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (324,154)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	35,072
Depreciation	20,783
Increase in inventories	(12,087)
Decrease in accounts receivable	1,314
Decrease in accounts payable	(2,569)
Increase in salaries and benefits payable	48
Decrease in net pension liability	(52,397)
Increase in deferred outflows of resources	(8,153)
Increase in deferred inflows of resources	49,861
Increase in unearned revenue	1,064
Increase in other postemployment benefits	2,419
Net cash used in operating activities	\$ (288,799)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received Federal commodities valued at \$35,072.

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 72,191	48,844
Accounts receivable	17,618	160
Due from other governments	-	56,468
Total assets	89,809	105,472
Liabilities		
Excess of warrants over bank balance	17,618	56,468
Accounts payable	-	40,565
Due to other groups	-	8,439
Total liabilities	17,618	105,472
Net Position		
Reserved for scholarships	54,735	-
Unrestricted	17,456	-
Total net position	\$ 72,191	-

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 72
Donations	22,019
Total additions	<u>22,091</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>29,118</u>
Support services:	
Community service operations:	
Services	39
Other	35
Total deductions	<u>29,192</u>
Change in net position	(7,101)
Net position beginning of year	<u>79,292</u>
Net position end of year	<u><u>\$ 72,191</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Albia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Albia, Lovilia and Melrose, Iowa, and the predominate agricultural territory in Monroe and Appanoose Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Albia Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

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

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

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period (s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unorganized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Pensions - For purpose of measuring the net pension liability , deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to /deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized and an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investment.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments at June 30, 2015.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	717,530
Debt Service	General	79,600
Total		<u>\$ 797,130</u>

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

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

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 339,716	-	-	339,716
Total capital assets not being depreciated	339,716	-	-	339,716
Capital assets being depreciated:				
Buildings	13,581,336	84,689	-	13,666,025
Land improvements	1,966,349	-	162,808	1,803,541
Machinery and equipment	1,573,740	135,630	-	1,709,370
Total capital assets being depreciated	17,121,425	220,319	162,808	17,178,936
Less accumulated depreciation for:				
Buildings	4,209,370	33,484	-	4,242,854
Land improvements	592,946	296,141	162,808	726,279
Machinery and equipment	1,026,005	350,589	-	1,376,594
Total accumulated depreciation	5,828,321	680,214	162,808	6,345,727
Total capital assets being depreciated, net	11,293,104	(459,895)	-	10,833,209
Governmental activities capital assets, net	\$ 11,632,820	(459,895)	-	11,172,925
Business type activities:				
Machinery and equipment	\$ 257,232	-	1,979	255,253
Less accumulated depreciation	114,531	20,783	355	134,959
Business type activities capital assets, net	\$ 142,701	(20,783)	1,624	120,294
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 158,326
Other				20,194
Support services:				
Operation & maintenance of plant				3,401
Transportation				168,668
				350,589
Unallocated depreciation				329,625
Total governmental activities depreciation expense				\$ 680,214
Business type activities:				
Food service operations				\$ 20,783

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 7,530,000	-	420,000	7,110,000	440,000
Capital loan notes	615,000	-	51,000	564,000	53,000
Termination benefits	228,599	107,650	91,432	244,817	101,739
Compensated absences	49,265	41,086	49,265	41,086	41,086
Net Pension liability	5,711,142	-	1,665,543	4,045,599	-
Net OPEB liability	415,051	108,555	-	523,606	-
Total	<u>\$ 14,549,057</u>	<u>257,291</u>	<u>2,277,240</u>	<u>12,529,108</u>	<u>635,825</u>
Business type activities:					
Net Pension liability	\$ 179,670	-	52,397	127,273	-
Net OPEB liability	9,250	2,419	-	11,669	-
Total	<u>\$ 188,920</u>	<u>2,419</u>	<u>52,397</u>	<u>138,942</u>	<u>-</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of January 16, 2013			Bond Issue of June 20, 2013			Bond Issue of June 20, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	1.52 %	\$ 115,000	1,748	1.20 %	-	5,690	1.00 %	-	7,770
2017		-	-	1.20	-	5,690	1.00	110,000	7,770
2018		-	-	1.20	110,000	5,690	1.45	-	6,670
2019		-	-	1.70	-	4,370	1.45	115,000	6,670
2020		-	-	1.70	115,000	4,370	1.95	-	5,002
2021-2025		-	-	2.10	115,000	4,830	1.95-2.30	235,000	10,523
2026-2029		-	-	2.10	-	-		-	-
Total		<u>\$ 115,000</u>	<u>1,748</u>		<u>\$ 340,000</u>	<u>30,640</u>		<u>\$ 460,000</u>	<u>44,405</u>

