

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL
DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
Albert City-Truesdale Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District, Albert City, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 8 to the financial statements, during the year ended June 30, 2004, Albert City-Truesdale Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 27, 2004, on our consideration of Albert City-Truesdale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Albert City-Truesdale Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

October 27, 2004

Albert City - Truesdale Community School District

Management Discussion and Analysis

This section of the Albert City – Truesdale Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Since this is the first year that requires all activities to be reported on a full accrual basis, a comprehensive comparison to the prior year is not possible. In subsequent years comparison to prior year data will be provided for all key financial information. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- General Fund revenues increased from \$2,351,088 in fiscal 2003 to \$2,491,294 in fiscal 2004, while General Fund expenditures increased from \$2,354,083 in fiscal 2003 to \$2,419,758 in fiscal 2004. The District's General Fund balance increased from \$326,361 in fiscal 2003 to \$400,965 in fiscal 2004, an 18.61% increase.
- The increase in General Fund balance was attributable to an increase in property tax and state and federal grant revenue in fiscal 2004.
- AC-T CSD certified enrollment count taken on September 18, 2003, was 281.5. This count represents a reduction of 20.4 students from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide Financial Statements* (Statement of Net Assets and Statement of Activities) that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental funds statements* tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the district operates *like businesses*, such as food services.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1

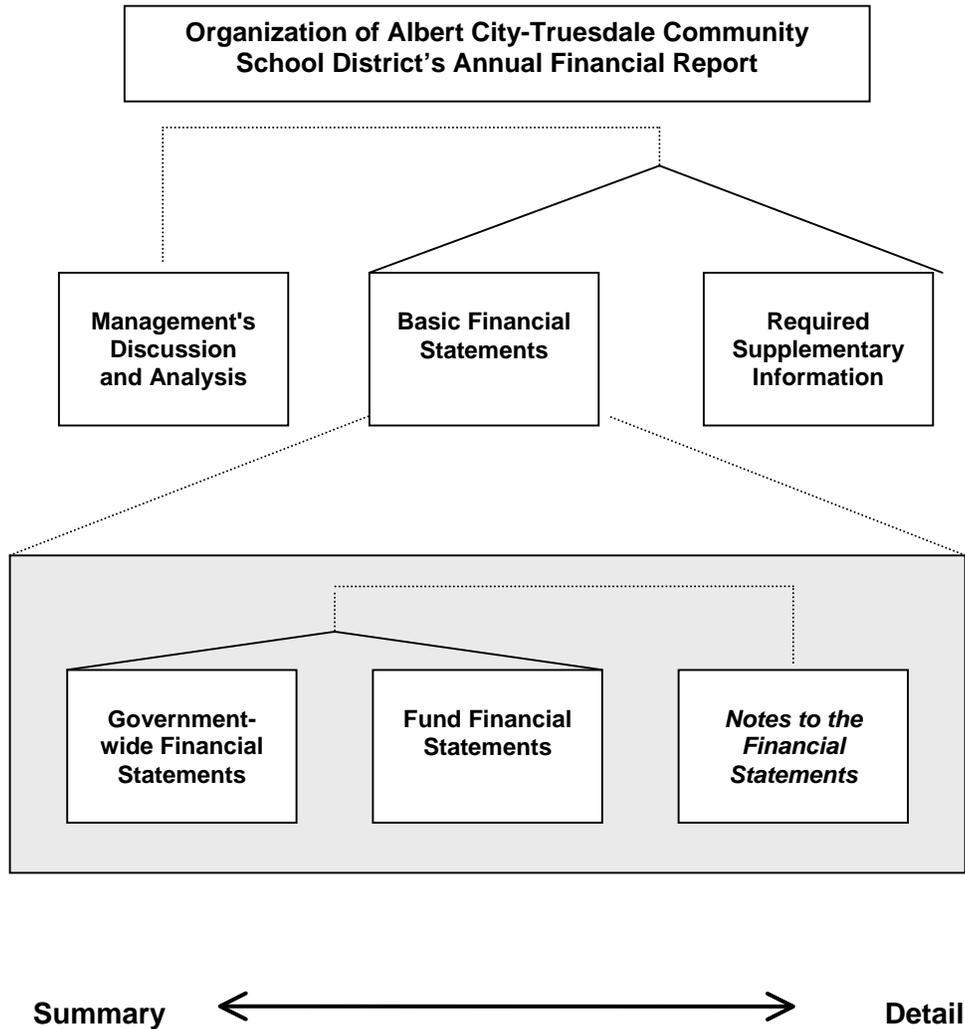


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Table A-2
Major Features of Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses: school nutrition	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
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	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 short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	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

Government-wide Statements

The Government-wide Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. 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 statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's health or *position*.

