

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

JUNE 30, 2015

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Algona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Floyd Lavrenz	President	2015
Cheryl Grether	Vice-President	2017
Gloria Bartelt	Board Member	2017
Rodney Davis	Board Member	2015
Bruce Knudsen	Board Member	2015
Jay Limbaugh	Board Member	2017
Brent Owen	Board Member	2015
School Officials		
Marty Fonley	Superintendent	2015
Mary Beth Cooper	District Secretary/Treasurer	2015
Stephen Avery	Attorney	2015

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

Independent Auditor's Report

To the Board of Education of Algona Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Algona Community School District, Algona, Iowa, 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 listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Algona 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 16 to the financial statements, Algona 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, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component unit on pages 7 through 16 and 46 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Algona Community School District's basic financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2016, on our consideration of the Algona Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Algona Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Algona 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.

As of July 1, 2014, Algona Community School District and Titonka Consolidated School District merged to form Algona Community School District; therefore, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues were \$16,336,295 during fiscal year 2015, while General Fund expenditures \$16,284,315. Revenues outpaced expenditures causing an increase in the District's General Fund balance from \$2,972,176, restated as of July 1, 2014 to \$3,024,156 at June 30, 2015, a 1.75% increase.
- The District's solvency ratio (unassigned plus assigned fund balance /General Fund revenues minus AEA flowthrough) was 15.17% at June 30, 2015.

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 Algona 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 Algona 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 Algona 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, the Schedule of Funding Progress for the Retiree Health Plan and the financial statements for the discretely presented component unit.

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

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

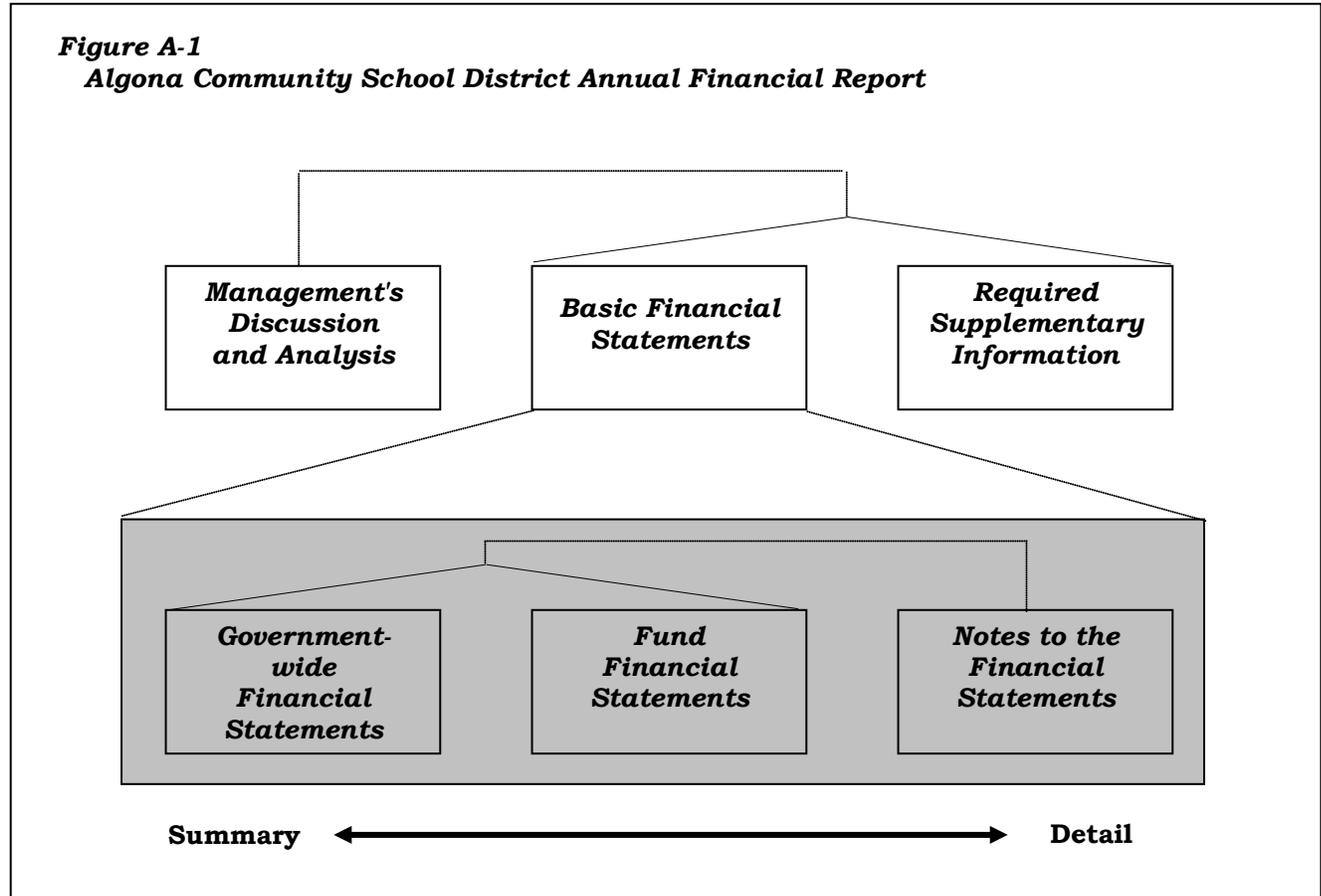


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how 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 three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component Unit:* The Algona Community School Foundation was created to develop, increase and extend the facilities and services of the Algona Community School District while providing for boarder educational opportunities. The Foundation provides scholarships to graduates and classroom grants within the District.

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 two enterprise funds, the School Nutrition Fund and the Preschool Fund. The District's internal service fund, another type of proprietary fund, is the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two internal service funds, which include the Self-Funded Health Insurance Fund and Flex Benefit Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, 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 Funds.
- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund - The District administers and accounts for revenues collected and expenditures paid for other organizations.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-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.

	Figure A-3		
	Condensed Statement of Net Position		
	Governmental Activities	Business Type Activities	Total District
	June 30, 2015	June 30, 2015	June 30, 2015
Current and other assets	\$ 19,248,212	124,771	19,372,983
Capital assets	15,482,967	85,473	15,568,440
Total assets	<u>34,731,179</u>	<u>210,244</u>	<u>34,941,423</u>
Deferred outflows of resources	<u>1,097,330</u>	<u>25,746</u>	<u>1,123,076</u>
Long-term liabilities	18,012,416	138,712	18,151,128
Other liabilities	1,867,098	6,270	1,873,368
Total liabilities	<u>19,879,514</u>	<u>144,982</u>	<u>20,024,496</u>
Deferred inflows of resources	<u>9,456,044</u>	<u>44,955</u>	<u>9,500,999</u>
Net position:			
Net investment in capital assets	6,337,997	85,473	6,423,470
Restricted	3,380,438	-	3,380,438
Unrestricted	(3,225,484)	(39,420)	(3,264,904)
Total net position	<u>\$ 6,492,951</u>	<u>46,053</u>	<u>6,539,004</u>

The District's total net position at June 30, 2015 was \$6,539,004. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position 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 was \$3,380,438 at June 30, 2015.

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 - was deficit \$3,264,904 at June 30, 2015.

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

	Figure A-4		
	Changes in Net Position		
	Governmental	Business Type	Total
	Activities	Activities	District
	June 30,	June 30,	June 30,
	2015	2015	2015
Revenues:			
Program revenues:			
Charges for service	\$ 1,965,438	386,520	2,351,958
Operating grants, contributions and restricted interest	1,375,601	391,881	1,767,482
Capital grants, contributions and restricted interest	421,900	-	421,900
General revenues:			
Property tax	7,093,819	-	7,093,819
Income surtax	719,833	-	719,833
Statewide sales, services and use tax	1,258,801	-	1,258,801
Unrestricted state grants	6,822,553	-	6,822,553
Unrestricted investment earnings	2,778	18	2,796
Other	64,337	2,616	66,953
Total revenues	<u>19,725,060</u>	<u>781,035</u>	<u>20,506,095</u>
Program expenses:			
Instruction	12,180,233	18,290	12,198,523
Support services	5,175,032	1,003	5,176,035
Non-instructional programs	-	700,968	700,968
Other expenses	1,552,070	-	1,552,070
Total expenses	<u>18,907,335</u>	<u>720,261</u>	<u>19,627,596</u>
Change in net position	817,725	60,774	878,499
Net position beginning of year, as restated	<u>5,675,226</u>	<u>(14,721)</u>	<u>5,660,505</u>
Net position end of year	<u>\$ 6,492,951</u>	<u>46,053</u>	<u>6,539,004</u>

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 80.58% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.66% of the revenue from business type activities.