Year Ending June 30,	Bond Issue of April 1, 2010			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	3.75%	325,000	266,232	440,000	281,440	721,440
2017	3.75%	345,000	254,045	455,000	267,505	722,505
2018	3.75%	355,000	241,108	465,000	253,468	718,468
2019	4.00%	375,000	226,908	490,000	237,948	727,948
2020	4.00%	390,000	211,908	505,000	221,280	726,280
2021-2025	4.00-4.35	2,225,000	803,023	2,575,000	818,376	3,393,376
2026-2029	4.45-4.65	2,180,000	261,272	2,180,000	261,272	2,441,272
Total		<u>\$ 6,195,000</u>	<u>2,264,496</u>	<u>7,110,000</u>	<u>2,341,289</u>	<u>9,451,289</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,000,000, \$342,550, \$340,000 and \$460,000 of bonds issued in April 2010, January 2013 and the two issues of June 2013 respectively. The bonds were issued for the purpose of financing future energy projects and new technology devices in the District. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$9,451,289. For the current year, \$420,000 in principal and \$294,626 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,120,003.

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

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

Capital Loan Notes

During the year ended June 30, 2009, the District issued Capital Loan Notes to provide funds for the energy savings project. The notes bear interest at 3.25% to 5.00% per annum and are payable from the General Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2015 are as follows:

Year Ending June 30,	Interest Rates	Capital Loan Notes dated October 1, 2008		
		Principal	Interest	Total
2016	4.20	% \$ 53,000	26,536	79,600
2017	4.35	55,000	24,310	79,536
2018	4.50	57,000	21,916	78,916
2019	4.65	60,000	19,352	79,352
2020	4.75	62,000	16,562	78,562
2021-2024	4.80-5.00	277,000	51,541	328,541
Total		\$ 564,000	160,217	724,507

Termination Benefits

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

salary on the salary schedule at the time of retirement, excluding extra duty pay extra-curricular pay, Teacher Compensation Funds or other payments not included in the salary schedule.

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

At June 30, 2015, the District had obligations to fourteen participants with a total liability of \$244,817. During the year ended June 30, 2015, \$91,432 in retirement benefits were paid. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current early retirement.

Note 6. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of

the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$646,278.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$4,172,872 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.103108 percent, which was an decrease of 0.000933 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$302,191. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,351	\$ -
Changes of assumptions	184,158	-
Net difference between projected and actual earnings on pension plan investments	-	1,591,413
Changes in proportion and differences between District contributions and proportionate share of contributions	-	43,392
District contributions subsequent to the measurement date	646,278	-
Total	<u>\$ 875,787</u>	<u>\$ 1,634,805</u>

\$646,278 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of

resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (354,368)
2017	(354,368)
2018	(354,368)
2019	(354,368)
2020	12,176
	<u>\$ (1,405,296)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 7,884,524	\$ 4,172,872	\$ 1,039,853

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$1,766 for legally required employer contributions and \$1,177 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits(OPEB)

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

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 135,362
Interest on net OPEB obligation	10,608
Adjustment to annual required contribution	(24,436)
Annual OPEB cost	<u>121,534</u>
Contributions made	<u>(10,560)</u>
Increase in net OPEB obligation	110,974
Net OPEB obligation beginning of year	<u>424,301</u>
Net OPEB obligation end of year	<u>\$ 535,275</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$10,560 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	118,518	15.57%	322,269
2014	116,362	12.32%	424,301
2015	121,534	8.69%	535,275

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$923,187, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$923,187. The covered payroll (annual payroll of active employees covered by the plan) was \$6,420,802, and the ratio of the UAAL to covered payroll was 14.38%. As of June 30, 2015 there were no trust fund assets.

