

ALBURNETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Alburnett Community School District

Officials

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District as of June 30, 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 in Note 14 to the financial statements, Alburnett Community School District adopted new accounting guidance related to Government 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 and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2016, on our consideration of Alburnett Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Alburnett Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,783,101 in fiscal year 2014 to \$6,655,415 in fiscal year 2015, while General Fund expenditures increased from \$6,004,155 in fiscal year 2014 to \$6,212,839 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from a balance of \$916,843 at June 30, 2014 to \$1,359,419 at June 30, 2015, a 48.27% increase from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local tax and state source revenue received during fiscal year 2015. The increase in expenditures can be attributed to an increase in instruction functional area expenditures incurred as compared to the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

Notes to 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.

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

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

Figure A-1
Alburnett Community School District Annual Financial Report

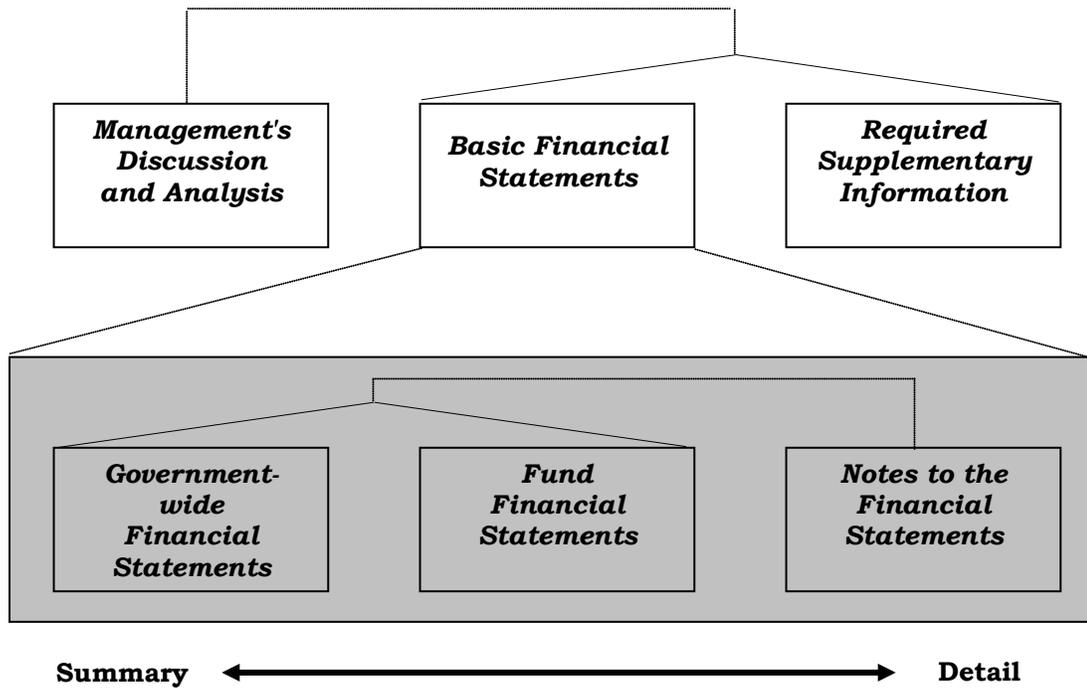


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • 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 net position 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 it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2014	2014	2014	2014	2014	2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 6,465,823	6,028,844	57,293	40,591	6,523,116	6,069,435	7.47%
Capital assets	8,999,761	8,828,846	13,322	11,714	9,013,083	8,840,560	1.95%
Total assets	15,465,584	14,857,690	70,615	52,305	15,536,199	14,909,995	4.20%
Deferred outflows of resources	398,181	-	8,759	-	406,940	-	100.00%
Long-term liabilities	4,358,025	2,986,084	44,913	-	4,402,938	2,986,084	47.45%
Other liabilities	1,126,147	1,102,058	9,592	8,354	1,135,739	1,110,412	2.28%
Total liabilities	5,484,172	4,088,142	54,505	8,354	5,538,677	4,096,496	35.21%
Deferred inflows of resources	4,145,484	3,241,753	18,613	-	4,164,097	3,241,753	28.45%
Net position:							
Net investment in capital assets	6,814,761	6,043,846	13,322	11,714	6,828,083	6,055,560	12.76%
Restricted	785,048	1,111,879	-	-	785,048	1,111,879	-29.39%
Unrestricted	(1,365,700)	372,070	(7,066)	32,237	(1,372,766)	404,307	-439.54%
Total net position	\$ 6,234,109	7,527,795	6,256	43,951	6,240,365	7,571,746	-17.58%

The District’s total net position decreased by 17.58%, or \$1,331,381, compared to the prior year. The largest portion of the District’s net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted

net position decreased \$326,831, or 29.39% from the prior year. The decrease is due in part to the decrease in the Capital Projects: Building Projects Fund balance and amounts restricted for categorical funding.

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 \$1,777,073, or 439.54%. 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 \$2,533,083 and \$58,042, 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 of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides 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
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,414,620	1,362,166	172,002	167,854	1,586,622	1,530,020	3.70%
Operating grants, contributions and restricted interest	387,439	376,440	110,868	112,759	498,307	489,199	1.86%
Capital grants, contributions and restricted interest	50,000	-	-	-	50,000	-	100.00%
General revenues:							
Property tax	3,239,152	3,056,367	-	-	3,239,152	3,056,367	5.98%
Statewide sales, services and use tax	518,053	485,340	-	-	518,053	485,340	6.74%
Unrestricted state grants	2,703,889	2,793,682	-	-	2,703,889	2,793,682	-3.21%
Unrestricted investment earnings	3,171	2,942	55	53	3,226	2,995	7.71%
Other	19,881	30,914	462	30	20,343	30,944	-34.26%
Total revenues	8,336,205	8,107,851	283,387	280,696	8,619,592	8,388,547	2.75%
Program expenses:							
Instruction	4,556,843	4,591,772	-	-	4,556,843	4,591,772	-0.76%
Support services	1,922,728	1,996,514	4,757	5,557	1,927,485	2,002,071	-3.73%
Non-instructional programs	-	-	258,283	272,949	258,283	272,949	-5.37%
Other expenses	617,237	546,151	-	-	617,237	546,151	13.02%
Total expenses	7,096,808	7,134,437	263,040	278,506	7,359,848	7,412,943	-0.72%
Change in net position	1,239,397	973,414	20,347	2,190	1,259,744	975,604	3.47%
Net position beginning of year, as restated	4,994,712	6,554,381	(14,091)	41,761	4,980,621	6,596,142	-24.49%
Net position end of year	\$ 6,234,109	7,527,795	6,256	43,951	6,240,365	7,571,746	-17.58%

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants account for 77.51% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for nearly all of business type activities revenue.