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

In the Government-wide Financial Statements, the District's activities are divided into two categories:

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 funds statements provide a detailed *short-term* view that helps you 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 currently has the following governmental funds: General Fund and Special Revenue Funds.
- *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 statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds*—These funds are used to account for assets held by the District in a trustee capacity. The funds included in the District's Trust Fund cannot be used to support the District's own programs therefore the District excludes these activities from the government-wide financial statements. The District's two fiduciary funds are an Expendable Trust Fund and an Agency Fund.

- **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net assets. Table A-3 below provides a summary of the District's net assets as of June 30, 2004.

Table A-3 Summary of Net Assets June 30, 2004 (in thousands of dollars)			
	Governmental Activities	Business-type Activities	TOTAL
Current and other assets	2,570.22	41.15	2,611.37
Capital assets net of Accumulated Depreciation	747.54	8.42	755.96
Total Assets	<u>\$ 3,317.76</u>	<u>\$ 49.57</u>	<u>\$3,367.33</u>
Total Liabilities	<u>\$ 1,902.49</u>	<u>\$ 6.66</u>	<u>\$1,909.15</u>
Invested in Capital Assets Net of related Debt	\$ 747.54	\$ 8.42	\$ 755.96
Restricted for:			
Management Levy	29.43	--	29.43
Physical Plant and Equipment Levy	27.21	--	27.21
Other Special Revenue Purpose	210.12	--	210.12
Unrestricted	<u>400.97</u>	<u>34.49</u>	<u>435.46</u>
Total Net Asset as of June 30, 2004	<u>\$ 1,415.27</u>	<u>\$ 42.91</u>	<u>\$ 1,458.18</u>

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$1,342,557 and related unearned revenue liability on the Statement of Net Assets result from this requirement. The unearned revenue liability of those taxes account for 70.57% of the total liabilities while an additional 19.13% of the liability is related to IACAP borrowing capacity. The balance would relate to salaries, benefits, and accounts payable. (See Exhibit A for detailed Statement of Net Assets)

Changes in Net Assets

Table A-4 recasts the Statement of Activities (Exhibit B) into a traditional revenue and expenses format. Unrestricted state aid accounts for 9 percent of total revenue and property tax accounts for 58 percent. Specific categorical grants and contributions from state, federal and private sources account for 24 percent of revenue. Charges for services, mainly tuition and student co-curricular activities, account for 9 percent. (See Figure A-5)

The District's expenses are predominately related to the instruction of students (69 percent). (See Figure A-6) The support services, non-instructional programs, and unallocated depreciation categories account for 28% of expenses. These categories contain many line items directly supporting students and instruction such as guidance, health, media, technology, improvement of instruction, and student transportation food service program costs, and depreciation expense not directly allocated to any functional area.

Operations and maintenance and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency. These AEA support dollars equate to 3% of total expenditures.

Table A-4
Changes in District's Net Assets
(in thousands of dollars)

	Governmental Activities	Business-type Activities	TOTAL
Revenues			
Program Revenues			
Charges for services	\$ 147.65	45.56	\$ 193.21
Operating Grants and Contributions	420.31	47.15	467.46
Capital Grants, Contributions and Restricted Interest	25.00	--	25.00
General Revenues			
Property Taxes	1,216.64	--	1,216.64
Capital outlay	178.24	--	178.24
State aid not restricted to specific programs	812.73	--	812.73
Interest Income	8.70	.125	8.83
Miscellaneous	<u>.763</u>	<u>--</u>	<u>.763</u>
Total revenue	<u>2,810.03</u>	<u>92.83</u>	<u>2,902.87</u>
Expenses			
Instruction related	1,821.10	--	1,821.10
Support services	710.89	--	710.89
Non-instructional Programs	1.05	94.78	95.83
Area education agency	88.36	--	88.36
Depreciation (unallocated) *	<u>29.23</u>	<u>--</u>	<u>29.23</u>
Total expenses	<u>2,650.63</u>	<u>94.78</u>	<u>2,745.41</u>
Change in net assets	<u>159.40</u>	<u>(1.94)</u>	<u>157.46</u>