The District's total revenues were approximately \$20.5 million of which approximately \$19.7 million was for governmental activities and approximately \$0.8 million was for business type activities.

Governmental Activities

Revenues for governmental activities were \$19,725,060 and expenses were \$18,907,335.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

	Figure A-5	
	Total and Net Cost of Governmental Activities	
	Total Cost of Services	Net Cost of Services
	June 30,	June 30,
	2015	2015
Instruction	\$ 12,180,233	9,516,757
Support services	5,175,032	4,686,139
Other expenses	1,552,070	941,500
Totals	<u>\$ 18,907,335</u>	<u>15,144,396</u>

- The cost financed by users of the District's programs was \$1,965,438.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,797,501.
- The net cost of governmental activities was financed with \$7,093,819 in property tax, \$719,833 in income surtax, \$1,258,801 in statewide sales, services and use tax, \$6,822,553 in unrestricted state grants, \$2,778 in interest income and \$64,337 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$781,035 and expenses were \$720,261 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund and the Preschool Fund. Revenues of these activities were mostly comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$8,686,930 at June 30, 2014, compared to \$5,414,153 restated as of July 1, 2014. The primary reason for the increase was revenue bonds issued during the year for the Performing Arts Center and parking lot projects. As of June 30, 2015, only a land purchase and architect fees had been incurred on the projects.

Governmental Fund Highlights

- The General Fund balance increased from a restated balance of \$2,972,176 at July 1, 2014 to \$3,024,156 at June 30, 2015.
- The Capital Projects Fund balance increased from a restated balance of \$876,021 at July 1, 2014 to \$4,003,358 at June 30, 2015.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from deficit \$21,827 restated as of July 1, 2014 to \$21,915 at June 30, 2015, representing an increase of 200.40%. The Preschool Fund net position increased from \$7,106 restated as of July 1, 2014 to \$24,128 at June 30, 2015, representing an increase of 239.68%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,107,395 more than budgeted revenues, a variance of 5.70%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at actual estimated costs. The District then manages or controls General Fund spending through its line-item budget and continues to monitor expenditures at a functional level. 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 non-instructional programs and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$15,568,440, 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) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$716,039.

The original cost of the District's capital assets was \$28,233,638. Governmental funds accounted for \$28,039,159 with the remainder of \$194,479 in the Proprietary, School Nutrition Fund.

	Figure A-6 Capital Assets, Net of Depreciation		
	Governmental Activities	Business Type Activities	Total District
	June 30, 2015	June 30, 2015	June 30, 2015
Land	\$ 245,615	-	245,615
Construction in progress	449,970	-	449,970
Buildings	13,078,749	-	13,078,749
Land improvements	600,909	-	600,909
Machinery and equipment	1,107,724	85,473	1,193,197
Total	<u>\$ 15,482,967</u>	<u>85,473</u>	<u>15,568,440</u>

Long-Term Debt

At June 30, 2015, the District had \$18,151,128 of total long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

- The District had outstanding general obligation bonded indebtedness of \$1,475,000 at June 30, 2015, payable from the Debt Service Fund.
- The District had outstanding revenue bonded indebtedness of \$10,470,000 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had \$108,692 of outstanding termination benefits at June 30, 2015, payable from the Special Revenue, Management Levy Fund.
- The District had a total net pension liability of \$5,464,043 at June 30, 2015. \$5,348,893 of this total was attributable to the District's governmental activities while the remaining \$115,150 was attributable to the District's business type activities.
- The District had a total net OPEB liability of \$633,393 at June 30, 2015. Governmental activities accounted for \$609,831 of this total while business type activities accounted for the remaining \$23,562.

	Governmental Activities	Business Type Activities	Total District
	June 30, 2015	June 30, 2015	June 30, 2015
General obligation bonds	\$ 1,475,000	-	1,475,000
Revenue bonds	10,470,000	-	10,470,000
Termination benefits	108,692	-	108,692
Net pension liability	5,348,893	115,150	5,464,043
Net OPEB liability	609,831	23,562	633,393
Total	<u>\$ 18,012,416</u>	<u>138,712</u>	<u>18,151,128</u>

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:

- Revenues were increased due to the merging of Titonka Consolidated School on July 1, 2014 adding an extra \$681,559 to the General Fund which is a one-time increase.
- On the other hand, when the schools merged, there were open enrollments to other districts and the school district saw a decrease of 18 students from the previous year. With a per pupil cost of \$6,366, this is a loss of \$114,588.
- The Performing Arts Center broke ground in March 2015 and will be completed in the Fall of 2016. A performing arts center has been a community need for many years and the planned facility will meet that need. The opportunity to begin development of a performing arts center became available as a result of an extremely generous gift of \$5 million over 5 years and several businesses have followed with donations of \$500,000 each towards the project.

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 Mary Beth Cooper, District Secretary/Treasurer, Algona Community School District, 600 S. Hale St., Algona, Iowa, 50511.

Basic Financial Statements

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

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Algona Community School Foundation*
Assets				
Cash and pooled investments	\$ 10,518,782	94,437	10,613,219	4,697,445
Receivables:				
Property tax:				
Delinquent	75,563	-	75,563	-
Succeeding year	7,197,486	-	7,197,486	-
Income surtax	649,285	-	649,285	-
Accounts	-	6,877	6,877	-
Due from other governments	807,096	8,568	815,664	-
Inventories	-	14,889	14,889	-
Capital assets, net of accumulated depreciation	15,482,967	85,473	15,568,440	-
Total assets	34,731,179	210,244	34,941,423	4,697,445
Deferred Outflows of Resources				
Pension related deferred outflows	1,097,330	25,746	1,123,076	-
Liabilities				
Accounts payable	1,461,370	2,106	1,463,476	-
Salaries and benefits payable	123,768	4,164	127,932	-
Accrued interest payable	11,960	-	11,960	-
Incurred but not reported	270,000	-	270,000	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	95,000	-	95,000	-
Revenue bonds	555,000	-	555,000	-
Termination benefits	76,714	-	76,714	-
Portion due after one year:				
General obligation bonds	1,380,000	-	1,380,000	-
Revenue bonds	9,915,000	-	9,915,000	-
Termination benefits	31,978	-	31,978	-
Net pension liability	5,348,893	115,150	5,464,043	-
Net OPEB liability	609,831	23,562	633,393	-
Total liabilities	19,879,514	144,982	20,024,496	-
Deferred Inflows of Resources				
Unavailable property tax revenues	7,197,486	-	7,197,486	-
Pension related deferred inflows	2,258,558	44,955	2,303,513	-
Total deferred inflows of resources	9,456,044	44,955	9,500,999	-
Net Position				
Net investment in capital assets	6,337,997	85,473	6,423,470	-
Restricted for:				
Scholarships/District support	-	-	-	4,323,762
Categorical funding	638,281	-	638,281	-
Debt service	807,680	-	807,680	-
Management levy purposes	499,427	-	499,427	-
Student activities	231,722	-	231,722	-
School infrastructure	1,113,905	-	1,113,905	-
Physical plant and equipment	89,423	-	89,423	-
Unrestricted	(3,225,484)	(39,420)	(3,264,904)	373,683
Total net position	\$ 6,492,951	46,053	6,539,004	4,697,445