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

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

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

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

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

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$469,899 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Teacher Salary Supplement	\$ 73,660
Four-Year-Old Preschool State Aid	13,211
Professional Development	23,719
Professional Development for the Model Core Curriculum	36,818
Total	<u>\$ 147,408</u>

Note 11. Deficit Unrestricted/ Total Net Position

The District has a deficit unrestricted net position of \$60,299 in the Business Type Activity, Enterprise: School Nutrition Fund and a deficit unrestricted net position in its Governmental Activities of \$3,915,703 at June 30, 2015.

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

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

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	457,544	628,229	955,569
Capital assets, net of accumulated debt	11,172,925	-	-	-
Revenue bond capitalized indebtedness	(7,110,000)	-	-	-
Capital loan note indebtedness	(564,000)	-	-	-
Termination benefits payable	-	(244,817)	-	-
Accrued interest payable	-	-	(2,211)	-
Pension related deferred outflows	-	-	-	848,882
Net pension liability	-	-	-	(4,045,599)
Pension related deferred inflows	-	-	-	(1,584,944)
Income surtax	-	-	-	475,081
Compensated absences	-	-	-	(41,086)
Net OPEB liability	-	-	-	(523,606)
Net position (Exhibit A)	<u>\$ 3,498,925</u>	<u>212,727</u>	<u>626,018</u>	<u>(3,915,703)</u>

Note 13. Prospective Accounting Change

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 2,259,331	\$ 248,119
Net pension liability at June 30, 2014	(5,711,142)	(179,670)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	596,083	18,752
Net position July 1, 2014, as restated	<u>\$ (2,855,728)</u>	<u>\$ 87,201</u>

REQUIRED SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual			Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 5,050,492	330,512	5,381,004	6,074,349	6,074,349	(693,345)
State sources	8,586,985	4,189	8,591,174	7,685,644	7,685,644	905,530
Federal sources	477,398	293,796	771,194	665,000	665,000	106,194
Total revenues	14,114,875	628,497	14,743,372	14,424,993	14,424,993	318,379
Expenditures/Expenses:						
Instruction	8,543,516	-	8,543,516	8,250,000	8,550,000	6,484
Support services	3,742,280	8,847	3,751,127	3,999,100	3,999,100	247,973
Non-instructional programs	-	646,856	646,856	628,000	665,000	18,144
Other expenditures	1,559,667	-	1,559,667	1,674,724	1,674,724	115,057
Total expenditures/expenses	13,845,463	655,703	14,501,166	14,551,824	14,888,824	387,658
Excess (Deficiency) of revenues over (under) expenditures/expenses	269,412	(27,206)	242,206	(126,831)	(463,831)	706,037
Other financing sources, net	-	-	-	1,280	1,280	(1,280)
Deficiency of revenues and other financing sources under expenditures/expenses	269,412	(27,206)	242,206	(125,551)	(462,551)	704,757
Balances beginning of year, as restated	2,259,331	87,201	2,346,532	2,306,866	2,306,866	39,666
Balances end of year	\$ 2,528,743	59,995	2,588,738	2,181,315	1,844,315	744,423