The District's total revenues were approximately \$8.62 million, of which approximately \$8.34 million was for governmental activities and approximately \$0.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.75% increase in revenues and a 0.72% decrease in expenses. The increase in revenues can be attributed in part to the increase in property tax and state source revenues. The decrease in expenses was due to a decrease in the support services expenditures incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$8,336,205 and expenses were \$7,096,808 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 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		
	June 30,		Change	June 30,		Change
	2015	2014 (Not restated)	2014-15	2015	2014 (Not restated)	2014-15
Instruction						
Support services	\$ 4,556,843	4,591,772	-0.76%	3,008,651	3,101,490	-2.99%
Other expenses	1,922,728	1,996,514	-3.70%	1,838,213	1,964,020	-6.41%
Totals	617,237	546,151	13.02%	397,885	330,321	20.45%
	<u>\$ 7,096,808</u>	<u>7,134,437</u>	<u>-0.53%</u>	<u>5,244,749</u>	<u>5,395,831</u>	<u>-2.80%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,414,620.
- Federal and state governments with other local sources subsidized certain programs with grants and contributions totaling \$437,439.
- The net cost of governmental activities was financed with \$3,239,152 in property tax, \$518,053 in statewide sales, services and use tax, \$2,703,889 in unrestricted state grants, \$3,171 in interest income and \$19,881 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$283,387 and expenses were \$263,040. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,020,846, above last year's ending fund balances of \$1,700,236. The primary reason for the increase was the improvement in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund balance increased from a \$916,843 at June 30, 2014 to \$1,359,419 at June 30, 2015. Revenues and expenditures decreased during the year ended June 30, 2015, resulting in an increase in fund balance of \$442,576.
- The Capital Projects Fund balance decreased from \$407,781 at June 30, 2014 to \$298,940 at June 30, 2015. This decrease can be attributed to decreases in the Capital Projects: Building Projects Fund and the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated deficit \$14,091 at July 1, 2014 to \$6,256 at June 30, 2015, this represents a 144.40% increase. The increase was primarily the result of decreases in expenses incurred during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$312,870 less than budgeted revenues, a variance of 3.50%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$9.01 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.95% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$604,191.

The original cost of the District's capital assets was \$11,972,532. Governmental funds account for \$11,872,673 with the remainder of \$99,859 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's improvements other than buildings was \$30,000 at June 30,

2014 compared to \$290,411 reported at June 30, 2015. This increase is attributable to planning for improvements to athletic fields and a new building addition

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	\$ 1,000	1,000	-	-	1,000	1,000	0.00%
Construction in progress	290,411	30,000	-	-	290,411	30,000	868.04%
Buildings	8,364,089	8,504,440	-	-	8,364,089	8,504,440	-1.65%
Improvements other than buildings	173,790	110,302	-	-	173,790	110,302	57.56%
Machinery and equipment	170,471	183,104	13,322	11,714	183,793	194,818	-5.66%
Total	\$ 8,999,761	8,828,846	13,322	11,714	9,013,083	8,840,560	1.95%

Long-Term Debt

At June 30, 2015, the District had \$4,402,938 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of approximately 47.45% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had total outstanding general obligation bonds payable of \$1,755,000 at June 30, 2015.
- The District had total outstanding revenue bonds payable of \$430,000 at June 30, 2015.
- The District had total outstanding termination benefits payable of \$159,455 at June 30, 2015 payable from the Management Levy Fund.
- The District had a net pension liability of \$2,005,017 at June 30, 2015. Of this \$1,960,104 was attributable to the governmental activities and the remaining \$44,913 was attributable to the business type activities of the District.
- The District had a net OPEB liability of \$53,466 at June 30, 2015.

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	\$ 1,755,000	2,150,000	-	-	1,755,000	2,150,000	-18.37%
Revenue bonds	430,000	635,000	-	-	430,000	635,000	-32.28%
Termination benefits	159,455	180,985	-	-	159,455	180,985	-11.90%
Net pension liability	1,960,104	-	44,913	-	2,005,017	-	100.00%
Net OPEB liability	53,466	20,099	-	-	53,466	20,099	166.01%
Totals	\$ 4,358,025	2,986,084	44,913	-	4,402,938	2,986,084	47.45%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee has been phased out. As the district projects declining enrollment it is anticipated the district will consider using property tax to utilize the 101% Budget Adjustment option.
- Low supplemental state aid over several years and declining enrollment is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The district expects to examine and potentially reduce expenditures through program reductions.

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 Christie VanWey, Business Manager/Board Secretary, Alburnett Community School District, P.O. Box 189, Alburnett, Iowa, 52202.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,786,096	49,710	2,835,806
Receivables:			
Property tax:			
Delinquent	16,097	-	16,097
Succeeding year	3,333,133	-	3,333,133
Accounts	39,065	-	39,065
Due from other governments	291,432	-	291,432
Inventories	-	7,583	7,583
Capital assets, net of accumulated depreciation	8,999,761	13,322	9,013,083
Total assets	15,465,584	70,615	15,536,199
Deferred Outflows of Resources			
Pension related deferred outflows	398,181	8,759	406,940
Liabilities			
Accounts payable	238,314	1,734	240,048
Salaries and benefits payable	873,530	-	873,530
Accrued interest payable	14,303	-	14,303
Unearned revenues	-	7,858	7,858
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	125,000	-	125,000
Revenue bonds payable	210,000	-	210,000
Termination benefits payable	72,303	-	72,303
Portion due after one year:			
General obligation bonds payable	1,630,000	-	1,630,000
Revenue bonds payable	220,000	-	220,000
Termination benefits payable	87,152	-	87,152
Net pension liability	1,960,104	44,913	2,005,017
Net OPEB liability	53,466	-	53,466
Total liabilities	5,484,172	54,505	5,538,677
Deferred Inflows of Resources			
Unavailable property tax revenues	3,333,133	-	3,333,133
Pension related deferred outflows	812,351	18,613	830,964
Total deferred inflows of resources	4,145,484	18,613	4,164,097
Net Position			
Net investment in capital assets	6,814,761	13,322	6,828,083
Restricted for:			
Categorical funding	211,257	-	211,257
Debt service	160,998	-	160,998
Student activities	113,853	-	113,853
School infrastructure	90,305	-	90,305
Physical plant and equipment levy	208,635	-	208,635
Unrestricted	(1,365,700)	(7,066)	(1,372,766)
Total net position	\$ 6,234,109	6,256	6,240,365