Figure A-5
Source of District Revenue for Fiscal
Year 2004

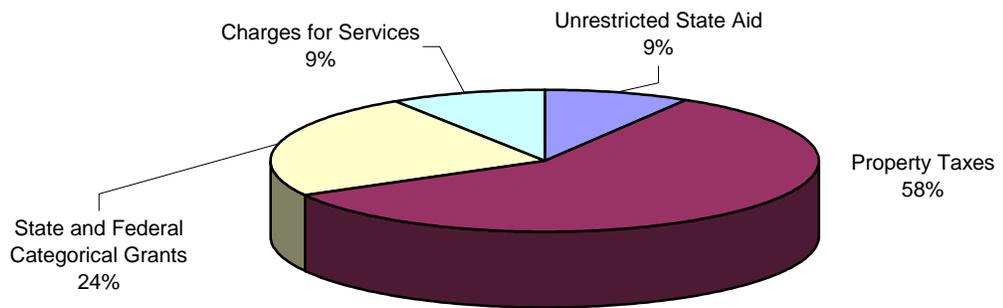
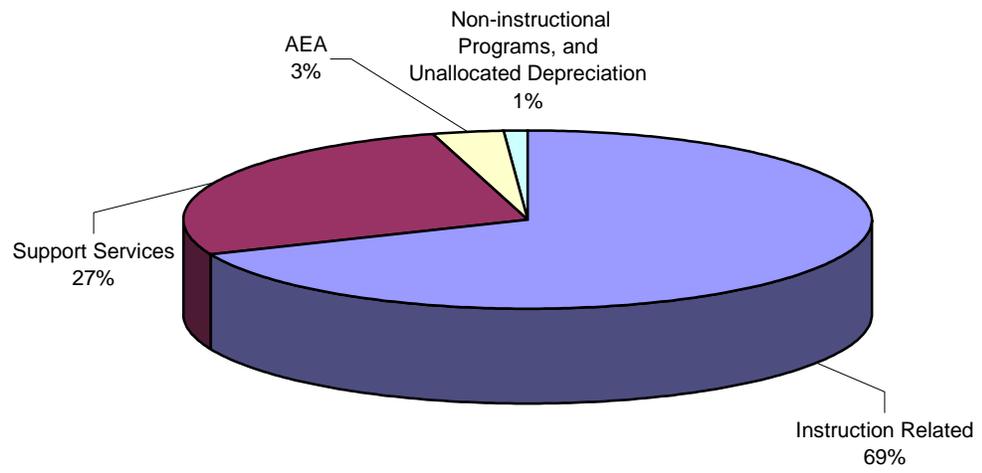


Figure A-6
District's Expenses for Fiscal Year
2004



Governmental Activities

Table A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A-7
Net Cost of District's Governmental Activities
(in thousands of dollars)

	Total Cost of Services in 2004	Net Cost of Services in 2004
Instruction	\$ 1,821.10	\$ 1,347.20
Pupil and Instructional Services	135.13	135.13
Administration and Business	267.72	267.72
Maintenance and Operations	217.22	211.52
Transportation	90.82	90.82
Other	<u>117.56</u>	<u>5.28</u>
	\$ 2,650.63	\$ 2,057.67

- The cost of all governmental activities for the year 2004 was \$2.65 million.
- Users of the District's programs financed some of the cost, \$147.65 thousand.
- Federal and state grants (restricted/unrestricted) and investment earning accounted for \$633.01 thousand.
- Taxpayers of the District and the state financed \$1,216.64 million
- The District's previously unspent balances financed \$653.33 thousand of the 2004 expenses.

Business - Type Activities

Revenues of the District's business-type activities (school food and nutrition services) were comprised of charges for the daily lunch and breakfasts, and federal and state reimbursements.

- Business-type activity expenses exceeded revenues by \$1,944.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. (Refer to the Governmental Funds Balance Sheet (Exhibit C) and Statement of Revenue, Expenditures and Changes in Fund Balances (Exhibit E))

The General Fund ended the year with \$400,965 in reserved fund balances. This represents operating capital for the district during July, August and the first two weeks of September when salary and benefits payable as well as accounts payable are due but state funds are not received and tax receipts are at a minimum. It also includes funds reserved for inventories and the TAG program. The district held \$266,760 in unreserved fund balances in nonmajor governmental funds. These funds are restricted in use and cannot be used for General Fund expenses.

Budgetary Highlights

- District continues to budget on a GAAP basis.
- The District levied an additional \$106,113 in cash reserves to support a special education deficit and unfunded open enrollment expenditures. These are property tax only dollars.
- Budgeted expenditures include both unspent spending authority from the prior year and general fund revenues.
- Over the course of the 2004 budget year, the District managed and revised its operating budget in that informal budget revisions were made when changes in programs became apparent. These amounts would add to the revenues and/or the expenditures.
- The District's budget versus actual results was within acceptable management planning parameters. Overall, the final variance for the expenditures was a positive \$373,851.

See the Budgetary Comparison schedule of Receipts, Disbursements and Changes in Balances-Budget and Actual – All Governmental Funds and Proprietary Fund in the Required Supplementary Information.