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$337,000.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.103108%
District's proportionate share of the net pension liability	\$ 4,172,872
District's covered-employee payroll	\$ 7,237,154
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.66%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 646,278	615,197	583,411	531,486	434,326	436,421	407,179	371,900	333,648	322,160
Contributions in relation to the statutorily required contribution	(646,278)	(615,197)	(583,411)	(531,486)	(434,326)	(436,421)	(407,179)	(371,900)	(333,648)	(322,160)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 7,237,154	6,889,104	6,729,077	6,585,948	6,249,295	6,279,439	6,412,268	6,147,107	5,802,574	5,602,783
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT SUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 806,700	\$ 806,700	0.00%	\$ 5,916,252	13.64%
2011	July 1, 2009	0	806,700	806,700	0.00%	5,597,064	14.41%
2012	July 1, 2009	0	806,700	806,700	0.00%	5,283,939	15.27%
2013	July 1, 2012	0	956,266	956,266	0.00%	6,110,593	15.65%
2014	July 1, 2012	0	954,114	954,114	0.00%	6,113,448	15.61%
2015	July 1, 2012	0	923,187	923,187	0.00%	6,420,802	14.38%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 NET POSITION - CASH BASIS -
 DISCRETE COMPONENT UNIT
 JUNE 30, 2015

	Albia Booster Club
Assets	
Cash and pooled investments	\$ 144,105
Liabilities	
	-
Net Position	
Unrestricted	\$ 144,105

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES AND EXPENSES
 AND CHANGES IN NET POSITION - CASH BASIS -
 DISCRETE COMPONENT UNIT
 YEAR ENDED JUNE 30, 2015

	Albia Booster Club
Revenues:	
Interest	\$ 174
Membership dues	5,224
Concessions	57,522
Athletics	147,857
Other	15,524
Total revenues	226,301
Expenses:	
Athletics	173,615
Concessions	34,015
Other	19,239
Total expenses	226,869
Change in net position	(568)
Net position beginning of year	144,673
Net position end of year	\$ 144,105

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue			
	Student Activity	Debt Service	Capital Projects	Total
Assets				
Cash and pooled investments	\$ 88,819	628,229	62,669	779,717
Property tax:				
Delinquent	-	-	1,532	1,532
Succeeding year	-	-	82,176	82,176
Accounts receivable	17,883	-	-	17,883
Due from other governments	-	-	173,953	173,953
Total assets	\$ 106,702	628,229	320,330	1,055,261
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,942	-	2,921	4,863
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	82,176	82,176
Fund balances:				
Restricted for:				
Student activities	104,760	-	-	104,760
Debt service	-	628,229	-	628,229
School infrastructure	-	-	177,725	177,725
Physical plant and equipment	-	-	57,508	57,508
Total fund balances	104,760	628,229	235,233	968,222
Total liabilities, deferred inflows of resources and fund balances	\$ 106,702	628,229	320,330	1,055,261

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	<u>Special Revenue</u>			
	Student Activity	Debt Service	Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	-	81,365	81,365
Other	304,987	-	778	305,765
State sources	-	-	1,120,707	1,120,707
Federal sources	-	-	56	56
Total revenues	304,987	-	1,202,906	1,507,893
Expenditures:				
Current:				
Instruction:				
Regular	-	-	11,415	11,415
Other	301,114	-	-	301,114
Support services:				
Transportation	-	-	40,546	40,546
Capital outlay	-	-	292,667	292,667
Long-term debt:				
Principal	-	471,000	-	471,000
Interest and fiscal charges	-	326,101	-	326,101
Total expenditures	301,114	797,101	344,628	1,442,843
Excess(Deficiency) of revenues over (under) expenditures	3,873	(797,101)	858,278	65,050
Other financing sources(uses):				
Transfer in	-	797,130	-	797,130
Transfers out	-	-	(717,530)	(717,530)
Total other financing sources(uses)	-	797,130	(717,530)	79,600
Change in fund balances	3,873	29	140,748	144,650
Fund balances beginning of year	100,887	628,200	94,485	823,572
Fund balances end of year	\$ 104,760	628,229	235,233	968,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 6,693	55,976	62,669
Receivables:			
Property tax:			
Delinquent	-	1,532	1,532
Succeeding year	-	82,176	82,176
Due from other governments	173,953	-	173,953
Total assets	\$ 180,646	139,684	320,330
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,921	-	2,921
Total liabilities	2,921	-	2,921
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	82,176	82,176
Fund balances:			
Restricted for:			
School infrastructure	177,725	-	177,725
Physical plant and equipment	-	57,508	57,508
Total fund balances	177,725	57,508	235,233
Total liabilities, deferred inflows of resources and fund balances	\$ 180,646	139,684	320,330