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,014,254	954,809	44,215	-	(2,015,230)	-	(2,015,230)
Special	654,715	137,161	78,486	-	(439,068)	-	(439,068)
Other	887,874	295,228	38,293	-	(554,353)	-	(554,353)
	<u>4,556,843</u>	<u>1,387,198</u>	<u>160,994</u>	<u>-</u>	<u>(3,008,651)</u>	<u>-</u>	<u>(3,008,651)</u>
Support services:							
Student	134,902	27,422	-	-	(107,480)	-	(107,480)
Instructional staff	176,882	-	-	-	(176,882)	-	(176,882)
Administration	671,578	-	-	-	(671,578)	-	(671,578)
Operation and maintenance of plant	604,659	-	-	50,000	(554,659)	-	(554,659)
Transportation services	334,707	-	7,093	-	(327,614)	-	(327,614)
	<u>1,922,728</u>	<u>27,422</u>	<u>7,093</u>	<u>50,000</u>	<u>(1,838,213)</u>	<u>-</u>	<u>(1,838,213)</u>
Long-term debt interest	115,965	-	-	-	(115,965)	-	(115,965)
Other expenditures:							
AEA flowthrough	219,352	-	219,352	-	-	-	-
Depreciation(unallocated)*	281,920	-	-	-	(281,920)	-	(281,920)
	<u>501,272</u>	<u>-</u>	<u>219,352</u>	<u>-</u>	<u>(281,920)</u>	<u>-</u>	<u>(281,920)</u>
Total governmental activities	7,096,808	1,414,620	387,439	50,000	(5,244,749)	-	(5,244,749)
Business Type activities:							
Support services:							
Operation and maintenance of plant	4,757	-	-	-	-	(4,757)	(4,757)
Non-instructional programs:							
Food service operations	258,283	172,002	110,868	-	-	24,587	24,587
Total business type activities	<u>263,040</u>	<u>172,002</u>	<u>110,868</u>	<u>-</u>	<u>-</u>	<u>19,830</u>	<u>19,830</u>
Total	\$ 7,359,848	1,586,622	498,307	50,000	(5,244,749)	19,830	(5,224,919)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,571,076	-	2,571,076
Capital outlays					180,995	-	180,995
Debt service					487,081	-	487,081
Statewide sales, services and use tax					518,053	-	518,053
Unrestricted state grants					2,703,889	-	2,703,889
Unrestricted investment earnings					3,171	55	3,226
Other					19,881	462	20,343
Total general revenues					<u>6,484,146</u>	<u>517</u>	<u>6,484,663</u>
Change in net position					1,239,397	20,347	1,259,744
Net position beginning of year, as restated					<u>4,994,712</u>	<u>(14,091)</u>	<u>4,980,621</u>
Net position end of year					\$ <u>6,234,109</u>	<u>6,256</u>	<u>6,240,365</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,178,719	247,499	359,878	2,786,096
Receivables:				
Property tax:				
Delinquent	12,038	897	3,162	16,097
Succeeding year	2,648,745	108,573	575,815	3,333,133
Accounts	390	37,500	1,175	39,065
Due from other governments	211,338	80,094	-	291,432
Total assets	\$ 5,051,230	474,563	940,030	6,465,823
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 169,536	67,050	1,728	238,314
Salaries and benefits payable	873,530	-	-	873,530
Total liabilities	1,043,066	67,050	1,728	1,111,844
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,648,745	108,573	575,815	3,333,133
Fund balances:				
Restricted for:				
Categorical funding	211,257	-	-	211,257
Debt service	-	-	175,301	175,301
Management levy purposes	-	-	73,333	73,333
Student activities	-	-	113,853	113,853
School infrastructure	-	90,305	-	90,305
Physical plant and equipment levy	-	208,635	-	208,635
Unassigned	1,148,162	-	-	1,148,162
Total fund balances	1,359,419	298,940	362,487	2,020,846
Total liabilities, deferred inflows of resources and fund balances	\$ 5,051,230	474,563	940,030	6,465,823