* Year end for the Algona Community School Foundation was December 31, 2014.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Algona Community School Foundation*
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Business Type Total	
					Governmental Activities	Business Type Total		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 6,221,210	694,918	75,958	-	(5,450,334)	-	(5,450,334)	-
Special	3,149,946	592,024	98,949	-	(2,458,973)	-	(2,458,973)	-
Other	2,809,077	677,378	524,249	-	(1,607,450)	-	(1,607,450)	-
	<u>12,180,233</u>	<u>1,964,320</u>	<u>699,156</u>	<u>-</u>	<u>(9,516,757)</u>	<u>-</u>	<u>(9,516,757)</u>	<u>-</u>
Support services:								
Student	139,800	-	-	-	(139,800)	-	(139,800)	-
Instructional staff	580,889	-	6,775	-	(574,114)	-	(574,114)	-
Administration	1,179,105	-	-	-	(1,179,105)	-	(1,179,105)	-
Operation and maintenance of plant	2,413,074	-	-	421,900	(1,991,174)	-	(1,991,174)	-
Transportation	862,164	1,118	59,100	-	(801,946)	-	(801,946)	-
	<u>5,175,032</u>	<u>1,118</u>	<u>65,875</u>	<u>421,900</u>	<u>(4,686,139)</u>	<u>-</u>	<u>(4,686,139)</u>	<u>-</u>
Long-term debt interest	428,742	-	-	-	(428,742)	-	(428,742)	-
Other expenditures:								
AEA flowthrough	610,570	-	610,570	-	-	-	-	-
Depreciation(unallocated)**	512,758	-	-	-	(512,758)	-	(512,758)	-
	<u>1,123,328</u>	<u>-</u>	<u>610,570</u>	<u>-</u>	<u>(512,758)</u>	<u>-</u>	<u>(512,758)</u>	<u>-</u>
Total governmental activities	<u>18,907,335</u>	<u>1,965,438</u>	<u>1,375,601</u>	<u>421,900</u>	<u>(15,144,396)</u>	<u>-</u>	<u>(15,144,396)</u>	<u>-</u>
Business type activities:								
Instruction:								
Other	18,290	14,390	20,928	-	-	17,028	17,028	-
Support services:								
Administration	487	-	-	-	-	(487)	(487)	-
Operation and maintenance of plant	516	-	-	-	-	(516)	(516)	-
	<u>1,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,003)</u>	<u>(1,003)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	700,968	372,130	370,953	-	-	42,115	42,115	-
Total business type activities	<u>720,261</u>	<u>386,520</u>	<u>391,881</u>	<u>-</u>	<u>-</u>	<u>58,140</u>	<u>58,140</u>	<u>-</u>
Total primary government	<u>\$ 19,627,596</u>	<u>2,351,958</u>	<u>1,767,482</u>	<u>421,900</u>	<u>(15,144,396)</u>	<u>58,140</u>	<u>(15,086,256)</u>	<u>-</u>
Total component unit	<u>\$ 348,830</u>	<u>-</u>	<u>235,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(113,740)</u>
General Revenues:								
Property tax levied for:								
General purposes					\$ 6,286,522	-	6,286,522	-
Debt service					156,009	-	156,009	-
Capital outlay					651,288	-	651,288	-
Income surtax					719,833	-	719,833	-
Statewide sales, service and use tax					1,258,801	-	1,258,801	-
Unrestricted state grants					6,822,553	-	6,822,553	-
Unrestricted investment earnings					2,778	18	2,796	194,560
Realized gain on investments					-	-	-	134,070
Other general revenues					64,337	2,616	66,953	-
Total general revenues					<u>15,962,121</u>	<u>2,634</u>	<u>15,964,755</u>	<u>328,630</u>
Change in net position					817,725	60,774	878,499	214,890
Net position beginning of year, as restated					<u>5,675,226</u>	<u>(14,721)</u>	<u>5,660,505</u>	<u>4,482,555</u>
Net position end of year					<u>\$ 6,492,951</u>	<u>46,053</u>	<u>6,539,004</u>	<u>4,697,445</u>

* Year end for the Algona Community School Foundation was December 31, 2014.

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,804,512	4,121,250	2,272,261	9,198,023
Receivables:				
Property tax:				
Delinquent	62,445	6,908	6,210	75,563
Succeeding year	5,972,018	669,340	556,128	7,197,486
Income surtax	649,285	-	-	649,285
Due from other governments	612,314	194,782	-	807,096
Total assets	10,100,574	4,992,280	2,834,599	17,927,453
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 331,347	319,582	619,055	1,269,984
Salaries and benefits payable	123,768	-	-	123,768
Total liabilities	455,115	319,582	619,055	1,393,752
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,972,018	669,340	556,128	7,197,486
Income surtax	649,285	-	-	649,285
Total deferred inflows of resources	6,621,303	669,340	556,128	7,846,771
Fund balances:				
Restricted for:				
Categorical funding	638,281	-	-	638,281
Debt service	-	-	819,640	819,640
Management levy purposes	-	-	608,119	608,119
Student activities	-	-	231,722	231,722
School infrastructure	-	3,913,935	-	3,913,935
Physical plant and equipment	-	89,423	-	89,423
Unassigned:				
General	2,385,875	-	-	2,385,875
Student activities	-	-	(65)	(65)
Total fund balances	3,024,156	4,003,358	1,659,416	8,686,930
Total liabilities, deferred inflows of resources and fund balances	\$ 10,100,574	4,992,280	2,834,599	17,927,453

SEE NOTES TO FINANCIAL STATEMENTS.

ALGONA 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)	\$	8,686,930
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		15,482,967
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		859,373
Accounts receivable income surtax are not yet available to finance expenditures of the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds.		649,285
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds.		(11,960)
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	\$ 1,097,330	
Deferred inflows of resources	<u>(2,258,558)</u>	(1,161,228)
Long-term liabilities, including bonds payable, termination benefits payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(18,012,416)</u>
Net position of governmental activities(page 18)	\$	<u><u>6,492,951</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALGONA 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	\$ 6,590,090	651,288	610,654	7,852,032
Tuition	1,280,551	-	-	1,280,551
Other	262,021	423,509	495,964	1,181,494
State sources	7,838,421	1,258,801	-	9,097,222
Federal sources	352,141	-	-	352,141
Total revenues	<u>16,323,224</u>	<u>2,333,598</u>	<u>1,106,618</u>	<u>19,763,440</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,210,476	-	166,449	6,376,925
Special	3,168,883	-	-	3,168,883
Other	2,355,162	-	432,079	2,787,241
	<u>11,734,521</u>	<u>-</u>	<u>598,528</u>	<u>12,333,049</u>
Support services:				
Student	152,042	-	-	152,042
Instructional staff	256,681	321,675	290	578,646
Administration	1,198,272	-	-	1,198,272
Operation and maintenance of plant	1,631,104	192,146	259,805	2,083,055
Transportation	701,125	224,695	-	925,820
	<u>3,939,224</u>	<u>738,516</u>	<u>260,095</u>	<u>4,937,835</u>
Capital outlay	-	882,376	-	882,376
Long-term debt:				
Principal	-	-	561,501	561,501
Interest and fiscal charges	-	-	428,403	428,403
	<u>-</u>	<u>-</u>	<u>989,904</u>	<u>989,904</u>
Other expenditures:				
AEA flowthrough	610,570	-	-	610,570
Total expenditures	<u>16,284,315</u>	<u>1,620,892</u>	<u>1,848,527</u>	<u>19,753,734</u>
Excess(Deficiency) of revenues over(under) expenditures	38,909	712,706	(741,909)	9,706
Other financing sources(uses):				
Proceeds from sale of equipment	13,071	-	-	13,071
Transfer in	-	-	835,369	835,369
Transfer out	-	(835,369)	-	(835,369)
Proceeds from the issuance of revenue bonds	-	3,250,000	-	3,250,000
Total other financing sources(uses)	<u>13,071</u>	<u>2,414,631</u>	<u>835,369</u>	<u>3,263,071</u>
Change in fund balances	51,980	3,127,337	93,460	3,272,777
Fund balances beginning of year, as restated	<u>2,972,176</u>	<u>876,021</u>	<u>1,565,956</u>	<u>5,414,153</u>
Fund balances end of year	<u>\$ 3,024,156</u>	<u>4,003,358</u>	<u>1,659,416</u>	<u>8,686,930</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALGONA 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) \$ 3,272,777

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

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

Capital outlay	\$ 771,628	
Depreciation expense	<u>(704,464)</u>	67,164

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year issuances exceeded repayments, as follows:

Issued	(3,250,000)	
Repaid	<u>561,501</u>	(2,688,499)

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(339)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.

(38,380)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance on an entity-wide basis.

(246,277)

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.