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	81,365	81,365
Other	778	-	778
State sources	1,120,003	704	1,120,707
Federal Source	-	56	56
Total revenues	<u>1,120,781</u>	<u>82,125</u>	<u>1,202,906</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	11,415	-	11,415
Support services:			
Transportation	-	40,546	40,546
Capital outlay	271,934	20,733	292,667
Total expenditures	<u>283,349</u>	<u>61,279</u>	<u>344,628</u>
Excess(Deficiency) of revenues over(under) expenditures	837,432	20,846	858,278
Other financing sources(uses):			
Transfer out	(717,530)	-	(717,530)
Total other financing sources(uses)	<u>(717,530)</u>	<u>-</u>	<u>(717,530)</u>
Change in fund balances	119,902	20,846	140,748
Fund balances beginning of year	<u>57,823</u>	<u>36,662</u>	<u>94,485</u>
Fund balances end of year	<u>\$ 177,725</u>	<u>57,508</u>	<u>235,233</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2015

	Lizzie					
	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Alexander Trust	Pepsi Scholarship	Mick Scholarship
Assets						
Cash and pooled investments	\$ 18,377	8,053	3,312	25,797	550	-
Accounts receivable	-	-	-	-	-	17,618
Total assets	18,377	8,053	3,312	25,797	550	17,618
Liabilities						
Warrant issued in excess of bank balance	-	-	-	-	-	17,618
Net Position						
Held in trust for scholarships	18,158	7,500	3,312	25,765	-	-
Unrestricted	219	553	-	32	550	-
Total net position	\$ 18,377	8,053	3,312	25,797	550	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Hope Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Albia Alumni Scholarship	Student Activity Scholarships	Annual Scholarship	Total
403	9,927	3,472	500	250	1,550	72,191
-	-	-	-	-	-	17,618
403	9,927	3,472	500	250	-	89,809
-	-	-	-	-	-	17,618
-	-	-	-	-	-	54,735
403	9,927	3,472	500	250	1,550	17,456
403	9,927	3,472	500	250	1,550	72,191

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2015

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Pepsi Scholarship	Hope Scholarship
Additions:						
Local sources:						
Interest income	\$ -	-	4	68	-	-
Donations	-	-	1	-	1,000	-
Total additions	-	-	5	68	1,000	-
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	24	100	200	-	300	-
Support services:						
Community service operations:						
Services	-	-	-	39	-	-
Other	-	-	-	35	-	-
	-	-	-	74	-	-
Total deductions	24	100	200	74	300	-
Change in net position	(24)	(100)	(195)	(6)	700	-
Net position beginning of year	18,401	8,153	3,507	25,803	(150)	403
Net position end of year	\$ 18,377	8,053	3,312	25,797	550	403

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

Frances Edgington Scholarship	Anonymous Annuity	Class of 1933 Scholarship	Albia Alumni Scholarship	Student Activity Scholarships	Women for Progression of STEM	Annual Scholarship	Mick Scholarship	Total
-	-	-	-	-	-	-	-	72
-	-	-	500	1,350	-	1,550	17,618	22,019
-	-	-	500	1,350	-	1,550	17,618	22,091
1,500	4,976	100	-	2,100	2,200	-	17,618	29,118
-	-	-	-	-	-	-	-	39
-	-	-	-	-	-	-	-	35
-	-	-	-	-	-	-	-	74
1,500	4,976	100	-	2,100	2,200	-	17,618	29,192
(1,500)	(4,976)	(100)	500	(750)	(2,200)	1,550	-	(7,101)
11,427	8,448	100	-	1,000	2,200	-	-	79,292
9,927	3,472	-	500	250	-	1,550	-	72,191