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT 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)	\$	2,020,846
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		8,999,761
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.		(14,303)
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	\$ 398,181	
Deferred inflows of resources	<u>(812,351)</u>	(414,170)
Long-term liabilities, including bonds payable, other postemployment benefits payable, net pension liability and termination benefits payable are not due and payable period and, therefore, are not reported in the governmental funds.		<u>(4,358,025)</u>
Net position of governmental activities(page 18)		<u><u>\$ 6,234,109</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,420,843	180,995	637,314	3,239,152
Tuition	1,046,130	-	-	1,046,130
Other	117,278	50,329	293,036	460,643
State sources	2,942,576	518,538	1,713	3,462,827
Federal sources	127,453	-	-	127,453
Total revenues	<u>6,654,280</u>	<u>749,862</u>	<u>932,063</u>	<u>8,336,205</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,993,779	66,466	61,427	3,121,672
Special	668,559	-	-	668,559
Other	627,619	-	272,672	900,291
	<u>4,289,957</u>	<u>66,466</u>	<u>334,099</u>	<u>4,690,522</u>
Support services:				
Student	137,004	-	-	137,004
Instructional staff	179,328	-	-	179,328
Administration	651,536	1,750	10,765	664,051
Operation and maintenance of plant	454,794	83,841	99,470	638,105
Transportation	280,868	16,000	14,375	311,243
	<u>1,703,530</u>	<u>101,591</u>	<u>124,610</u>	<u>1,929,731</u>
Capital outlay	-	460,260	-	460,260
Long-term debt:				
Principal	-	-	600,000	600,000
Interest and fiscal charges	-	-	116,865	116,865
	<u>-</u>	<u>-</u>	<u>716,865</u>	<u>716,865</u>
Other expenditures:				
AEA flowthrough	219,352	-	-	219,352
Total expenditures	<u>6,212,839</u>	<u>628,317</u>	<u>1,175,574</u>	<u>8,016,730</u>
Excess(Deficiency) of revenues over(under) expenditures	441,441	121,545	(243,511)	319,475
Other financing sources(uses):				
Transfer in	-	16,232	230,386	246,618
Transfer out	-	(246,618)	-	(246,618)
Sale of equipment	1,135	-	-	1,135
Total other financing sources(uses)	<u>1,135</u>	<u>(230,386)</u>	<u>230,386</u>	<u>1,135</u>
Change in fund balances	442,576	(108,841)	(13,125)	320,610
Fund balances beginning of year	<u>916,843</u>	<u>407,781</u>	<u>375,612</u>	<u>1,700,236</u>
Fund balances end of year	<u>\$ 1,359,419</u>	<u>298,940</u>	<u>362,487</u>	<u>2,020,846</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 320,610

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

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

Capital outlays	\$ 772,819	
Depreciation expense	<u>(601,904)</u>	170,915

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. 600,000

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. 900

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 290,374

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

Termination benefits	21,530	
Pension expense	(131,565)	
Other postemployment benefits	<u>(33,367)</u>	<u>(143,402)</u>

Change in net position of governmental activities(page 19) \$ 1,239,397

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Enterprise: School Nutrition</u>
Assets	
Current:	
Cash and cash equivalents	\$ 49,710
Inventories	<u>7,583</u>
Total current assets	<u>57,293</u>
Noncurrent:	
Capital assets, net of accumulated depreciation	<u>13,322</u>
Total assets	<u>70,615</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>8,759</u>
Liabilities	
Current liabilities:	
Accounts payable	1,734
Unearned revenues	<u>7,858</u>
Total current liabilities	<u>9,592</u>
Noncurrent liabilities:	
Net pension liability	<u>44,913</u>
Total liabilities	<u>54,505</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>18,613</u>
Net Position	
Net investment in capital assets	13,322
Unrestricted	<u>(7,066)</u>
Total net position	<u>\$ 6,256</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 172,002
Miscellaneous	462
Total operating revenues	172,464
Operating expenses:	
Support services:	
Operation and maintenance of plant :	
Services	4,757
Non-instructional programs:	
Food service operations:	
Salaries	74,205
Benefits	8,847
Services	21,056
Supplies	151,402
Depreciation	2,287
Other	486
	258,283
Total operating expenses	263,040
Operating loss	(90,576)
Non-operating revenues:	
State sources	2,743
Federal sources	108,125
Interest income	55
Total non-operating revenues	110,923
Change in net position	20,347
Net position beginning of year, as restated	(14,091)
Net position end of year	\$ 6,256

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT 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	\$ 171,506
Cash received from miscellaneous operating activities	462
Cash payments to employees for services	(86,327)
Cash payments to suppliers for goods or services	(148,633)
Net cash used in operating activities	(62,992)
Cash flows from non-capital financing activities:	
State grants received	2,743
Federal grants received	79,414
Net cash provided by non-capital financing activities	82,157
Cash flows from investing activities:	
Interest on investments	55
Cash flows from capital financing activities:	
Purchase of assets	(3,895)
Net increase in cash and pooled investments	15,325
Cash and pooled investments beginning of year	34,385
Cash and pooled investments end of year	\$ 49,710
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (90,576)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	28,711
Depreciation	2,287
Increase in inventories	(1,377)
Increase in accounts payable	1,734
Decrease in net pension liability	(19,746)
Increase in deferred outflows of resources	(2,142)
Increase in deferred inflows of resources	18,613
Decrease in unearned revenue	(496)
Net cash used in operating activities	\$ (62,992)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$28,711 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 3,451	8,136
Liabilities		
Due to other groups	-	8,136
Net Position		
Held in trust for scholarships	\$ 3,451	-

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 3,063</u>
Deductions	
Instruction:	
Scholarships awarded	<u> 10,305</u>
Change in net position	(7,242)
Net position beginning of year	<u> 10,693</u>
Net position end of year	<u><u> \$ 3,451</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of 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.

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

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

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

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 unrecognized 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 is payable in July and August, have been accrued as liabilities.

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

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

Pensions - For purposes 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 this 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 future period(s) and will not be recognized as 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the other expenditures functional area.

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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments at June 30, 2015.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service: Debt Sinking	Capital Projects: Statewide Sales, Services and Use Tax	\$ 230,386
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Building Projects	16,232
Total		<u>\$ 246,618</u>

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

The transfer from the Capital Projects: Building Projects Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was to close the construction fund at the end of the construction project.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	-	-	1,000
Construction in progress	30,000	316,258	55,847	290,411
Total capital assets not being depreciated	31,000	316,258	55,847	291,411
Capital assets being depreciated:				
Buildings	9,347,597	113,295	57,448	9,403,444
Improvements other than buildings	297,633	91,762	17,762	371,633
Machinery and equipment	1,520,834	307,351	22,000	1,806,185
Total capital assets being depreciated	11,166,064	512,408	97,210	11,581,262
Less accumulated depreciation for:				
Buildings	843,157	253,646	57,448	1,039,355
Improvements other than buildings	187,331	28,274	17,762	197,843
Machinery and equipment	1,337,730	319,984	22,000	1,635,714
Total accumulated depreciation	2,368,218	601,904	97,210	2,872,912
Total capital assets being depreciated, net	8,797,846	(89,496)	-	8,708,350
Governmental activities capital assets, net	\$ 8,828,846	226,762	55,847	8,999,761
Business type activities:				
Machinery and equipment	\$ 95,964	3,895	-	99,859
Less accumulated depreciation	84,250	2,287	-	86,537
Business type activities capital assets, net	\$ 11,714	1,608	-	13,322