803,140

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

Termination benefits	100,994	
Pension expense	(349,266)	
Other postemployment benefits	<u>(103,589)</u>	<u>(351,861)</u>

Change in net position of governmental activities(page 19) \$ 817,725

SEE NOTES TO FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds		
	School	Preschool	Total	Self-Funded	Flex	Total
	Nutrition			Insurance	Benefit	
Assets						
Current assets:						
Cash and pooled investments	\$ 69,080	25,357	94,437	1,285,231	35,528	1,320,759
Accounts receivable	6,877	-	6,877	-	-	-
Due from other governments	-	8,568	8,568	-	-	-
Inventories	14,889	-	14,889	-	-	-
	<u>90,846</u>	<u>33,925</u>	<u>124,771</u>	<u>1,285,231</u>	<u>35,528</u>	<u>1,320,759</u>
Noncurrent assets:						
Capital assets, net of accumulated depreciation	85,473	-	85,473	-	-	-
Total assets	<u>176,319</u>	<u>33,925</u>	<u>210,244</u>	<u>1,285,231</u>	<u>35,528</u>	<u>1,320,759</u>
Deferred Outflows of Resources						
Pension related deferred outflows	24,091	1,655	25,746	-	-	-
Liabilities						
Current liabilities:						
Accounts payable	202	1,904	2,106	191,386	-	191,386
Salaries and benefits payable	4,164	-	4,164	-	-	-
Incurred but not reported	-	-	-	270,000	-	270,000
	<u>4,366</u>	<u>1,904</u>	<u>6,270</u>	<u>461,386</u>	<u>-</u>	<u>461,386</u>
Noncurrent liabilities:						
Net pension liability	111,980	3,170	115,150	-	-	-
Net OPEB liability	18,432	5,130	23,562	-	-	-
	<u>130,412</u>	<u>8,300</u>	<u>138,712</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>134,778</u>	<u>10,204</u>	<u>144,982</u>	<u>461,386</u>	<u>-</u>	<u>461,386</u>
Deferred Inflows of Resources						
Pension related deferred inflows	43,717	1,238	44,955	-	-	-
Net Position						
Net investment in capital assets	85,473	-	85,473	-	-	-
Unrestricted	(63,558)	24,138	(39,420)	823,845	35,528	859,373
Total net position	<u>\$ 21,915</u>	<u>24,138</u>	<u>46,053</u>	<u>823,845</u>	<u>35,528</u>	<u>859,373</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds		
	School	Preschool	Total	Self-Funded	Flex	Total
	Nutrition			Insurance	Benefit	
Operating revenues:						
Local sources:						
Charges for service	\$ 372,130	14,390	386,520	-	-	-
Miscellaneous	2,616	-	2,616	2,493,693	73,656	2,567,349
Total operating revenues	<u>374,746</u>	<u>14,390</u>	<u>389,136</u>	<u>2,493,693</u>	<u>73,656</u>	<u>2,567,349</u>
Operating expenses:						
Instructional:						
Other:						
Salaries	-	13,847	13,847	-	-	-
Benefits	-	2,514	2,514	-	-	-
Supplies	-	1,929	1,929	-	-	-
	<u>-</u>	<u>18,290</u>	<u>18,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
Support services:						
Administration:						
Benefits	-	-	-	2,293,141	-	2,293,141
Services	487	-	487	440,504	81,312	521,816
Supplies	-	-	-	18	-	18
Operation and maintenance of plant:						
Services	516	-	516	-	-	-
	<u>1,003</u>	<u>-</u>	<u>1,003</u>	<u>2,733,663</u>	<u>81,312</u>	<u>2,814,975</u>
Non-instructional programs:						
Food service operations:						
Salaries	213,435	-	213,435	-	-	-
Benefits	81,105	-	81,105	-	-	-
Services	150	-	150	-	-	-
Supplies	393,601	-	393,601	-	-	-
Depreciation	11,575	-	11,575	-	-	-
Other	390	-	390	-	-	-
	<u>700,256</u>	<u>-</u>	<u>700,256</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>701,259</u>	<u>18,290</u>	<u>719,549</u>	<u>2,733,663</u>	<u>81,312</u>	<u>2,814,975</u>
Operating loss	<u>(326,513)</u>	<u>(3,900)</u>	<u>(330,413)</u>	<u>(239,970)</u>	<u>(7,656)</u>	<u>(247,626)</u>
Non-operating revenues(expenses):						
Loss on disposal of capital assets	(712)	-	(712)	-	-	-
Interest	14	4	18	1,347	2	1,349
State sources	6,395	20,928	27,323	-	-	-
Federal sources	364,558	-	364,558	-	-	-
Total non-operating revenues(expenses)	<u>370,255</u>	<u>20,932</u>	<u>391,187</u>	<u>1,347</u>	<u>2</u>	<u>1,349</u>
Change in net position	43,742	17,032	60,774	(238,623)	(7,654)	(246,277)
Net position beginning of year, as restated	<u>(21,827)</u>	<u>7,106</u>	<u>(14,721)</u>	<u>1,062,468</u>	<u>43,182</u>	<u>1,105,650</u>
Net position end of year	<u>\$ 21,915</u>	<u>24,138</u>	<u>46,053</u>	<u>823,845</u>	<u>35,528</u>	<u>859,373</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities:			Governmental Activities		
	Enterprise Funds			Internal Service Funds		
	School Nutrition	Preschool	Total	Self-Funded Insurance	Flex Benefit	Total
Cash flows from operating activities:						
Cash received from sale of lunches and breakfasts	\$ 383,601	-	383,601	-	-	-
Cash received from miscellaneous	2,616	7,052	9,668	2,493,693	73,656	2,567,349
Cash payments to employees for services	(298,960)	(16,739)	(315,699)	-	-	-
Cash payments to suppliers for goods or services	(324,312)	(25)	(324,337)	(2,562,277)	(81,312)	(2,643,589)
Net cash used in operating activities	(237,055)	(9,712)	(246,767)	(68,584)	(7,656)	(76,240)
Cash flows from non-capital financing activities:						
Repayment to General Fund	(21,527)	-	(21,527)	-	-	-
State grants received	6,395	20,928	27,323	-	-	-
Federal grants received	300,100	-	300,100	-	-	-
Net cash provided by non-capital financing activities	284,968	20,928	305,896	-	-	-
Cash flows from investing activities:						
Interest on investments	14	4	18	1,347	2	1,349
Cash flows from capital financing activities:						
Acquisition of capital assets	(31,955)	-	(31,955)	-	-	-
Net increase(decrease) in cash and pooled investments	15,972	11,220	27,192	(67,237)	(7,654)	(74,891)
Cash and pooled investments beginning of year	53,108	14,137	67,245	1,352,468	43,182	1,395,650
Cash and pooled investments end of year	\$ 69,080	25,357	94,437	1,285,231	35,528	1,320,759
Reconciliation of operating loss to net cash used in operating activities:						
Operating loss	\$ (326,513)	(3,900)	(330,413)	(239,970)	(7,656)	(247,626)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Commodities consumed	66,117	-	66,117	-	-	-
Depreciation	11,575	-	11,575	-	-	-
Decrease in inventories	5,699	-	5,699	-	-	-
Decrease(Increase) in accounts receivable	11,471	(7,338)	4,133	-	-	-
Increase(Decrease) in accounts payable	(984)	1,904	920	191,386	-	191,386
Increase in salaries and benefits payable	2,237	-	2,237	-	-	-
Decrease in incurred but not reported	-	-	-	(20,000)	-	(20,000)
Decrease in net pension liability	(45,913)	(1,299)	(47,212)	-	-	-
Increase in deferred outflows of resources	(7,592)	(1,188)	(8,780)	-	-	-
Increase in deferred inflows of resources	43,717	1,238	44,955	-	-	-
Increase in other postemployment benefits payable	3,131	871	4,002	-	-	-
Net cash used in operating activities	\$ (237,055)	(9,712)	(246,767)	(68,584)	(7,656)	(76,240)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$66,117 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 6,500	4,244
Liabilities		
Due to other groups	-	4,244
Net Position		
Held in trust for scholarships	<u>\$ 6,500</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Contributions	<u>\$ 5,000</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,000</u>
Change in net position	4,000
Net position beginning of year, as restated	<u>2,500</u>
Net position end of year	<u><u>\$ 6,500</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

Algona 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 Cities of Algona, Burt and Titonka, Iowa, and the predominate agricultural territory in Kossuth, Hancock and Winnebago Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

These financial statements present Algona Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The Algona Community School Foundation was created to financially support the Algona Community School system and post high school scholarship support to graduates of the school. The Foundation is a separate legal entity with its own accounting records and board of trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The foundation is accounted for as a component unit in these financial statements with the year ending December 31, 2014.