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested more than \$747,538 (net of accumulated depreciation of \$716,472) in a broad range of capital assets including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. (More detailed information about capital assets can be found in Note 4 to the financial statements).

Long – Term Debt

The District had no long-term debt in fiscal year 2004 and has no current plans to issue debt in 2005.

Bond Ratings

The District does not have a General Obligation Bond Rating from Moody's for fiscal year 2004 because the District does not have any general obligation bonds outstanding. If the District were to issue general obligation bonds, it would at that time go for a Moody's rating.

Factors Bearing on the District's Future

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

- One of the key elements of the Iowa state school aid formula is certified enrollment. The last two years enrollment has decreased 4.32% in FY03 and decreased 7.27% in FY04. When enrollment drops it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture.
- The District's primary source of revenue is the State of Iowa's school aid formula. Because of the national and state recession, the allowable growth in aid to schools was only 2% for fiscal year 2004. Costs of providing a quality education program are rising faster than 2%. Teacher settlements alone over the past several years are in the 3 to 4% range.
- Health Insurance cost continues to rise each year. In the 2003 – 2004 school the District paid an insurance premium of approximately \$148,986 for its teaching and administrative staff. Rising insurance costs is an area that could cause the District major financial concerns.
- More than 69 percent of the general fund budget is salaries and benefits. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- In 2001, two important legislative acts were passed into law that affects public school education. The federal government passed "*No Child Left Behind*" and Iowa passed the "*Student Achievement and Teacher Quality Act.*" The District is currently working through the various requirements of these laws. While the intent of this legislation is sound, additional costs and unfunded mandates may develop.
- The taxpayers of the district have passed a Local Option Sales Tax initiative. These additional dollars will give the District additional funding for the same items as the Physical Plant and Equipment Levy. In addition to building needs the funds can be used for technology for the District.

Contacting the District's Financial Management

This financial report is designed to provide our 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 Sandra A. Otto, Board Secretary Albert City-Truesdale Community School District, 300 Orchard St. Albert City, IA 50510, Phone number: 712-843-5416, Fax number: 712-843-2195, or sotto@albertct.k12.ia.us for e-mail.

BASIC FINANCIAL STATEMENTS

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	361,103	-	361,103
Other	798,382	35,154	833,536
Receivables:			
Property tax:			
Delinquent	15,519	-	15,519
Succeeding year	1,342,557	-	1,342,557
Accounts	700	5	705
Accrued interest:			
ISCAP	619	-	619
Other	397	-	397
Due from other governments	43,866	-	43,866
Inventories	7,074	5,988	13,062
Capital assets, net of accumulated depreciation	747,538	8,423	755,961
Total assets	3,317,755	49,570	3,367,325
Liabilities			
Accounts payable	4,296	-	4,296
Salaries and benefits payable	191,744	5,891	197,635
Deferred revenue:			
Succeeding year property tax	1,342,557	-	1,342,557
Other	-	764	764
ISCAP warrants payable	359,000	-	359,000
ISCAP accrued interest payable	938	-	938
ISCAP premium	3,957	-	3,957
Total liabilities	1,902,492	6,655	1,909,147
Net assets			
Invested in capital assets, net of related debt	747,538	8,423	755,961
Restricted for:			
Management levy	29,433	-	29,433
Physical plant and equipment levy	27,209	-	27,209
Other special revenue purposes	210,118	-	210,118
Unrestricted	400,965	34,492	435,457
Total net assets	1,415,263	42,915	1,458,178