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 256,779
Other		8,154
Support services:		
Administration		2,132
Operation and maintenance of plant		7,265
Transportation		45,654
		<u>319,984</u>
Unallocated depreciation		<u>281,920</u>
		<u>\$ 601,904</u>
Business type activities:		
Food service operations		<u>\$ 2,287</u>

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,150,000	-	395,000	1,755,000	125,000
Revenue bonds	635,000	-	205,000	430,000	210,000
Termination benefits	180,985	43,060	64,590	159,455	72,303
Net pension liability	2,821,887	-	861,783	1,960,104	-
Net OPEB liability	20,099	33,367	-	53,466	-
Total	<u>\$ 5,807,971</u>	<u>76,427</u>	<u>1,526,373</u>	<u>4,358,025</u>	<u>407,303</u>
Business type activities:					
Net pension liability	\$ 64,659	-	19,746	44,913	-

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue of May 1, 2007		
		Principal	Interest	Total
2016	4.50%	\$ 125,000	85,815	210,815
2017	3.90	135,000	80,190	215,190
2018	3.95	140,000	74,925	214,925
2019	4.00	145,000	69,395	214,395
2020	4.05	155,000	63,595	218,595
2021-2025	4.15-4.35	905,000	214,308	1,119,308
2026	4.45	150,000	18,810	168,810
Total		<u>\$ 1,755,000</u>	<u>607,038</u>	<u>2,362,038</u>

Revenue Bonds

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

Year Ending June 30,	Interest Rate	Bond issue of June 1, 2009		
		Principal	Interest	Total
2016	4.00%	\$ 210,000	17,200	227,200
2017	4.00	220,000	8,800	228,800
Total		<u>\$ 430,000</u>	<u>26,000</u>	<u>456,000</u>

The District has pledged future statewide sales and services tax revenues to repay the \$1,680,000 of bonds issued in June 2009. The bonds were issued for the purpose of financing a portion of the costs of a building project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 44 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$456,000. For the current year, principal of \$205,000 and interest of \$25,400 was paid on the bonds and total statewide sales, services and use tax revenues were \$518,053.

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

- a) \$168,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees in fiscal years 2013, 2014 and 2015. Eligible employees must have been at least age fifty-five and completed at least 20 years of consecutive service with the District. Employees completed an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee was equal to 60% of the employee's base salary.

As of June 30, 2015, the District has an obligation to seven retirees with a total liability of \$159,455. Early retirement benefits paid during the year ended June 30, 2015 totaled \$64,590. A termination benefit liability has been recorded in the Statement of Net Position representing the District's obligation to fund non-current early retirement.

Note 6. Bond Defeasement

On April 8, 2014 as part of the District's budgeting process, the District's Board of Directors approved an additional debt service levy tax to advance refund a portion of the general obligation bonds

issued May 1, 2007. The additional property tax proceeds have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which will be used to pay \$275,000 in principal when the bonds become callable on May 1, 2016. As a result, \$275,000 of the May 1, 2007 bonds are considered to be defeased and the liability for those bonds has been removed from the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the escrow account is insufficient to pay the refunded bonds. At June 30, 2015, \$275,000 of such bonds are outstanding. The economic savings from this bond refunding is \$131,890.

Note 7. 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 \$296,663.

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 \$2,005,017 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 0.049542 percent, which was a decrease of 0.001439 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$134,579. 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	\$ 21,791	\$ -
Changes of assumptions	88,486	-
Net difference between projected and actual earnings on pension plan investments	-	764,656
Changes in proportion and differences between District contributions and proportionate share of contributions	-	66,308
District contributions subsequent to the measurement date	<u>296,663</u>	-
Total	<u>\$ 406,940</u>	<u>\$ 830,964</u>

\$296,663 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	\$ (180,891)
2017	(180,891)
2018	(180,891)
2019	(180,891)
2020	2,877
	<u>\$ (720,687)</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-percentage-point 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	\$ 3,788,423	\$ 2,005,017	\$ 499,637

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 \$58,242 for legally required employer contributions and \$38,806 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Other Postemployment Benefits

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

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

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

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

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

Annual required contribution	\$ 39,823
Interest on net OPEB obligation	502
Adjustment to annual required contribution	1,757
Annual OPEB cost	<u>42,082</u>
Contributions made	<u>(8,715)</u>
Increase in net OPEB obligation	33,367
Net OPEB obligation beginning of year	<u>20,099</u>
Net OPEB obligation end of year	<u><u>\$ 53,466</u></u>

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

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	\$ 47,440	35.36%	\$ (10,869)
2014	39,221	21.04	20,099
2015	42,082	20.71	53,466

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 \$229,419, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$229,419. The covered payroll (annual payroll of active employees covered by the plan) was \$2,940,847, and the ratio of the UAAL to covered payroll was 7.80%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

Note 9. Risk Management

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$219,352 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 11. Construction Commitments

The District has entered into contracts for planning athletic improvements and a building addition. As of June 30, 2015, construction costs of \$290,411 have been incurred against the contracts and the balance will be paid as work on the project progresses.

Note 12. Reconciliation of Governmental Fund Balances to Net Position

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

	Net investment in capital assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	73,333	175,301	1,148,162
Capital assets, net of accumulated depreciation	8,999,761	-	-	-
General obligation bond capitalized indebtedness	(1,755,000)	-	-	-
Revenue bond capitalized indebtedness	(430,000)	-	-	-
Termination benefits	-	(73,333)	-	(86,122)
Accrued interest payable	-	-	(14,303)	-
Pension related deferred outflows	-	-	-	398,181
Net pension liability	-	-	-	(1,960,104)
Pension related deferred inflows	-	-	-	(812,351)
Net OPEB liability	-	-	-	(53,466)
Net position (Exhibit A)	\$ 6,814,761	-	160,998	(1,365,700)

Note 13. Deficit Net Position

At June 30, 2015, the District had a deficit unrestricted net position of \$1,365,700 in the governmental activities and a deficit unrestricted net position of \$7,066 in the business type activities.