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 Kossuth, Hancock and Winnebago 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 activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District also reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, the Enterprise, Preschool Fund, the Internal Service, Self-Funded Insurance Fund and the Internal Service, Flex Benefit Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Preschool Fund is used to account for preschool operations of the District. The Self-Funded Insurance Fund is used to account for the District's self-funded health insurance plan. The Flex Benefit Fund is used to account for the flexible health and childcare benefits program offered by the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

Asset Class	Amount
Land	\$ 3,500
Buildings	3,500
Land improvements	3,500
Machinery and equipment:	
Intangibles	75,000
School Nutrition Fund equipment	500
Other machinery and equipment	3,500

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

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 collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not recognized until the year for which it is levied and the unamortized portion of the ne 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 preceding classifications.

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 non-instructional programs and other expenditures functional areas.

Note 2. Cash and Pooled Investments

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

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

Note 3. Capital Assets

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

	Balance Beginning of Year Restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 89,884	155,731	-	245,615
Construction in progress	-	449,970	-	449,970
Total capital assets not being depreciated	89,884	605,701	-	695,585
Capital assets being depreciated:				
Buildings	22,031,173	-	42,000	21,989,173
Land improvements	1,100,390	-	89,622	1,010,768
Machinery and equipment	5,422,955	165,927	1,245,249	4,343,633
Total capital assets being depreciated	28,554,518	165,927	1,376,871	27,343,574
Less accumulated depreciation for:				
Buildings	8,488,599	463,825	42,000	8,910,424
Land improvements	450,548	48,933	89,622	409,859
Machinery and equipment	4,289,452	191,706	1,245,249	3,235,909
Total accumulated depreciation	13,228,599	704,464	1,376,871	12,556,192
Total capital assets being depreciated, net	15,325,919	(538,537)	-	14,787,382
Governmental activities capital assets, net	\$ 15,415,803	67,164	-	15,482,967
Business type activities:				
Machinery and equipment	\$ 232,860	31,955	70,336	194,479
Less accumulated depreciation	167,055	11,575	69,624	109,006
Business type activities capital assets, net	\$ 65,805	20,380	712	85,473

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 4,549
Other	5,474
Support services:	
Administration	18,190
Operation and maintenance of plant	68,884
Transportation	94,609
	<u>191,706</u>
Unallocated depreciation	<u>512,758</u>
Total governmental activities depreciation expense	<u>\$ 704,464</u>
Business type activities:	
Food service operations	<u>\$ 11,575</u>

Note 4. Long-Term Debt

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	\$ 1,565,000	-	90,000	1,475,000	95,000
Revenue bonds	7,640,000	3,250,000	420,000	10,470,000	555,000
Bus lease	51,501	-	51,501	-	-
Termination benefits	209,686	-	100,994	108,692	76,714
Net pension liability	7,752,107	-	2,403,214	5,348,893	-
Net OPEB liability	506,242	103,589	-	609,831	-
Total	<u>\$ 17,724,536</u>	<u>3,353,589</u>	<u>3,065,709</u>	<u>18,012,416</u>	<u>726,714</u>
Business type activities:					
Net pension liability	\$ 162,362	-	47,212	115,150	-
Net OPEB liability	19,560	4,002	-	23,562	-
Total	<u>\$ 181,922</u>	<u>4,002</u>	<u>47,212</u>	<u>138,712</u>	<u>-</u>

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 1, 2007			
	Interest Rates	Principal	Interest	Total
2016	4.000%	\$ 95,000	61,127	156,127
2017	4.000	100,000	57,326	157,326
2018	4.000	105,000	53,326	158,326
2019	4.000	110,000	49,126	159,126
2020	4.050	115,000	44,726	159,726
2021-2025	4.100-4.250	650,000	148,735	798,735
2026-2027	4.300-4.350	300,000	20,720	320,720
		<u>\$ 1,475,000</u>	<u>435,086</u>	<u>1,910,086</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,	Bond Issue of June 23, 2015			Bond Issue of July 28, 2009			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	2.850%	\$ 125,000	93,786	4.000%	\$ 430,000	342,628	555,000	436,414	991,414
2017	2.850	150,000	87,994	4.000	435,000	325,427	585,000	413,421	998,421
2018	2.850	160,000	83,647	4.200	445,000	308,028	605,000	391,675	996,675
2019	2.850	170,000	79,017	4.375	460,000	289,337	630,000	368,354	998,354
2020	2.850	185,000	74,057	4.500	470,000	269,213	655,000	343,270	998,270
2021-2025	2.850	1,125,000	282,663	4.625-5.000	2,580,000	1,002,625	3,705,000	1,285,288	4,990,288
2026-2030	2.850	1,335,000	97,412	5.000-5.200	2,400,000	314,755	3,735,000	412,167	4,147,167
		<u>\$ 3,250,000</u>	<u>798,576</u>		<u>\$ 7,220,000</u>	<u>2,852,013</u>	<u>10,470,000</u>	<u>3,650,589</u>	<u>14,120,589</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,645,000 bonds issued July 28, 2009 and the \$3,250,000 of bonds issued June 2015. The bonds were issued for the purpose of defraying a portion of the cost of the new Middle School and the Performing Arts Center. 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 2030. 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 bonds are expected to require approximately 79 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$14,120,589. For the current year \$420,000 of principal and \$359,428 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,258,801.

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

- a) \$818,828 of the proceeds from the issuance of the revenue bonds shall be deposited to the 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, services and use 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(Early Retirement)

The District offered a voluntary early retirement plan to its employees during the fiscal years 2013 and 2014. Eligible employees had to be a full-time teacher or administrator that reached age 55 before June 30th of the year of retirement. Eligible employees must have completed fifteen years of continuous service to the District. Employees had to complete an application which was required to be approved by the Board of Education.

The early retirement benefits were \$20,000 per retiree. The policy requires early retirement benefits be applied to the retirees’ health insurance premiums until exhausted.

As of June 30, 2015 the District has obligations to twelve participants with a total liability of \$108,692. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$100,994.

Note 5. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 782,369
Debt Service	Capital Projects: Physical Plant and Equipment Levy	53,000
Total		\$ 835,369

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest payments on the District’s bus lease.

Note 6. Other Postemployment Benefits(OPEB)

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 197 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 191,221
Interest on net OPEB obligation	13,145
Adjustment to annual required contribution	<u>(42,614)</u>
Annual OPEB cost	161,752
Contributions made	<u>(54,161)</u>
Increase in net OPEB obligation	107,591
Net OPEB obligation beginning of year	<u>525,802</u>
Net OPEB obligation end of year	<u><u>\$ 633,393</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. For the year ended June 30, 2015, the District contributed \$54,161 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 190,326	29.56%	\$ 419,604
2013	155,123	31.54	525,802
2014	161,752	33.48	663,393

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,415,836 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,415,836. The covered payroll (annual payroll of active employees covered by the plan) was \$9,043,663 and the ratio of the UAAL to covered payroll was 15.7%. 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 events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes

to Financial Statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2013 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

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

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

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 \$822,553.

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 \$5,464,043 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 0.135012 percent, which was a decrease of 0.004770 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$357,642. 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	\$ 59,383	\$ -
Changes of assumptions	241,140	-
Net difference between projected and actual earnings on pension plan investments	-	2,083,828
Changes in proportion and differences between District contributions and proportionate share of contributions	-	219,685
District contributions subsequent to the measurement date	822,553	-
Total	<u>\$ 1,123,076</u>	<u>\$ 2,303,513</u>

\$822,553 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	\$ (557,260)
2017	(557,260)
2018	(557,260)
2019	(557,260)
2020	(5,308)
	<u>\$ (2,234,348)</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	\$ 10,324,154	\$ 5,464,043	\$ 1,361,604

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 \$9,871 for legally required employer contributions and \$6,577 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$610,570 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2015, the District exceeded its budgeted amounts in the non-instructional programs and other expenditures functional areas.

Note 11. Construction Commitment

During the year ended June 30, 2015, the District incurred architect fees of \$449,970 for the new Performing Arts Center and parking lot projects. Payments on future contracts will be made as work on the projects progresses.

Note 12. Deficit Fund Balances/Net Position

As of June 30, 2015, the School Nutrition Fund had deficit unrestricted net position of \$63,558, business type activities had deficit unrestricted net position of \$39,420 and the governmental activities had deficit unrestricted net position of \$3,225,484. The District also had one account in the Student Activity Fund with a negative unassigned fund balance of \$65.

