

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

JUNE 30, 2004

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15-16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 21
Statement of Revenues, Expenses and Changes in Net Assets	H 22
Statement of Cash Flows	I 23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 24
Statement of Changes in Fiduciary Net Assets	K 25
Notes to Financial Statements	26-36
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund	37-38
Budgetary Comparison Schedule- Budget to GAAP Reconciliation	39
Notes to Required Supplementary Information - Budgetary Reporting	40
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 42
Schedule of Changes in Student Activity Accounts	3 43
Combining Balance Sheet - Expendable Trust Funds	4 44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Expendable Trust Funds	5 45
Combining Balance Sheet - Non-Expendable Trust Funds	6 46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Expendable Trust Funds	7 47-48
Statement of Changes in Net Assets and Liabilities - Agency Fund	8 49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	9 50
Schedule of Expenditures of Federal Awards	10 51-52
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	53-54
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance	55-56
Schedule of Findings and Questioned Costs	57-61

Albia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Mary Wynn	President	2004
Kim Sawatzky	Vice President	2004
Mike Stocker	Board Member	2005
Guy Poe	Board Member	2005
Jeff Liston	Board Member	2003
Mick Brock	Board Member (Resigned)	2004
Marty Ryan	Board Member (Appointed)	2003
Robin Haselhuhn	Board Member	2003

<b>Board of Education (After September 2003 Election)</b>		
Mary Wynn	President	2004
Kim Sawatzky	Vice President	2004
Mike Stocker	Board Member	2005
Guy Poe	Board Member (Resigned)	2005
John Scieszinski	Board Member (Appointed)	2004
Jeff Liston	Board Member	2006
Marty Ryan	Board Member	2004
Robin Haselhuhn	Board Member	2006

<b>School Officials</b>		
Dave Sextro	Superintendent	2004
Peggy Newman	District Secretary/Treasurer And Business Manager	2004
Gruhn Law Firm	Attorney	2004

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Albia Community School District 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 that 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, business-type activities, each major fund, and the aggregate remaining fund information of the Albia Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Albia Community School District adopted Governmental Accounting Standards Board 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; Statement No. 41, Budgetary Comparison Schedule- Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

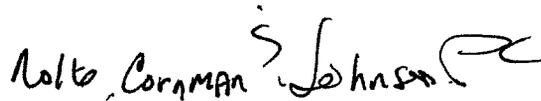
In accordance with Government Auditing Standards, we have also issued our reports dated November 9, 2004 on our consideration of the Albia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

Members American Institute & Iowa Society of Certified Public Accountants

laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Albia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed a qualified opinion on the combined balance sheets for the omission of the general fixed assets account group. An unqualified opinion was expressed on the operations statements for the three years ended June 30, 2003. The supplemental information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

November 9, 2004

---

---

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

---

---

Albia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, 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.

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$9,126,280 in fiscal 2003 to \$9,049,645 in fiscal 2004, while General Fund expenditures increased from \$8,699,026 in fiscal 2003 to \$8,943,926 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$974,231 in fiscal 2003 to a balance of \$1,080,850 in fiscal 2004, an 11% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance increased is because despite the increase in total expenditures, total revenues still exceeded total expenditures for fiscal 2004.

### **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 Assets and a Statement of Activities. These provide information about the activities of Albia Community School District as a whole and present an overall view of the District's finances.