Note 14. 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:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 7,527,795	\$ 43,951
Net pension liability at June 30, 2014	(2,821,887)	(64,659)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	288,804	6,617
Net position July 1, 2014, as restated	<u>\$ 4,994,712</u>	<u>\$ (14,091)</u>

Note 15. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 3,306
Gifted and talented programs	4,363
Returning dropouts and dropout prevention programs	181,147
Beginning teacher mentoring and induction	1,078
Professional development for model core curriculum	21,363
Total	<u>\$ 211,257</u>

Note 16. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the other expenditures functional area exceeded the amounts budgeted.

ALBURNETT COMMUNITY SCHOOL DISTRICT



REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Amounts Budgeted		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,745,925	172,519	4,918,444	5,602,053	5,602,053	(683,609)
State sources	3,462,827	2,743	3,465,570	3,000,409	3,000,409	465,161
Federal sources	127,453	108,125	235,578	330,000	330,000	(94,422)
Total revenues	8,336,205	283,387	8,619,592	8,932,462	8,932,462	(312,870)
Expenditures/Expenses:						
Instruction	4,690,522	-	4,690,522	4,700,000	4,700,000	9,478
Support services	1,929,731	4,757	1,934,488	2,326,500	2,326,500	392,012
Non-instructional programs	-	258,283	258,283	365,000	365,000	106,717
Other expenditures	1,396,477	-	1,396,477	1,081,750	1,081,750	(314,727)
Total expenditures/expenses	8,016,730	263,040	8,279,770	8,473,250	8,473,250	193,480
Excess(Deficiency) of revenues over(under) expenditures/expenses	319,475	20,347	339,822	459,212	459,212	(119,390)
Other financing sources, net	1,135	-	1,135	5,000	5,000	(3,865)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	320,610	20,347	340,957	464,212	464,212	(123,255)
Balances beginning of year, as restated	1,700,236	(14,091)	1,686,145	2,101,830	2,101,830	(415,685)
Balances end of year	\$ 2,020,846	6,256	2,027,102	2,566,042	2,566,042	(538,940)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

During the year ended June 30, 2015, expenditures in the other expenditures functional area exceeded the amount budgeted.

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

	2015
District's proportion of the net pension liability	0.049542%
District's proportionate share of the net pension liability	\$ 2,005
District's covered-employee payroll	\$ 3,322
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.36%
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: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 297	295	286	260	216	206	204	195	171	164
Contributions in relation to the statutorily required contribution	(297)	(295)	(286)	(260)	(216)	(206)	(204)	(195)	(171)	(164)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,322	3,303	3,299	3,222	3,108	2,964	3,213	3,223	2,974	2,852
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 AUDITOR'S REPORT.

ALBURNETT 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.

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.

ALBURNETT 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	-	\$ 384,964	384,964	0.00%	\$ 2,577,773	14.93%
2011	July 1, 2009	-	343,617	343,617	0.00	2,703,995	12.71
2012	July 1, 2009	-	289,949	289,949	0.00	2,778,264	10.44
2013	July 1, 2012	-	263,568	263,568	0.00	2,899,169	9.09
2014	July 1, 2012	-	244,288	244,288	0.00	2,854,075	8.56
2015	July 1, 2012	-	229,419	229,419	0.00	2,940,847	7.80

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT



SUPPLEMENTARY INFORMATION

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

	Special Revenue			Debt Service	Total Nonmajor
	Management Levy	Student Activity	Total		
Assets					
Cash and pooled investments	\$ 72,586	114,406	186,992	172,886	359,878
Receivables:					
Property tax:					
Delinquent	747	-	747	2,415	3,162
Succeeding year	200,000	-	200,000	375,815	575,815
Accounts	-	1,175	1,175	-	1,175
Total assets	\$ 273,333	115,581	388,914	551,116	940,030
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ -	1,728	1,728	-	1,728
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	200,000	-	200,000	375,815	575,815
Fund balances:					
Restricted for:					
Debt service	-	-	-	175,301	175,301
Management levy purposes	73,333	-	73,333	-	73,333
Student activities	-	113,853	113,853	-	113,853
Total fund balances	73,333	113,853	187,186	175,301	362,487
Total liabilities, deferred inflows of resources and fund balances	\$ 273,333	115,581	388,914	551,116	940,030

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total Nonmajor
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 150,233	-	150,233	487,081	637,314
Other	6,815	286,083	292,898	138	293,036
State sources	408	-	408	1,305	1,713
Total revenues	157,456	286,083	443,539	488,524	932,063
Expenditures:					
Current:					
Instruction:					
Regular	61,427	-	61,427	-	61,427
Other	-	272,672	272,672	-	272,672
Support services:					
Administration	10,765	-	10,765	-	10,765
Operation and maintenance of plant	99,470	-	99,470	-	99,470
Transportation	14,375	-	14,375	-	14,375
Long-term debt:					
Principal	-	-	-	600,000	600,000
Interest and fiscal charges	-	-	-	116,865	116,865
Total expenditures	186,037	272,672	458,709	716,865	1,175,574
Excess(Deficiency) of revenues over(under) expenditures	(28,581)	13,411	(15,170)	(228,341)	(243,511)
Other financing sources:					
Transfers in	-	-	-	230,386	230,386
Change in fund balances	(28,581)	13,411	(15,170)	2,045	(13,125)
Fund balances beginning of year	101,914	100,442	202,356	173,256	375,612
Fund balances end of year	\$ 73,333	113,853	187,186	175,301	362,487

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT 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	\$ 39,761	207,738	247,499
Receivables:			
Property tax:			
Delinquent	-	897	897
Succeeding year	-	108,573	108,573
Accounts	37,500	-	37,500
Due from other governments	80,094	-	80,094
Total assets	\$ 157,355	317,208	474,563
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable	\$ 67,050	-	67,050
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	108,573	108,573
Fund balances:			
Restricted for:			
School infrastructure	90,305	-	90,305
Physical plant and equipment levy	-	208,635	208,635
Total fund balances	90,305	208,635	298,940
Total liabilities, deferred inflows of resources and fund balances	\$ 157,355	317,208	474,563