Note 13. Operating Lease

The District entered into an operating lease with Executive Technologies for District copiers. The agreement runs through September 2019 with monthly base payments of \$1,201.

Note 14. Categorical Funding

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

<u>Programs</u>	<u>Amount</u>
Gifted and talented programs	\$ 184,444
Returning dropouts and dropout prevention programs	50,013
Four-year-old preschool state aid	297,473
Textbook aid for nonpublic students	4,884
Successful progression for early readers	6,879
Professional development for model core curriculum	42,210
Professional development	30,196
Market factor incentives	10,230
Teacher leadership grants	11,952
Total	<u>\$ 638,281</u>

Note 15. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Management Levy</u>	<u>School Infrastructure</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	819,640	608,119	3,913,935	2,385,875
Invested in capital assets, net of accumulated depreciation	15,482,967	-	-	-	-
General obligation bond capitalized indebtedness	(1,475,000)	-	-	-	-
Revenue bond capitalized indebtedness	(7,669,970)	-	-	-	-
Unspent revenue bond proceeds	-	-	-	(2,800,030)	-
Accrued interest payable	-	(11,960)	-	-	-
Termination benefits	-	-	(108,692)	-	-
Internal service fund	-	-	-	-	859,373
Income surtax	-	-	-	-	649,285
Unassigned for student activities	-	-	-	-	(65)
Pension related deferred outflows	-	-	-	-	1,097,330
Pension related deferred inflows	-	-	-	-	(2,258,558)
Net pension liability	-	-	-	-	(5,348,893)
Net OPEB liability	-	-	-	-	(609,831)
Net position (Exhibit A)	<u>\$ 6,337,997</u>	<u>807,680</u>	<u>499,427</u>	<u>1,113,905</u>	<u>(3,225,484)</u>

Note 16. Restatements for Accounting Change and District Consolidation

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to

recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities			Business Type Activities		
	Algona	Titonka	Total	Algona	Titonka	Total
Net position June 30, 2014, as previously reported	\$ 10,490,448	2,284,452	12,774,900	\$ 146,007	(18,918)	127,089
Net pension liability at June 30, 2014	(7,285,444)	(466,663)	(7,752,107)	(162,362)	-	(162,362)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	761,305	26,807	788,112	16,966	-	16,966
Net position July 1, 2014, as restated	\$ 3,966,309	1,844,596	5,810,905	\$ 611	(18,918)	(18,307)

The Algona Community School District continued to use the OPEB actuarial valuation dated July 1, 2013 after merging with Titonka Consolidated School District. The June 30, 2014 net OPEB liability for ten active members of Titonka Consolidated School District was considered immaterial to the entity-wide statements and has been removed from the restated long-term liabilities as follows:

	Governmental Activities			Business Type Activities		
	Algona	Titonka	Total	Algona	Titonka	Total
Net OPEB liability at June 30, 2014	\$ -	45,666	45,666	\$ -	3,586	3,586

The following balances have been restated to more accurately reflect the capital assets and accumulated depreciation reported in the most recent appraisal performed by the District:

	Balance Beginning of Year	Increases	Decreases	Restated Beginning Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 89,884	-	-	89,884
Total capital assets not being depreciated	89,884	-	-	89,884
Capital assets being depreciated				
Buildings	23,175,433	-	1,144,260	22,031,173
Land improvements	1,100,390	-	-	1,100,390
Machinery and equipment	5,422,955	-	-	5,422,955
Total capital assets being depreciated	29,698,778	-	1,144,260	28,554,518
Less accumulated depreciation for:				
Buildings	8,854,038	-	365,439	8,488,599
Land improvements	830,888	-	380,340	450,548
Machinery and equipment	4,506,588	-	217,136	4,289,452
Total accumulated depreciation	14,191,514	-	962,915	13,228,599
Total capital assets being depreciated, net	15,507,264	-	181,345	15,325,919
Governmental activities capital assets, net	\$ 15,597,148	-	181,345	15,415,803

Effective July 1, 2014, the Algona Community School District and the Titonka Consolidated School District merged to form Algona Community School District. The ending fund balances for each District at June 30, 2014 have been combined to establish the restated July 1, 2014 beginning balances for Algona Community School District as follows:

	Algona June 30, 2014	Titonka June 30, 2014	Restated Balance Algona CSD July 1, 2014
Governmental Funds:			
General Fund	\$ 2,398,435	573,741	2,972,176
Student Activity Fund	184,471	75	184,546
Management Levy Fund	421,663	141,651	563,314
Capital Projects: Statewide Sales, Services and Use Tax Fund	559,953	(125,720)	434,233
Capital Projects: Physical Plant and Equipment Levy Fund	337,697	104,091	441,788
Debt Service	818,858	(762)	818,096
Total governmental funds	<u>\$ 4,721,077</u>	<u>693,076</u>	<u>5,414,153</u>
Fiduciary Funds:			
Private Purpose Trust Fund	\$ -	2,500	2,500
Agency Funds	<u>\$ 7,321</u>	<u>-</u>	<u>7,321</u>
Proprietary Fund:			
<i>Governmental Activities:</i>			
Internal Service Funds:			
Self-Funded Insurance	\$ 1,062,468	-	1,062,468
Flex Benefits	39,297	3,885	43,182
Total Internal Service Funds	<u>\$ 1,101,765</u>	<u>3,885</u>	<u>1,105,650</u>
<i>Combination of Governmental Activities:</i>			
Fund Balance	\$ 4,721,077	693,076	5,414,153
Income surtax receivable	617,976	69,689	687,665
Capital assets, net of accumulated depreciation	12,392,460	3,204,688	15,597,148
Blending of Internal Service Fund	1,101,765	3,885	1,105,650
Accrued interest payable	-	(11,621)	(11,621)
Long-term liabilities	(8,342,830)	(1,675,265)	(10,018,095)
	<u>10,490,448</u>	<u>2,284,452</u>	<u>12,774,900</u>
GASB 68 Restatement Adjustment	(6,524,139)	(439,856)	(6,963,995)
	<u>3,966,309</u>	<u>1,844,596</u>	<u>5,810,905</u>
Net OPEB Liability Restatement Adjustment	-	45,666	45,666
	<u>3,966,309</u>	<u>1,890,262</u>	<u>5,856,571</u>
Capital assets restatement adjustment	(181,345)	-	(181,345)
	<u>\$ 3,784,964</u>	<u>1,890,262</u>	<u>5,675,226</u>
<i>Combination of Business Type Activities:</i>			
School Nutrition Fund	134,899	(18,918)	115,981
Preschool Fund	11,108	-	11,108
	<u>146,007</u>	<u>(18,918)</u>	<u>127,089</u>
GASB 68 restatement adjustment	(145,396)	-	(145,396)
	<u>611</u>	<u>(18,918)</u>	<u>(18,307)</u>
Net OPEB Liability Restatement Adjustment	-	3,586	3,586
	<u>\$ 611</u>	<u>(15,332)</u>	<u>(14,721)</u>
	Nutrition Fund	Preschool Fund	Total
Restated Balance	\$ 115,981	11,108	127,089
GASB 68 restatement adjustment	(141,394)	(4,002)	(145,396)
Net OPEB Liability Restatement Adjustment	3,586	-	3,586
Restated Balance, Algona CSD, July 1, 2014	<u>\$ (21,827)</u>	<u>7,106</u>	<u>(14,721)</u>

Required Supplementary Information

ALGONA 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	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,314,077	389,154	10,703,231	10,778,019	10,778,019	(74,788)
State sources	9,097,222	27,323	9,124,545	7,974,061	7,974,061	1,150,484
Federal sources	352,141	364,558	716,699	685,000	685,000	31,699
Total revenues	<u>19,763,440</u>	<u>781,035</u>	<u>20,544,475</u>	<u>19,437,080</u>	<u>19,437,080</u>	<u>1,107,395</u>
Expenditures/expenses:						
Instruction	12,333,049	18,290	12,351,339	12,715,000	12,715,000	363,661
Support services	4,937,835	1,003	4,938,838	5,775,000	5,775,000	836,162
Non-instructional programs	-	700,968	700,968	675,000	675,000	(25,968)
Other expenditures	2,482,850	-	2,482,850	1,687,246	1,687,246	(795,604)
Total expenditures/expenses	<u>19,753,734</u>	<u>720,261</u>	<u>20,473,995</u>	<u>20,852,246</u>	<u>20,852,246</u>	<u>378,251</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	9,706	60,774	70,480	(1,415,166)	(1,415,166)	1,485,646
Other financing sources(uses), net	<u>3,263,071</u>	-	<u>3,263,071</u>	-	-	<u>3,263,071</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	3,272,777	60,774	3,333,551	(1,415,166)	(1,415,166)	4,748,717
Balances beginning of year, as restated	<u>5,414,153</u>	<u>(14,721)</u>	<u>5,399,432</u>	<u>4,198,940</u>	<u>4,198,940</u>	<u>1,200,492</u>
Balances end of year	<u>\$ 8,686,930</u>	<u>46,053</u>	<u>8,732,983</u>	<u>2,783,774</u>	<u>2,783,774</u>	<u>5,949,209</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

During the year ended June 30, 2015, the expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

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

	2015
District's proportion of the net pension liability	0.135012%
District's proportionate share of the net pension liability	\$ 5,464,043
District's covered-employee payroll	\$ 9,211,124
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.32%
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.