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 9,216	205,371	165,743	48,844
Accounts receivable	-	160	-	160
Due from other governments	60,740	113,088	117,360	56,468
Total assets	\$ 69,956	318,619	283,103	105,472
Liabilities				
Excess of warrants over Bank Balance	\$ 20,000	56,468	20,000	56,468
Accounts payable	40,826	40,565	40,826	40,565
Due to other governments	-	70,376	70,376	-
Due to other groups	9,130	83,655	84,346	8,439
Total liabilities	\$ 69,956	251,064	215,548	105,472

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High school athletics	\$ 13,329	185,445	194,264	4,510
7th/8th grade athletics	1,800	7,708	6,847	2,661
HS Speech	-	840	267	573
HS Pop/Show Choir	1,741	1,419	1,403	1,757
HS Football	1,283	-	-	1,283
HS Drama	3,357	3,463	5,113	1,707
JH Drama	966	763	278	1,451
Vocal Music	349	-	-	349
Band	918	2,716	1,223	2,411
HS Milk for Athletes	2,554	1,290	1,798	2,046
HS Class of 2013	1,023	-	-	1,023
HS Class of 2015	2,436	2,546	3,489	1,493
HS Class of 2016	2,169	1,396	2,265	1,300
HS Class of 2017	555	-	46	509
HS Class of 2018	-	1,031	62	969
HS FFA	500	34,538	32,274	2,764
HS FFA Greenhouse	1,893	4,456	6,248	101
FFA Trip Account	702	4,598	695	4,605
HS National Honor Society	2,535	3,611	3,373	2,773
HS Student Council	3,823	10,635	8,772	5,686
JH Student Council	12,907	22,311	21,370	13,848
JH Magazine Sales	10,718	895	1,429	10,184
HS Interest Account	2,086	-	-	2,086
HS FCCLA	901	456	358	999
HS Mass Media	941	-	-	941
HS Art Club	1,736	212	232	1,716
JH Art Club	205	-	-	205
HS Ascape Club	619	140	-	759
HS International Club	1,519	702	496	1,725
HS Yearbook	23,556	10,985	6,206	28,335
HS Principal Student Advisory	1,083	-	-	1,083
HS Blue Pride	1,117	440	300	1,257
HS Student Advisory Club	1,341	2,391	2,306	1,426
HS Academic Team	225	-	-	225
Total	\$ 100,887	304,987	301,114	104,760

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 4,210,121	4,125,551	4,812,434	4,543,028	4,556,238	4,292,276	4,269,650	3,988,298	3,917,887	3,951,152
Tuition	253,087	175,701	198,686	196,852	281,619	182,691	195,003	232,280	204,936	210,231
Other	587,284	602,661	556,494	602,407	614,693	524,273	608,966	465,750	546,839	587,492
State sources	8,586,985	8,394,789	7,010,780	7,033,193	6,604,913	5,826,231	6,334,640	6,537,204	6,094,941	6,079,697
Federal sources	477,398	431,569	409,814	689,881	1,004,132	1,137,096	567,500	389,845	468,729	323,229
Total	\$ 14,114,875	13,730,271	12,988,208	13,065,361	13,061,595	11,962,567	11,975,759	11,613,377	11,233,332	11,151,801
Expenditures:										
Instruction:										
Regular	\$ 5,408,273	5,380,173	5,401,720	5,089,808	4,782,136	5,100,936	5,081,393	4,402,344	4,303,385	4,003,087
Special	1,106,868	1,103,949	1,080,581	954,871	980,121	1,494,686	1,551,960	1,241,840	1,413,475	1,455,258
Other	2,028,375	1,900,687	1,881,843	1,720,584	1,702,482	1,014,212	1,084,846	1,533,156	1,393,853	1,391,063
Support services:										
Student	293,351	283,227	376,870	409,221	353,507	337,352	329,261	326,793	293,144	266,405
Instructional staff	391,167	416,308	376,236	338,002	323,872	295,815	276,874	312,518	128,962	140,091
Administration	1,361,802	1,304,995	1,202,950	1,181,251	1,108,076	1,154,757	1,083,639	1,113,779	1,103,978	1,055,302
Operation and maintenance of plant	1,071,836	1,221,046	1,069,426	1,014,465	928,608	902,534	873,358	936,951	891,349	811,743
Transportation	624,124	739,310	724,691	711,976	757,304	645,356	602,152	652,602	528,322	508,069
Other support	-	-	-	-	-	-	-	-	-	7,720
Non-instructional:										
Food service operations	-	13,847	14,854	13,687	12,123	10,530	11,542	10,453	7,524	-
Capital outlay	292,667	1,400,347	1,387,726	1,774,749	4,668,152	1,129,234	2,046,905	919,438	674,741	301,292
Long Term Debt:										
Principal	471,000	461,550	467,000	371,000	149,000	43,000	-	-	45,000	380,000
Interest	326,101	339,855	341,481	491,302	277,287	49,992	24,579	-	1,412	8,253
Other expenditures:										
AEA flow-through	469,899	453,053	431,042	420,468	459,303	453,944	407,689	402,198	379,098	369,055
Total	\$ 13,845,463	15,018,347	14,756,420	14,491,384	16,501,971	12,632,348	13,374,198	11,852,072	11,164,243	10,697,338