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	180,995	180,995
Other	50,158	13	158	50,329
State sources	518,053	-	485	518,538
Total revenues	<u>568,211</u>	<u>13</u>	<u>181,638</u>	<u>749,862</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	-	66,466	66,466
Support services:				
Administration	1,500	250	-	1,750
Operation and maintenance of plant	74,000	-	9,841	83,841
Transportation	-	-	16,000	16,000
Capital outlay	396,196	61,281	2,783	460,260
Total expenditures	<u>471,696</u>	<u>61,531</u>	<u>95,090</u>	<u>628,317</u>
Excess(Deficiency)of revenues over(under) expenditures	96,515	(61,518)	86,548	121,545
Other financing sources(uses):				
Transfer in	16,232	-	-	16,232
Transfer out	(230,386)	(16,232)	-	(246,618)
Total other financing sources(uses)	<u>(214,154)</u>	<u>(16,232)</u>	<u>-</u>	<u>(230,386)</u>
Change in fund balances	(117,639)	(77,750)	86,548	(108,841)
Fund balances beginning of year	<u>207,944</u>	<u>77,750</u>	<u>122,087</u>	<u>407,781</u>
Fund balances end of year	<u>\$ 90,305</u>	<u>-</u>	<u>208,635</u>	<u>298,940</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	-	301	301	-
Music Parents	6,682	13,801	18,833	1,650
Band Boosters	2,020	263	856	1,427
Basketball Club	2,604	6,977	6,937	2,644
Athletics	8,464	40,741	40,890	8,315
Track Club	336	-	-	336
Cross Country	-	75	35	40
Pom Pons	555	13,078	12,489	1,144
Football Squad	300	1,150	1,020	430
Baseball	3,077	574	-	3,651
Volleyball Squad	1,788	-	-	1,788
Class Funds	59	71	-	130
Student Project-Ven	1,347	2,934	4,030	251
Class of 2014	997	23	1,020	-
Class of 2015	1,856	2,635	4,491	-
Class of 2016	635	4,057	4,140	552
Class of 2017	658	-	-	658
Class of 2018	283	5,400	5,510	173
Class of 2019	180	-	90	90
Class of 2020	180	-	-	180
FFA	8,466	18,502	17,495	9,473
National Honor Society	1,069	374	431	1,012
Booster Club	44,022	122,826	99,025	67,823
Wrestling Club	4,221	3,620	1,414	6,427
FBLA	3,912	26,109	29,731	290
Spanish Club	886	-	-	886
Interest & Misc.	-	152	152	-
FSB Donation	139	2,000	2,098	41
Field Trip	970	-	970	-
Annual	-	4,852	4,852	-
Elementary Club	1,082	-	-	1,082
Cheerleaders	1,301	783	517	1,567
Wrestling Cheerleading	1,230	3,130	2,855	1,505
Archery in Iowa Schools	288	-	-	288
Character Counts	398	-	398	-
Children's Miracle/Dance-a-thon	287	11,655	11,942	-
Morale Committee	150	-	150	-
Totals	\$ 100,442	286,083	272,672	113,853

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2015

	Debt Service		
	Debt Service	Debt Sinking	Total
Assets			
Cash and pooled investments	\$ 4,877	168,009	172,886
Receivables:			
Property tax:			
Delinquent	2,415	-	2,415
Succeeding year	375,815	-	375,815
Total assets	\$ 383,107	168,009	551,116
Liabilities, deferred inflows of resources and fund balances			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	375,815	-	375,815
Fund balances:			
Restricted for:			
Debt service	7,292	168,009	175,301
Total liabilities, deferred inflows of resources and fund balances	\$ 383,107	168,009	551,116

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2015

	Debt Service		
	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 487,081	-	487,081
Other	123	15	138
State sources	1,305	-	1,305
Total revenues	<u>488,509</u>	<u>15</u>	<u>488,524</u>
Expenditures:			
Long-term debt:			
Principal	395,000	205,000	600,000
Interest and fiscal charges	91,465	25,400	116,865
Total expenditures	<u>486,465</u>	<u>230,400</u>	<u>716,865</u>
Excess(Deficiency) of revenues over(under) expenditures	2,044	(230,385)	(228,341)
Other financing sources:			
Transfer in	-	230,386	230,386
Change in fund balances	2,044	1	2,045
Fund balances beginning of year	<u>5,248</u>	<u>168,008</u>	<u>173,256</u>
Fund balances end of year	<u>\$ 7,292</u>	<u>168,009</u>	<u>175,301</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2015

	FFA Scholarship	FBLA Scholarship	Floyd S. Etzel Scholarship	School Cents	Total
Assets					
Cash and pooled investments	\$ 150	500	97	2,704	3,451
Liabilities					
	-	-	-	-	-
Net Position					
Held in trust for scholarships	\$ 150	500	97	2,704	3,451

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	FFA Scholarship	FBLA Scholarship	Floyd S. Etzel Scholarship	Carl Rockwood Scholarship	Dyer Family Scholarship	School Cents	Total
Additions:							
Local sources:							
Gifts and contributions	\$ -	550	-	-	-	2,513	3,063
Deductions:							
Instruction:							
Scholarships awarded	-	550	-	1,058	7,500	1,197	10,305
Change in net position	-	-	-	(1,058)	(7,500)	1,316	(7,242)
Net position beginning of year	150	500	97	1,058	7,500	1,388	10,693
Net position end of year	\$ 150	500	97	-	-	2,704	3,451

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 8,665	-	529	8,136
Liabilities				
Due to other groups	\$ 8,665	-	529	8,136