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

Notes to the 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

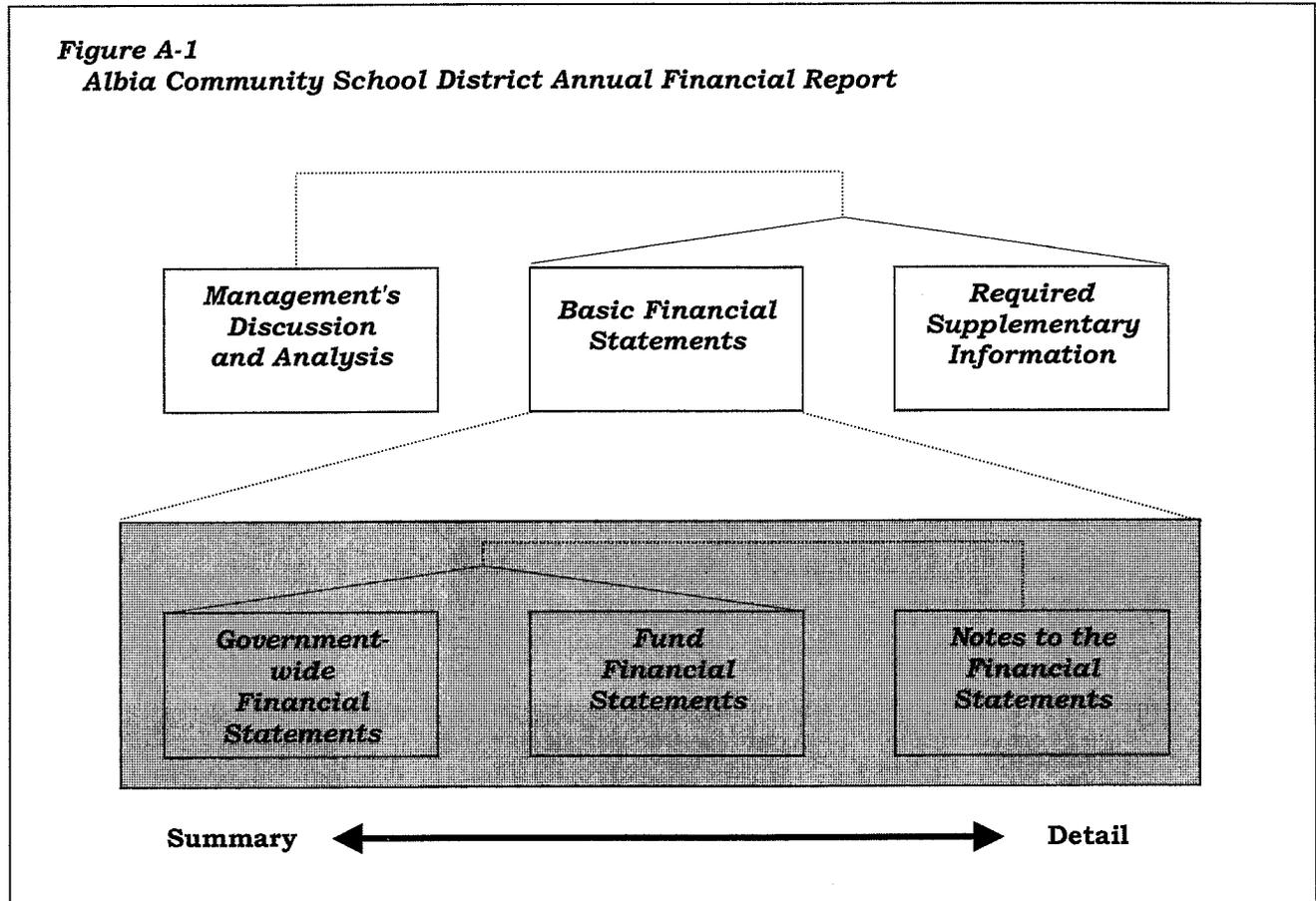


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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 services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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 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 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 financial 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 financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust fund.

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

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

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 7,510,275	32,825	7,543,100
Capital assets	1,718,768	40,236	1,759,004
Total assets	<u>9,229,043</u>	<u>73,061</u>	<u>9,302,104</u>
Long-term obligations	817,588	0	817,588
Other liabilities	5,712,085	4,971	5,717,056
Total liabilities	<u>6,529,673</u>	<u>4,971</u>	<u>6,534,644</u>
Net assets:			
Invested in capital assets, net of related debt	1,030,138	40,236	1,070,374
Restricted	430,310	0	430,310
Unrestricted	1,238,922	27,854	1,266,776
Total net assets	<u>\$ 2,699,370</u>	<u>68,090</u>	<u>2,767,460</u>

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4  
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 438,104	252,179	690,283
Operating grants and contributions and restricted interest	1,086,265	176,532	1,262,797
Capital grants and contributions and restricted interest	79,845	0	79,845
General revenues:			
Property tax	3,365,343	0	3,365,343
Unrestricted state grants	4,865,672	0	4,865,672
Other	56,300	272	56,572
Total revenues	9,891,529	428,983	10,320,512
Program expenses:			
Governmental activities:			
Instructional	6,449,654	0	6,449,654
Support services	2,340,111	0	2,340,111
Non-instructional programs	6,546	455,405	461,951
Other expenses	562,744	0	562,744
Total expenses	9,359,055	455,405	9,814,460
Changes in net assets	532,474	(26,422)	506,052
Net assets beginning of year	2,166,896	94,512	2,261,408
Net assets end of year	\$ 2,699,370	68,090	2,767,460

Property tax and unrestricted state grants account for 80% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$9,891,529 and expenses were \$9,359,055.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,449,654	5,280,501
Support services	2,340,111	2,340,111
Non- instructional	6,546	6,546
Other expenses	562,744	127,683
Totals	\$ 9,359,055	7,754,841

- The cost financed by users of the District's programs was \$438,104.