ALGONA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014*	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*
Statutorily required contribution	\$ 822,553	805,078	783,823	723,120	611,470	569,261	518,297	515,634	476,346	468,167
Contributions in relation to the statutorily required contribution	(822,553)	(805,078)	(783,823)	(723,120)	(611,470)	(569,261)	(518,297)	(515,634)	(476,346)	(468,167)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 9,211,124	9,015,431	9,040,634	8,960,595	8,798,129	8,190,806	8,162,157	8,522,876	8,284,278	8,142,035
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%

* The Algona Community School District merged with the Titonka Consolidated School District as of July 1, 2014. Information for fiscal years 2014 and prior reflect a combination of information from both of those entities.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA 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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 1,360,117	1,360,117	0.0%	\$ 6,971,296	19.5%
2010	July 1, 2008	-	1,360,117	1,360,117	0.0	6,545,082	20.8
2011	July 1, 2008	-	1,360,117	1,360,117	0.0	7,837,500	17.4
2012	July 1, 2011	-	1,611,343	1,611,343	0.0	8,312,448	19.4
2013	July 1, 2011	-	1,550,869	1,550,869	0.0	8,421,367	18.4
2014	July 1, 2013	-	1,457,765	1,457,765	0.0	8,390,132	17.4
2015	July 1, 2013	-	1,415,836	1,415,836	0.0	9,043,663	15.7

See Note 6 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.

ALGONA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS
 COMPONENT UNIT
 DECEMBER 31, 2014

	Algona Community School Foundation
Assets	
Cash and pooled investments	\$ 4,697,445
Liabilities	
	-
Net Position	
Restricted for:	
Scholarships/District support	4,323,762
Unrestricted	373,683
Total net position	\$ 4,697,445

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF SUPPORT AND REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2014

	Algona Community School Foundation
Revenues:	
Related organizations	\$ 3,557
Contributions, gifts, grants and similar amounts	231,533
Interest and dividends	194,560
Realized gain on investments	134,070
Total revenue	563,720
Expenses:	
Grants and similar amounts paid:	
Grants/Scholarships	306,419
Other:	
Management	6,920
Accounting	4,800
Investment management fees	25,626
Advertising and promotion	235
Insurance	226
Fundraising supplies	3,621
Postage and shipping	884
Foreign tax on dividends	99
Total expenses	348,830
Change in net position	214,890
Net position beginning of year	4,482,555
Net position end of year	\$ 4,697,445

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Algona Community School District



Supplementary Information

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

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Assets					
Cash and pooled investments	\$ 614,828	238,679	853,507	1,418,754	2,272,261
Receivables:					
Property tax:					
Delinquent	4,860	-	4,860	1,350	6,210
Succeeding year	400,002	-	400,002	156,126	556,128
Total assets	\$ 1,019,690	238,679	1,258,369	1,576,230	2,834,599
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 11,569	7,022	18,591	600,464	619,055
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	400,002	-	400,002	156,126	556,128
Fund balances:					
Restricted for:					
Debt service	-	-	-	819,640	819,640
Management levy purposes	608,119	-	608,119	-	608,119
Student activities	-	231,722	231,722	-	231,722
Unassigned:					
Student activities	-	(65)	(65)	-	(65)
Total fund balances	608,119	231,657	839,776	819,640	1,659,416
Total liabilities, deferred inflows of resources and fund balances	\$ 1,019,690	238,679	1,258,369	1,576,230	2,834,599

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA 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
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 454,645	-	454,645	156,009	610,654
Other	16,414	479,480	495,894	70	495,964
Total revenues	471,059	479,480	950,539	156,079	1,106,618
Expenditures:					
Current:					
Instruction:					
Regular	166,449	-	166,449	-	166,449
Other	-	432,079	432,079	-	432,079
	166,449	432,079	598,528	-	598,528
Support services:					
Instructional staff	-	290	290	-	290
Operation and maintenance of plant	259,805	-	259,805	-	259,805
	259,805	290	260,095	-	260,095
Long-term debt:					
Principal	-	-	-	561,501	561,501
Interest and fiscal charges	-	-	-	428,403	428,403
	-	-	-	989,904	989,904
Total expenditures	426,254	432,369	858,623	989,904	1,848,527
Excess(Deficiency) of revenues over(under) expenditures	44,805	47,111	91,916	(833,825)	(741,909)
Other financing sources:					
Transfer in	-	-	-	835,369	835,369
Change in fund balances	44,805	47,111	91,916	1,544	93,460
Fund balances beginning of year, as restated	563,314	184,546	747,860	818,096	1,565,956
Fund balances end of year	\$ 608,119	231,657	839,776	819,640	1,659,416

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA 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	\$ 4,038,735	82,515	4,121,250
Receivables:			
Delinquent	-	6,908	6,908
Succeeding year	-	669,340	669,340
Due from other governments	194,782	-	194,782
Total assets	\$ 4,233,517	758,763	4,992,280
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 319,582	-	319,582
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	669,340	669,340
Fund balances:			
Restricted for:			
School infrastructure	3,913,935	-	3,913,935
Physical plant and equipment	-	89,423	89,423
Total fund balances	3,913,935	89,423	4,003,358
Total liabilities, deferred inflows of resources and fund balances	\$ 4,233,517	758,763	4,992,280

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	651,288	651,288
Other	401,543	21,966	423,509
State sources	1,258,801	-	1,258,801
Total revenues	1,660,344	673,254	2,333,598
Expenditures:			
Current:			
Support services:			
Instructional staff	-	321,675	321,675
Operation and maintenance of plant	-	192,146	192,146
Transportation	-	224,695	224,695
Capital outlay	648,273	234,103	882,376
Total expenditures	648,273	972,619	1,620,892
Excess(Deficiency) of revenues over(under) expenditures	1,012,071	(299,365)	712,706
Other financing sources(uses):			
Transfer out	(782,369)	(53,000)	(835,369)
Proceeds from the issuance of revenue bonds	3,250,000	-	3,250,000
Total other financing sources(uses)	2,467,631	(53,000)	2,414,631
Change in fund balances	3,479,702	(352,365)	3,127,337
Fund balances beginning of year, as restated	434,233	441,788	876,021
Fund balances end of year	\$ 3,913,935	89,423	4,003,358