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,239,152	3,056,367	3,247,481	3,203,050	3,016,059	2,913,448	2,599,494	2,513,117	1,774,897	1,562,509
Tuition	1,046,130	970,677	945,451	948,532	803,134	783,710	734,437	666,045	629,665	522,967
Other	460,643	449,921	496,211	466,122	492,044	514,900	542,976	578,058	393,055	339,394
State sources	3,462,827	3,508,597	2,883,878	2,883,218	2,659,831	2,386,104	2,905,207	2,928,044	2,650,067	2,657,564
Federal sources	127,453	122,289	234,494	1,118,832	432,548	350,806	485,233	84,038	142,670	89,334
Total	\$ 8,336,205	8,107,851	7,807,515	8,619,754	7,403,616	6,948,968	7,267,347	6,769,302	5,590,354	5,171,768
Expenditures:										
Instruction:										
Regular	\$ 3,121,672	2,942,255	2,803,202	2,771,165	2,619,144	2,362,906	2,521,474	2,705,950	2,556,469	2,120,940
Special	668,559	722,985	636,209	726,324	687,399	668,749	573,491	583,646	699,192	811,393
Other	900,291	892,743	1,039,387	787,860	840,610	986,356	970,270	678,129	675,071	855,806
Support services:										
Student	137,004	125,573	92,951	109,620	140,437	135,181	189,808	218,259	204,796	202,823
Instructional staff	179,328	170,921	206,450	185,992	195,282	168,134	198,509	198,980	181,380	181,200
Administration	664,051	640,757	621,910	627,260	647,176	592,275	651,203	651,062	563,538	519,676
Operation and maintenance of plant	638,105	630,058	537,855	472,490	474,997	482,889	447,658	412,168	465,995	381,106
Transportation	311,243	317,909	359,464	379,759	349,419	591,818	367,443	329,471	434,288	283,827
Capital outlay	460,260	297,799	272,224	2,236,313	218,648	663,200	4,195,081	808,449	41,071	42,974
Long-term debt:										
Principal	600,000	310,000	407,145	631,132	354,585	171,068	108,224	102,328	23,099	-
Interest and fiscal charges	116,865	128,390	144,476	190,062	123,563	155,169	123,152	127,079	-	-
Other expenditures:										
AEA flow-through	219,352	215,830	203,923	201,959	225,292	224,906	205,226	200,662	191,048	179,370
Total	\$ 8,016,730	7,395,220	7,325,196	9,319,936	6,876,552	7,202,651	10,551,539	7,016,183	6,035,947	5,579,115

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 Alburnett Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District as of and for the year ended June 30, 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 23, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies in internal control we consider to be 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-B-15 to be a significant deficiency.

Compliance and Other Matters

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

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

Alburnett Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2016
Newton, Iowa

ALBURNETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

Response - A district secretary was added to the Central Office staffing, allowing for more segregation of duties in some of the areas listed above such as receipts, disbursements, and school lunch program. We will continue to review procedures and realign duties to obtain the maximum internal control possible.

Conclusion - Response accepted.

I-B-15 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation of gate receipts to tickets used is not performed after the event.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

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

- a. Cash boxes are established weekly as needed for events with a specific amount that is documented.
- b. At least two individuals are involved in the cash collection and ticket sales process.
- c. The cash boxes are not left unattended by the assigned individuals conducting cash collection and ticket sales.
- d. At the end of each event, revenue is counted and reconciled by the assigned individuals.
- e. The reconciliation process completed by the assigned individuals includes a

- comparison of the established cash box amount to the collected amount.
- f. The reconciliation form is completed and signed by the assigned individuals.
 - g. The cash box is turned in to a member of the administrative team assigned to work the event.
 - h. The administrator assigned to work the event takes the collections to the night depository, the District vault, or a secure location in the administrative offices for deposit the next working day. The district prohibits any individual from taking the collections home.
 - i. A pre-numbered receipt is issued by the business office the next working day in the amount of the confirmed deposit.
 - j. Administrative personnel periodically reviews the process to ensure procedures are working as prescribed.

Conclusion - Response accepted.

ALBURNETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related To Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 exceeded the amounts budget in the other expenditures functional area.

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

Response - The district has developed a systematic process for monitoring expenditures in relationship to the amounts budgeted in all functional areas. If the District anticipates exceeding any specific area, the certified budget will be amended in accordance with Chapter 24.9 of the Code of Iowa. It was noted the amount of Surplus Levy payment was not added to the budget and will be amended in our 2015-16 budget as well.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Gary Holsinger, Custodian Owner of Holinger Snow Removal	Snow removal	\$ 4,601
Rick McGraw, Maintenance Owner of Irish Green Lawn Care	Services	\$ 2,264

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's employees do not appear to represent conflicts of interest.

II-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.

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

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-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.
- II-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.
- II-K-15 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 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		\$ 207,944
Revenues:		
Sales tax revenues	\$ 518,053	
Other local revenues	50,158	
Transfers from other funds	16,232	584,443
		<u>792,387</u>
Expenditures/transfers out:		
School infrastructure construction	99,807	
Equipment	74,000	
Other	297,889	
Transfers to other funds:		
Debt service fund	230,386	702,082
		<u>702,082</u>
Ending balance		<u>\$ 90,305</u>

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

- II-M-15 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Scholarship Fundraising - We noted during our audit money raised for scholarships was received into the Student Activity Fund and a check subsequently written to move the proceeds to the Scholarship Fund. When funds are raised they should be deposited into the fund that can legally spend the money.

Recommendation - The District should review its procedures for approving fundraisers to ensure that the purpose of fundraising is documented and review its procedures for coding revenues to ensure receipts are properly classified.

Response - The district has established a fundraising policy to ensure that the purpose of fundraising is reviewed and documented. We will review revenue coding procedures to ensure funds are deposited into the proper accounts.

Conclusion - Response accepted.

District and Regional Events - We noted during our audit that the District was receipting money from hosting regional and district events into the Student Activity Fund. This would be considered rent and is only an allowed revenue source for the General Fund under Iowa Code.

Recommendation - The District should receipt revenue from hosting regional and district events into the General Fund.

Response - Funds received from hosting regional or district events are now receipted in the General Fund.

Conclusion - Response accepted.

Class of 2014 - We noted during our audit that the Class of 2014 account within the Student Activity Fund recorded revenue during the year ended June 30, 2015.

Recommendation - A class account associated with a class that has previously graduated would appear to be inactive and should be reallocated at the Board of Education's discretion within the Student Activity Fund.

Response - The class funds have been reallocated in the Student Activity Fund.

Conclusion - Response accepted.

II-N-15 Financial Condition - At June 30, 2015, the Enterprise, School Nutrition fund had a deficit unrestricted net position of \$7,066 and the governmental activities had a deficit unrestricted net position of \$1,365,700. 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 review the accounting change in regards to GASB 68 and 71 in order to be aware of how it will affect the District's financials in the future.

Conclusion - Response accepted.