- 
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,166,110.
  - The net cost of governmental activities was financed with \$3,365,343 in local tax, \$4,865,672 in unrestricted state grants, and \$48,259 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$428,983 and expenses were \$455,405. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,477,632, above last year's ending fund balances of \$1,352,322. However, the primary reason for the increase was the controlled spending in the General Fund.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the product of many factors. Decrease in tax revenue during the year resulted in a decrease in revenues. In spite of the decrease in revenues and the increase in General Fund expenditures during the year, the financial position of the District still increased.
- The Management, and Activity Fund combined balance decreased from \$342,729 in 2003, to \$324,379 in 2004, due to excess of expenditures over revenues in the Management Fund.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from a deficit balance of \$126,864 to a deficit balance of \$89,163, due to an increase in federal revenue for the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$94,512 at June 30, 2003 to \$68,090 at June 30, 2004, representing a decrease of approximately 28%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$424,672 less than budgeted revenues, a variance of 3.9%. The most significant variance resulted from the District receiving less in local taxes than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$1.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.68% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$151,355.

The original cost of the District's capital assets was \$5,587,993. Governmental funds account for \$5,512,693 with the remainder of \$75,300 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$297,970 at June 30, 2004, compared to \$183,705 reported at June 30, 2003. This increase resulted from the purchases made during the current year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Land	\$ 7,000	0	7,000
Buildings	1,411,265	0	1,411,265
Improvements other than buildings	42,769	0	42,769
Machinery and equipment	257,734	40,236	297,970
Total	\$ 1,718,768	40,236	1,759,004

### Long-Term Debt

At June 30, 2004, the District had long-term debt outstanding of \$817,588 in general obligation bonds and compensated absences. This represents a decrease of approximately 31% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$795,000 at June 30, 2004.

The District had compensated absences of \$22,588, at June 30, 2004.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 795,000	1,160,000	-31.5%
Operating lease	0	2,585	-100.0%
Compensated absences	22,588	22,539	0.2%
Total	\$ 817,588	1,185,124	-31.0%

---

## **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:

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The District has passed the one cent sales tax during the current year and is expecting to receive approximately \$28,000 a month from local sources and \$100,000 a year from state sources.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

---

## **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 Peggy Newman, District Board Secretary, Albia Community School District, 120 Benton Avenue East, Albia, Iowa, 52531.