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year Restated	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,564	2,925	3,272	2,217
Vocal Music	10,671	17,679	11,598	16,752
Instrumental Music	8,481	39,625	42,870	5,236
Cross Country	70	2,697	2,767	-
Special Cross Country	57	4,370	3,101	1,326
Special Swim Team	4,380	2,063	1,679	4,764
Boys Basketball	120	8,479	8,599	-
Special Boys Basketball	3,219	4,624	6,148	1,695
Football	3,471	8,523	11,419	575
Special Football	5,154	19,979	16,349	8,784
Baseball	(46)	9,284	9,238	-
Special Baseball	1,672	6,553	7,472	753
Boys Track	-	5,074	5,074	-
Special Boys Track	2,821	7,283	6,457	3,647
Boys Golf	-	869	869	-
Special Boys Golf	1,837	-	221	1,616
Wrestling	2,139	5,840	6,573	1,406
Special Wrestling	505	1,872	378	1,999
Girls Basketball	-	8,196	8,196	-
Special Girls Basketball	1,461	2,097	2,368	1,190
Volleyball	2,436	9,878	5,507	6,807
Special Volleyball	1,704	20,797	14,780	7,721
Softball	(56)	6,150	6,094	-
Special Softball	2,545	3,771	3,223	3,093
Girls Track	-	3,000	2,149	851
Special Girls Track	1,403	7,777	2,279	6,901
Girls Golf	-	1,029	1,029	-
Special Girls Golf	618	1,910	2,528	-
Athletics General	20,589	14,890	27,066	8,413
High School Projects	(77)	467	455	(65)
TNT	371	-	-	371
MS Cheerleaders	472	-	-	472
HS Cheerleaders	2,636	3,520	4,914	1,242
Class of 2015	1,047	478	1,525	-
Class of 2016	(187)	3,968	3,443	338
Class of 2017	288	3,288	3,329	247
Class of 2018	-	489	-	489
Concession	(3,629)	63,610	54,380	5,601
Concession Equipment	(2,038)	2,427	389	-
Drill Team	3,135	14,456	16,514	1,077
FFA	31,945	83,276	70,839	44,382
Construction Club	139	-	-	139
Env. Science	2,064	-	104	1,960
HOSA	1,044	-	-	1,044
Interest	-	113	113	-
England Trip	-	5,150	5,150	-
Special Olympics	2,029	534	765	1,798
Academic Decathlon	(412)	698	236	50
Model UN	522	934	1,068	388
National Honor Society	186	2,604	2,485	305
Outdoor Club	949	562	457	1,054
P.E. Club	8,185	-	-	8,185
Peer Helpers	1,342	-	-	1,342
Prom Improvement	1,199	1,083	1,564	718
Public Broadcasting	192	329	414	107
Quiz Bowl	50	7,516	6,887	679
Science Fair	332	1,605	970	967
Student Senate	3,303	2,740	1,956	4,087
TV Productions	4,405	1,046	-	5,451
Weight Lifting Club	79	191	270	-
Yearbook	12,646	20,082	17,612	15,116
Special advertising	29,150	16,856	3,807	42,199
Vocal/Band Uniforms	813	3,040	3,734	119
Swing Choir & Band	2,391	-	-	2,391
Band Tour	1,759	10,861	9,686	2,934
Vocal Tour	401	323	-	724
Total	<u>\$ 184,546</u>	<u>479,480</u>	<u>432,369</u>	<u>231,657</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 7,321	22,011	25,088	4,244
Liabilities				
Due to other groups	\$ 7,321	22,011	25,088	4,244

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
 ALL GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Modified Accrual Basis
	Years Ended June 30,
	2015
Revenues:	
Local sources:	
Local tax	\$ 7,852,032
Tuition	1,280,551
Other	1,181,494
State sources	9,097,222
Federal sources	352,141
Total	\$ 19,763,440
Expenditures:	
Instruction:	
Regular	\$ 6,376,925
Special	3,168,883
Other	2,787,241
Support services:	
Student	152,042
Instructional staff	578,646
Administration	1,198,272
Operation and maintenance of plant	2,083,055
Transportation	925,820
Capital outlay	882,376
Long-term debt:	
Principal	561,501
Interest and fiscal charges	428,403
Other expenditures:	
AEA flowthrough	610,570
Total	\$ 19,753,734

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 15	\$ 57,751
National School Lunch Program	10.555	FY 15	302,305 *
Summer Food Service Program for Children	10.559	FY 15	4,502
			364,558
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 14	14,839
Title I Grants to Local Educational Agencies	84.010	FY 15	167,112
			181,951
Improving Teacher Quality State Grants	84.367	FY 15	64,466
Grants for State Assessments and Related Activities	84.369	FY 15	6,775
Prairie Lakes AEA 8:			
Special Education - Grants to States	84.027	FY 15	74,950
TOTAL			\$ 692,700

* -Includes \$66,117 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of Algona Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Algona Community School District 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, and have issued our report thereon dated February 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Algona 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 Algona Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Algona Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and 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 on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Algona Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have

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

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

Algona Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Algona 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.

February 18, 2016
Newton, Iowa

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

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

To the Board of Education of Algona Community School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination on Algona Community School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The management of Algona Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Algona Community School

District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Algona Community School District's internal control over compliance.

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

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2016
Newton, Iowa

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

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

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

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

- 1) Cash - initiating disbursement transactions, access to blank check stock, generate and print checks, executes wire transfers and performing reconciliations.
- 2) Receipts - collecting, recording and posting.
- 3) Journal Entries - writing and posting.
- 4) School Lunch Program - journalizing, posting, reconciling, check preparation, mailing and recording.

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

Response - We will work on segregating duties involving other employees as much as possible.

Conclusion - Response accepted.

II-B-15 Supporting Documents for Credit Card Payments - During our audit we noted several instances of purchases on the District credit card that lacked an invoice or detailed receipt to be used as supporting documentation beyond the credit card statement

Recommendation - The District should review their procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - We will make sure we have a receipt for every credit card transaction. We will document through purchase orders or require prior approval through emails before use of credit card.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

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

- 1) Cash - initiating disbursement transactions, access to blank check stock, generate and print checks, executes wire transfers and performing reconciliations.
- 2) Receipts - collecting, recording and posting.
- 3) Journal Entries - writing and posting.
- 4) School Lunch Program - journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response and Corrective Action Planned - We have implemented compensating controls such as requiring secondary approval for wire transfers and journal entries. We will work on segregating duties involving other employees as much as possible.

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budgeted amounts in the non-instructional programs and other expenditures functional areas.

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

Response - We will amend the budget before disbursements exceed the certified budget.

Conclusion - Response accepted.

IV-B-15 Questionable Disbursements - During our audit we noted disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. More specific examples of items noted are as follows:

Gift Cards: We noted during our audit that the District purchased a gift card out of the Outdoor Club account within the Student Activity Fund. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. Additionally, gift cards do not provide an opportunity for the Board to "audit and allow" the final purchase as required by Chapter 279.29 of the Code of Iowa.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979 and Chapter 279.29 of the Code of Iowa.

Response - Gift Cards will no longer be purchased.

Conclusion - Response accepted.

Coach's Polos: We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity and School Nutrition Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - We will no longer purchase polo shirts through activity accounts and will work with the Booster Club on this item.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Shelly TerHark, Teacher Spouse officiates	Officiating	\$ 34
Jay Limbaugh, Board Member Father owns Jack's OK Tires	Tire purchases	17,105
Rodney Davis, Board Member Winter sports duty	Score keeper	520

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with relatives of District employees or officials do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with Board Member Rodney Davis do not appear to represent a conflict of interest.

IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

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

IV-G-15 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. The enrollment data was overstated by 1.74 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

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

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

- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the 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		\$ 434,233
Revenues:		
Sales tax revenues	\$ 1,258,801	
Other local revenues	401,543	
Sale of long-term debt	3,250,000	4,910,344
		<u>5,344,577</u>
Expenditures/transfers out:		
School infrastructure	648,273	
Transfers to other funds:		
Debt service fund	782,369	1,430,642
		<u>1,430,642</u>
Ending balance		<u>\$ 3,913,935</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.

- IV-M-15 Contracts - We noted during our audit that the Superintendent signed an operating lease contract for District copiers. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to comply with Chapter 291.1 of the Code of Iowa.

Response - We will have the Board President sign all contracts.

Conclusion - Response accepted.

- IV-N-15 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events. The District currently receipts this revenue into the Student Activity Fund.

Recommendation - Chapter 297.10 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage from hosting district and regional events into the General Fund.

Response - We will receipt revenue from regional and district events in to the General Fund.

Conclusion - Response accepted.

- IV-O-15 Student Activity Fund - In accordance with Chapter 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. We noted during our audit that scholarships were paid out of the FFA account within the Student Activity Fund.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - We will make sure to set up an account for the FFA to have a Scholarship Account.

Conclusion - Response accepted.

- IV-P-15 Financial Condition - The School Nutrition Fund had deficit unrestricted net position of \$63,558 and the business type activities had deficit unrestricted net position of \$39,420 at June 30, 2015. The District's governmental activities had deficit unrestricted net position of \$3,225,484 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year. The District also had one account in the Student Activity Fund with a negative unassigned fund balance of \$65.

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. The District should continue to monitor the Student Activity Fund account and investigate alternatives to eliminate the deficit fund balance.

Response - The deficits in the governmental activities and the School Nutrition Fund are due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No. 68 and 71 will affect the District's financials in the future. We will continue to monitor the Student Activity Fund account and investigate alternatives to eliminate the deficit balance.

Conclusion - Response accepted.