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,150,328	77,447	262,261	
Special instruction	356,156	-	53,588	-
Other instruction	314,617	67,258	13,347	-
	<u>1,821,101</u>	<u>144,705</u>	<u>329,196</u>	<u>-</u>
Support services:				
Student services	90,614	-	-	-
Instructional staff services	44,518	-	-	-
Administration services	267,716	-	-	-
Operation and maintenance of plant services	217,217	2,949	2,752	-
Transportation services	90,820	-	-	-
	<u>710,885</u>	<u>2,949</u>	<u>2,752</u>	<u>-</u>
Non-instructional programs	<u>1,046</u>			<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	25,000
AEA flowthrough	88,365	-	88,365	-
Depreciation (unallocated)*	29,230	-	-	-
	<u>117,595</u>	<u>-</u>	<u>88,365</u>	<u>25,000</u>
Total governmental activities	2,650,627	147,654	420,313	25,000
Business type activities				
Non-instructional programs:				
Food service operations	94,778	45,559	47,150	-
Total	<u>2,745,405</u>	<u>193,213</u>	<u>467,463</u>	<u>25,000</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(810,620)	-	(810,620)
(302,568)	-	(302,568)
<u>(234,012)</u>	<u>-</u>	<u>(234,012)</u>
<u>(1,347,200)</u>	<u>-</u>	<u>(1,347,200)</u>
(90,614)	-	(90,614)
(44,518)	-	(44,518)
(267,716)	-	(267,716)
(211,516)	-	(211,516)
<u>(90,820)</u>	<u>-</u>	<u>(90,820)</u>
<u>(705,184)</u>	<u>-</u>	<u>(705,184)</u>
<u>(1,046)</u>	<u>-</u>	<u>(1,046)</u>
25,000	-	25,000
-	-	-
<u>(29,230)</u>	<u>-</u>	<u>(29,230)</u>
<u>(4,230)</u>	<u>-</u>	<u>(4,230)</u>
(2,057,660)	-	(2,057,660)
<u>-</u>	<u>(2,069)</u>	<u>(2,069)</u>
<u>(2,057,660)</u>	<u>(2,069)</u>	<u>(2,059,729)</u>
1,216,635	-	1,216,635
178,237	-	178,237
812,727	-	812,727
8,698	125	8,823
<u>763</u>	<u>-</u>	<u>763</u>
<u>2,217,060</u>	<u>125</u>	<u>2,217,185</u>
159,400	(1,944)	157,456
<u>1,255,863</u>	<u>44,859</u>	<u>1,300,722</u>
<u>1,415,263</u>	<u>42,915</u>	<u>1,458,178</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	361,103	-	361,103
Other	559,666	238,716	798,382
Receivables:			
Property tax:			
Delinquent	12,982	2,537	15,519
Succeeding year	1,174,717	167,840	1,342,557
Accounts	250	450	700
Accrued interest - ISCAP	340	-	340
Accrued interest - other	619	57	676
Due from other governments	18,866	25,000	43,866
Inventories	7,074	-	7,074
	<u>2,135,617</u>	<u>434,600</u>	<u>2,570,217</u>
Total assets			
	<u>2,135,617</u>	<u>434,600</u>	<u>2,570,217</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	4,296	-	4,296
Salaries and benefits payable	191,744	-	191,744
ISCAP warrants payable	359,000	-	359,000
ISCAP accrued interest payable	938	-	938
ISCAP premium	3,957	-	3,957
Deferred revenue:			
Succeeding year property tax	1,174,717	167,840	1,342,557
Total liabilities	<u>1,734,652</u>	<u>167,840</u>	<u>1,902,492</u>
Fund balances:			
Reserved for:			
Inventories	7,074	-	7,074
Gifted and talented program	482	-	482
Unreserved:			
Designated for special purposes	270,000	-	270,000
Designated for cash flow	123,409	-	123,409
Unreserved, undesignated	-	266,760	266,760
Total fund balances	<u>400,965</u>	<u>266,760</u>	<u>667,725</u>
	<u>2,135,617</u>	<u>434,600</u>	<u>2,570,217</u>
Total liabilities and fund balances			
	<u>2,135,617</u>	<u>434,600</u>	<u>2,570,217</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	667,725
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*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

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

<u>747,538</u>

Net assets of governmental activities (Exhibit A)	<u><u>1,415,263</u></u>
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ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,166,897	227,975	1,394,872
Tuition	27,342	-	27,342
Other	65,915	64,995	130,910
State sources	1,044,191	-	1,044,191
Federal sources	186,949	25,000	211,949
Total revenues	<u>2,491,294</u>	<u>317,970</u>	<u>2,809,264</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,116,947	37,281	1,154,228
Special instruction	356,156	-	356,156
Other instruction	246,766	67,851	314,617
	<u>1,719,869</u>	<u>105,132</u>	<u>1,825,001</u>
Support services:			
Student services	90,614	-	90,614
Instructional staff services	44,518	-	44,518
Administration services	265,466	-	265,466
Operation and maintenance of plant services	143,699	64,679	208,378
Transportation services	66,181	3,853	70,034
	<u>610,478</u>	<u>68,532</u>	<u>679,010</u>
Non-instructional programs	<u>1,046</u>	<u>-</u>	<u>1,046</u>
Other expenditures:			
Facilities acquisition	-	58,795	58,795
AEA flowthrough	88,365	-	88,365
	<u>88,365</u>	<u>58,795</u>	<u>147,160</u>
Total expenditures	<u>2,419,758</u>	<u>232,459</u>	<u>2,652,217</u>
Excess (deficiency) of revenues over (under) expenditures	71,536	85,511	157,047
Other financing sources (uses):			
Sales of materials and equipment	763	-	763
Net change in fund balances	72,299	85,511	157,810
Fund balances beginning of year, as restated	<u>328,666</u>	<u>181,249</u>	<u>509,915</u>
Fund balances end of year	<u><u>400,965</u></u>	<u><u>266,760</u></u>	<u><u>667,725</u></u>