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	48,230
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	241,690
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	1,957
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 15	1,919
			<u>293,796</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-G	168,183
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-GC	19,161
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 15	22,078
			<u>209,422</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 15	<u>56,183</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	<u>5,710</u>
GREAT PRARIE AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 15	<u>55,724</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>15,278</u>
ASSISTANCE PROGRAM FOR CHRONIC DISEASE PREVENTION AND CONTROL	93.945	FY 15	<u>500</u>
TOTAL			<u>\$ 636,613</u>

* Includes \$35,072 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albia Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 1, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 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. We consider the deficiency described in part II of the accompanying schedule Of Findings and Questioned Cost as items II-B-15 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Albia Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2016
Newton, Iowa

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

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

To the Board of Education of
Albia Community School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Albia Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Albia Community School District's major federal programs for the year ended June 30, 2015. Albia Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Albia Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2016
Newton, Iowa

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Individual:
 - CFDA Number 84.010 - Title I Grant to Local Educational Agencies
 - CFDA Number 84.010 - Title I Schools in Need of Assistance
 - Clustered:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program for Children
 - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Albia Community School District did not qualify as a low-risk auditee.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Capital assets - purchasing, recording and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recordkeeping, preparation, and posting.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - The District has re-aligned job functions and continues to cross-train Central Office personnel to perform the various functions throughout the office. Duties are being distributed so no one person handles every aspect of the transaction and all transactions are verified by at least one other staff member in the office. An additional staff member from an outlying office is also being trained to assist with daily duties to improve the segregation situation.

Conclusion - Response accepted.

II-B-15 Payroll Contract – We noted during our audit that the District did not hold a final contract for the Payroll Clerk. The district issued a temporary contract but a final contract was either never issued or returned after the probationary period.

Recommendation – The District should have a valid employment contract with all employees for services performed by such employees. The District should establish procedures to ensure that current contracts are issued and documentation is maintained to support payroll.

Response - A revised final work schedule for a probationary employee was not completed during the school year. The District will ensure this is not missed again by having two employees review probationary employees and their work schedules when they are approved by the Board.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010 - Title I Schools in Need of Assistance
CFDA Number 84.010 - Title I Grant to Local Educational Agencies
Federal Award Year: 2015
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
CFDA Number 10.556 - Special Milk Program for Children
CFDA Number 10.559 - Summer Food Service Program for Children

Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of internal accounting control is the (2015-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

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

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2015

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

Response - The District has re-aligned job functions and continues to cross-train Central Office personnel to perform the various functions throughout the office. Duties are being distributed so no one person handles every aspect of the transaction and all transactions are verified by at least one other staff member in the office. An additional staff member from an outlying office is also being trained to assist with daily duties to improve the segregation situation.