ALBERT CITY-TRUESDALE 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, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		157,810
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	77,755	
Depreciation expense	<u>(76,165)</u>	<u>1,590</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>159,400</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	35,154
Accounts receivable	5
Inventories	5,988
Capital assets, net of accumulated depreciation	<u>8,423</u>
Total assets	<u>49,570</u>
Liabilities	
Salaries and benefits payable	5,891
Deferred revenue	<u>764</u>
Total liabilities	<u>6,655</u>
Net assets	
Invested in capital assets, net of related debt	8,423
Unrestricted	<u>34,492</u>
Total net assets	<u><u>42,915</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>45,559</u>
Operating expenses:	
Non-instructional programs:	
Salaries	34,808
Benefits	7,902
Purchased services	2,267
Supplies	48,917
Depreciation	758
Other	126
	<u>94,778</u>
Operating gain (loss)	<u>(49,219)</u>
Non-operating revenue:	
State sources	1,294
Federal sources	45,856
Interest income	125
Total non-operating revenue	<u>47,275</u>
Change in net assets	(1,944)
Net assets beginning of year	<u>44,859</u>
Net assets end of year	<u><u>42,915</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	45,243
Cash payments to employees for services	(42,025)
Cash payments to suppliers for goods or services	(40,015)
Net cash used by operating activities	<u>(36,797)</u>
Cash flows from non-capital financing activities:	
State grants received	1,294
Federal grants received	31,612
Net cash provided by non-capital financing activities	<u>32,906</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,500)</u>
Cash flows from investing activities:	
Interest on investments	<u>125</u>
Net increase (decrease) in cash and cash equivalents	(7,266)
Cash and cash equivalents at beginning of year	<u>42,420</u>
Cash and cash equivalents at end of year	<u><u>35,154</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(49,219)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	14,244
Depreciation	758
Decrease (increase) in inventories	(2,889)
Decrease (increase) in accounts receivable	131
(Decrease) increase in accounts payable	(60)
(Decrease) increase in salaries and benefits payable	685
(Decrease) increase in deferred revenue	<u>(447)</u>
Net cash used in operating activities	<u><u>(36,797)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$14,244 of federal commodities.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	<u>Agency</u>
	\$
Assets	
Cash and pooled investments	52
Liabilities	
Liabilities:	
Accounts payable	<u>52</u>
Net Assets	<u><u>-</u></u>

Albert City-Truesdale COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2004

1. Summary of Significant Accounting Policies

Albert City-Truesdale Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Albert City and Truesdale, Iowa and the predominately agricultural territory in a portion of Buena Vista and Pocahontas Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

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

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

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 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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	5-15 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 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 investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$598,595 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

3. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of [June 30, 2004](#), is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2003-04B	1/30/04	1/28/05	113,770	619	113,000	938
2004-05A	6/20/04	6/18/05	247,333	-	246,000	-
Total			361,103	619	359,000	938

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, [2004](#), is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2003-04B	2.000	1.131
2004-05A	3.000	2.463

4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	31,066	-	-	-
Capital assets being depreciated:				
Buildings	1,217,584	-	-	1,217,584
Improvements other than buildings	130,628	-	-	130,628
Furniture and equipment	791,172	77,755	-	868,927
Total capital assets being deprec.	<u>2,139,384</u>	<u>77,755</u>	-	<u>2,217,139</u>
Less accumulated depreciation for:				
Buildings	800,362	19,912	-	820,274
Improvements other than buildings	111,819	-	-	111,819
Furniture and equipment	512,321	56,253	-	568,574
Total accumulated depreciation	<u>1,424,502</u>	<u>76,165</u>	-	<u>1,500,667</u>
Total capital assets being depreciated, net	<u>714,882</u>	<u>1,590</u>	-	<u>716,472</u>
Governmental activities capital assets, net	<u>745,948</u>	<u>1,590</u>	-	<u>747,538</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	53,855	3,500	-	57,355
Less accumulated depreciation	48,174	758	-	48,932
Business type activities capital assets, net	<u>5,681</u>	<u>2,742</u>	-	<u>8,423</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	15,060
Support Services:	
Student services	
Instructional staff services	2,250
Administration services	8,839
Transportation	20,786
	<hr/>
	46,935
Unallocated depreciation	29,230
	<hr/>
Total governmental activities depreciation expense	76,165
	<hr/>
Business type activities:	
Food service operations	758
	<hr/>

5. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$77,725, \$78,688, and \$79,985 respectively, equal to the required contributions for each year.

6. Risk Management

[Albert City-Truesdale](#) Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$132,662.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Albert City-Truesdale 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.

7. 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 \$88,365 for the year ended June 30, 2004, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

8. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Funds</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$
Net assets, June 30, 2003, as previously reported	328,666	181,249	509,915
GASB Interpretation 6 adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, July 1, 2003, as restated for governmental funds	<u>328,666</u>	<u>181,249</u>	509,915
GASB 34 adjustments:			
Capital assets net of accumulated depreciation of \$1,424,502			<u>745,948</u>
Net assets, July 1, 2003, as restated			<u><u>1,255,863</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Revenues						
Local sources	1,553,124	45,684	1,598,808	1,665,414	1,665,414	(66,606)
State sources	1,044,191	1,294	1,045,485	1,086,926	1,086,926	(41,441)
Federal sources	211,949	45,856	257,805	158,000	158,000	99,805
Total revenues	<u>2,809,264</u>	<u>92,834</u>	<u>2,902,098</u>	<u>2,910,340</u>	<u>2,910,340</u>	<u>(8,242)</u>
Expenses						
Instruction	1,825,001	-	1,825,001	1,909,684	1,909,684	84,683
Support services	679,010	-	679,010	892,448	892,448	213,438
Non-instructional programs	1,046	94,778	95,824	104,000	104,000	8,176
Other expenditures	147,160	-	147,160	214,714	214,714	67,554
Total expenses	<u>2,652,217</u>	<u>94,778</u>	<u>2,746,995</u>	<u>3,120,846</u>	<u>3,120,846</u>	<u>373,851</u>
Excess (deficiency) of revenues over (under) expenses	157,047	(1,944)	155,103	(210,506)	(210,506)	365,609
Other financing sources (uses) net	<u>763</u>	<u>-</u>	<u>763</u>	<u>2,000</u>	<u>2,000</u>	<u>(1,237)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenses	157,810	(1,944)	155,866	(208,506)	(208,506)	364,372
Balance beginning of year	<u>509,915</u>	<u>44,859</u>	<u>554,774</u>	<u>507,625</u>	<u>507,625</u>	<u>47,149</u>
Balance end of year	<u><u>667,725</u></u>	<u><u>42,915</u></u>	<u><u>710,640</u></u>	<u><u>299,119</u></u>	<u><u>299,119</u></u>	<u><u>411,521</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

Revenues
Expenditures
Net
Other financing sources (uses) net
Beginning fund balances

Ending fund balances

Revenues
Expenditures
Net
Other financing sources (uses) net
Beginning fund balances

Ending fund balances

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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 modified accrual [basis](#).

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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 functional 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. The District did not amend it's budget during the year.

OTHER SUPPLEMENTARY INFORMATION

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds				Total
	Management	Student	Physical	District	
	Levy	Activity	Plant and	Support	
		Equipment	Trust Funds		
	\$	\$	\$	\$	\$
Cash and pooled investments	28,874	27,209	177,771	4,862	238,716
Receivables:					
Property tax:					
Delinquent	554	-	1,983	-	2,537
Succeeding year	140,000	-	27,840	-	167,840
Accounts	-	-	-	450	450
Accrued interest	5	-	52	-	57
Due from other governments	-	-	25,000	-	25,000
Total assets	169,433	27,209	232,646	5,312	434,600
Liabilities & Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	140,000	-	27,840	-	167,840
Fund balances:					
Unreserved fund balance	29,433	27,209	204,806	5,312	266,760
Total liabilities and fund balances	169,433	27,209	232,646	5,312	434,600