Conclusion – Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, did not exceed the amounts budgeted.

IV-B-15 Questionable Disbursements –No expenditures we believe may not meet the requirements of public purpose as defined by an Attorney general’s opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie McGee, Teacher Spouse owns McGee Sanitation, LLC	Services	\$14,500
Janice Dorpinghouse, Teacher Spouse owns Ducea Motors	Supplies	\$1,386
Robin Haselhuhn, Board President Brother owns Reed Excavaion	Services	\$1,175

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

IV-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-15 Certified Enrollment – We noted that a variance in the basic enrollment data certified to the department of Education. The number of resident student overstated by 1.0. Also noted that the District did not meet certification deadline of October 15, 2014.

Recommendation – The Iowa Department of Education and the Departments of Management should be contacted to resolve this matter.

Response – The District’s auditors will contact the Iowa Department of Management on our behalf to resolve this matter.

Conclusion – Response accepted

IV-H-15 Supplementary Weighting - No variances regarding supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, 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 2015 audit:

Beginning Balance		\$	57,823
Revenues:			
Other local revenues	\$	778	
Sales tax revenue		1,120,003	1,120,781
			<u>1,178,604</u>
Expenditures/transfers out:			
School infrastructure construction		165,032	
Equipment		109,638	
Other		8,679	
Transfers to other funds:			
Debt service fund		717,530	1,000,879
			<u>1,000,879</u>
Ending Balance		\$	<u>177,725</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-M-15 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sale of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in the department of education administrative rules (298A.8).

Old Class Account - We noted during our audit the Student Activity Fund has an old graduated class account from 2013, with the balance still on the District's books as of June 30, 2015.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. The remaining moneys in the graduating class account should be reclassified to the proper fund according to the class' wishes. If unused funds are to remain in the Student Activity fund, the remaining funds should be redistributed amongst other activity fund accounts or used for startup funds for the next incoming class. Since the District is unable to determine what the wishes were for previous classes, the remaining moneys in the class accounts should be reallocated amongst the other Student Activity Fund accounts per the District's Board of Directors.

Response - The District has established that the funds left in the Class of 2013 account were to be used to make improvement at the front entrance to the High School. The original plan was delayed so the funds were not spent. The plans for a sign and information display have been finalized and the funds will be spent in the 2016 fiscal year. In future years, class accounts will be closed by the end of the following fiscal year.

Conclusion - Response accepted.

Inactive Accounts - Noted four accounts in the student activity fund that are carrying a balance with no activity in the current or prior year. We also noted that HS interest account had a balance at year end.

Recommendation - The District should evaluate that clubs to determine if the club is still inexistence or if the money should be reallocated within the student activity fund per the Board of Director advice. Interest accounts should be closed out at year end.

Response - The Board Secretary/Business Manager will review existing accounts and inactive accounts of groups and organizations no longer in existence. Any remaining balances left in these accounts will be distributed as directed by the Board of Directors.

Conclusion - Response accepted.

Questionable Revenues and Expenses: We noted Scholastic book fair revenues and expenditures in the activity fund. The revenue and expenditures related to the book fair appear to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - Scholastic book fair revenues and expenditures are instructional in nature. Revenues and expenditures for instructional supplies are more appropriately handled in the General Fund. In the future, the District should record these revenues and expenses in the General Fund.

Response - The District will process all revenues and expenditures from book fairs through the General account.

Conclusion - Response accepted.

IV-N-15 Financial Condition - The School Nutrition fund has a deficit unrestricted net position of \$60,299 at June 30, 2015. The District's governmental activities have a deficit unrestricted net position of \$3,915,703 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB statements No. 68 and No.71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No.68 and 71 will affect the District's financials moving forward.

Response - The District will provide training and information to the administration and Board of Education regarding the impact of GASB 68 on the District's finances.

Conclusion - Response accepted.