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds				Total
	Management	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	49,738	-	178,237	-	227,975
Other	313	62,838	1,817	27	64,995
Federal sources	-	-	25,000	-	25,000
Total revenues	<u>50,051</u>	<u>62,838</u>	<u>205,054</u>	<u>27</u>	<u>317,970</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	22,815	-	14,466	-	37,281
Other instruction	-	67,851	-	-	67,851
Support services:					
Operation and maintenance of plant services	29,693	-	34,986	-	64,679
Transportation services	3,853	-	-	-	3,853
Other expenditures:					
Facilities acquisition	-	-	58,795	-	58,795
Total expenditures	<u>56,361</u>	<u>67,851</u>	<u>108,247</u>	<u>-</u>	<u>232,459</u>
Excess (deficiency) of revenues over (under) expenditures	(6,310)	(5,013)	96,807	27	85,511
Fund balances beginning of year, as restated	<u>35,743</u>	<u>32,222</u>	<u>107,999</u>	<u>5,285</u>	<u>181,249</u>
Fund balances end of year	<u>29,433</u>	<u>27,209</u>	<u>204,806</u>	<u>5,312</u>	<u>266,760</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Commerce club	9,139	12,094	11,785	4,328	13,776
Annual	1,062	2,208	6,460	3,190	-
Spanish club	-	-	-	-	-
Tag club	993	-	-	-	993
FFA	1,013	8,366	8,637	-	742
Drama club	2,434	626	1,008	(2,052)	-
LOF fund	1,071	732	1,009	-	794
Cheerleaders	393	1,757	1,934	-	216
Student council	621	1,326	1,425	-	522
National Honor Society	827	251	991	-	87
Track	(503)	265	233	471	-
Football	5,066	3,714	3,898	(4,882)	-
Volleyball	1,513	2,044	1,496	(2,061)	-
Basketball	(817)	10,481	8,460	(1,204)	-
Golf	342	-	360	18	-
Baseball	443	2,733	3,316	140	-
Softball	(1,128)	4,508	4,917	1,537	-
Weight room	95	560	483	(172)	-
General athletics	154	-	1,360	1,206	-
Class of 2004	1,062	1,086	1,629	(519)	-
Class of 2005	2,018	4,891	4,884	-	2,025
Class of 2006	2,649	-	310	-	2,339
Class of 2007	2,737	63	104	-	2,696
Class of 2008	1,038	2,342	1,613	-	1,767
Class of 2009	-	2,791	1,539	-	1,252
Total	<u>32,222</u>	<u>62,838</u>	<u>67,851</u>	<u>-</u>	<u>27,209</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2004

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
		\$	\$	\$	\$
	Assets				
Cash		<u>202</u>	<u>245</u>	<u>395</u>	<u>52</u>
	Liabilities				
Other payables		<u>202</u>	<u>245</u>	<u>395</u>	<u>52</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,394,872	1,297,688	1,164,489	1,149,317
Tuition	27,342	23,693	32,566	68,603
Other	130,910	134,090	172,432	116,382
State sources	1,044,191	1,037,113	979,795	997,329
Federal sources	211,949	121,758	51,432	47,955
	<u>2,809,264</u>	<u>2,614,342</u>	<u>2,400,714</u>	<u>2,379,586</u>
Expenditures:				
Instruction:				
Regular instruction	1,154,228	1,052,173	1,140,665	1,136,673
Special instruction	356,156	331,266	271,883	230,127
Other instruction	314,617	365,200	318,216	269,439
Support services:				
Student services	90,614	92,390	71,793	70,661
Instructional staff services	44,518	50,914	44,138	41,020
Administration services	265,466	266,012	330,785	325,249
Operation and maintenance of plant services	208,378	199,883	147,704	178,027
Transportation services	70,034	112,253	86,632	120,446
Non-instructional programs	1,046	-	1,395	6,057
Other expenditures:				
Facilities acquisition	58,795	78,927	29,783	31,785
Long-term debt:				
Principal	-	-	-	53,454
Interest and other charges	-	-	-	2,514
AEA flowthrough	88,365	91,805	90,328	94,908
	<u>2,652,217</u>	<u>2,640,823</u>	<u>2,533,322</u>	<u>2,560,360</u>

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
Albert City-Truesdale Community School District:

We have audited the financial statements of the Albert City-Truesdale Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 27, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Albert City-Truesdale 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings .

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Albert City-Truesdale Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items [04-I-A](#) and [04-I-B](#) are material weaknesses. Prior year reportable conditions have all been resolved except for items [04-I-A](#) and [04-I-B](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Albert City-Truesdale](#) Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [Albert City-Truesdale](#) 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

October 27, [2004](#)

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

04-I-B Signature Stamp: We noted that that the Board Secretary has access to a stamp bearing the signature of the Board President. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- 04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- 04-II-B Certified Budget: Expenditures for the year ended June 30, 2004, did not exceed the amounts budgeted.
- 04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 04-II-D Travel Expenses: 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.
- 04-II-E Business Transactions: Except as explained in comment 04-II-K we noted no transactions between the District and District officials or employees. We did note that the district did about \$11,000 of business with Clausen Hardware in which the spouse of board member Deb Clausen appears to have an ownership interest, however, business with the spouse of a board member is not a conflict of interest.
- 04-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 04-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-II-J Certified Annual Report (CAR): [The CAR was filed with the Department of Education timely, and we](#) noted no significant deficiencies in the amounts reported.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (Continued):

04-II-K Supporting Documentation: We noted one student activity fund invoice from Sam's Club which was not approved by the board.

Recommendation: The District board should approve all invoices which are paid by the District.

District Response: We will review our policies and make any necessary changes.

Conclusion: Response accepted