BASIC FINANCIAL STATEMENTS

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments			
ISCAP(Note 5)	\$ 2,397,038	0	2,397,038
Other	1,387,228	8,139	1,395,367
Receivables:			
Property tax:			
Delinquent	72,980	0	72,980
Succeeding year	3,186,630	0	3,186,630
Income surtax	325,026	0	325,026
Accounts	26,789	0	26,789
Accrued interest			
ISCAP(Note 5)	3,725	0	3,725
Due from other governments	110,859	0	110,859
Inventories	0	24,686	24,686
Capital assets, net of accumulated depreciation(Note 6)	1,718,768	40,236	1,759,004
<b>TOTAL ASSETS</b>	<b>9,229,043</b>	<b>73,061</b>	<b>9,302,104</b>
<b>LIABILITIES</b>			
Accounts payable	21,972	1,214	23,186
Interest payable	4,468	0	4,468
Due to other governments	1,570	0	1,570
Salaries and benefits payable	27,082	274	27,356
ISCAP warrants payable(Note 5)	2,407,000	0	2,407,000
ISCAP accrued interest payable(Note 5)	5,648	0	5,648
ISCAP premiums payable	3,278	0	3,278
Excess of warrant issued over bank balance	54,437	0	54,437
Deferred revenue:			
Succeeding year property tax	3,186,630	0	3,186,630
Other	0	3,483	3,483
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds	370,000	0	370,000
Compensated absences	22,588	0	22,588
Portion due after one year:			
General obligation bonds	425,000	0	425,000
<b>TOTAL LIABILITIES</b>	<b>6,529,673</b>	<b>4,971</b>	<b>6,534,644</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,030,138	40,236	959,536
Restricted for:			
Phase III	14,097	0	14,097
Talented and gifted	40,690	0	40,690
Teacher quality	416	0	416
Management levy	114,025	0	114,025
Other special revenue purposes	261,082	0	261,082
Unrestricted	1,238,922	27,854	1,377,614
<b>TOTAL NET ASSETS</b>	<b>\$ 2,699,370</b>	<b>68,090</b>	<b>2,767,460</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 3,927,269	102,127	731,049	0
Special instruction	1,735,912	37,576	0	0
Other instruction	786,473	298,401	0	0
	6,449,654	438,104	731,049	0
<b>Support services:</b>				
Student services	240,758	0	0	0
Instructional staff services	209,105	0	0	0
Administration services	890,772	0	0	0
Operation and maintenance of plant services	748,446	0	0	0
Transportation services	246,867	0	0	0
Central services	4,163	0	0	0
	2,340,111	0	0	0
<b>Non-instructional services:</b>				
Food services	6,475	0	0	0
Community service and educational operations	71	0	0	0
	6,546	0	0	0
<b>Other expenditures:</b>				
Facilities acquisitions	107,065	0	0	79,845
Long-term debt interest	15,289	0	0	0
AEA flowthrough	355,216	0	355,216	0
Depreciation(unallocated) *	85,174	0	0	0
	562,744	0	355,216	79,845
<b>Total governmental activities</b>	<b>9,359,055</b>	<b>438,104</b>	<b>1,086,265</b>	<b>79,845</b>
<b>Business-Type activities:</b>				
<b>Non-instructional programs:</b>				
Nutrition services	455,405	252,179	176,532	0
Total business-type activities	455,405	252,179	176,532	0
<b>Total</b>	<b>\$ 9,814,460</b>	<b>690,283</b>	<b>1,262,797</b>	<b>79,845</b>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Debt services  
  Capital outlay  
Unrestricted state grants  
Unrestricted investment earnings  
Sale of materials  
Other

Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 11)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,094,093)	0	(3,094,093)
(1,698,336)	0	(1,698,336)
(488,072)	0	(488,072)
(5,280,501)	0	(5,280,501)
(240,758)	0	(240,758)
(209,105)	0	(209,105)
(890,772)	0	(890,772)
(748,446)	0	(748,446)
(246,867)	0	(246,867)
(4,163)	0	(4,163)
(2,340,111)	0	(2,340,111)
(6,475)	0	(6,475)
(71)	0	(71)
(6,546)	0	(6,546)
(27,220)	0	(27,220)
(15,289)	0	(15,289)
0	0	0
(85,174)	0	(85,174)
(127,683)	0	(127,683)
(7,754,841)	0	(7,754,841)
0	(26,694)	(26,694)
0	(26,694)	(26,694)
(7,754,841)	(26,694)	(7,781,535)
\$ 2,918,385	0	2,918,385
64,950	0	64,950
382,008	0	382,008
4,865,672	0	4,865,672
48,259	272	48,531
900	0	900
7,141	0	7,141
8,287,315	272	8,287,587
532,474	(26,422)	506,052
2,166,896	94,512	2,261,408
\$ 2,699,370	68,090	2,767,460

ALBIA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Other Governmental Funds	Total
<b>ASSETS</b>			
Cash and pooled investments			
ISCAP(Note 5)	\$ 2,397,038	0	2,397,038
Other	866,724	520,504	1,387,228
Receivables:			
Property tax			
Delinquent	60,372	12,608	72,980
Succeeding year	2,617,070	569,560	3,186,630
Income surtax	325,026	0	325,026
Interfund	106,155	0	106,155
Accounts	2,265	24,524	26,789
Accrued interest			
ISCAP(Note 5)	3,725	0	3,725
Due from other governments	110,859	0	110,859
<b>TOTAL ASSETS</b>	<b>\$ 6,489,234</b>	<b>1,127,196</b>	<b>7,616,430</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund payable	\$ 0	106,155	106,155
Accounts payable	21,710	262	21,972
Due to other governments	1,570	0	1,570
Salaries and benefits payable	27,082	0	27,082
ISCAP warrants payable(Note 5)	2,407,000	0	2,407,000
ISCAP accrued interest payable(Note 5)	5,648	0	5,648
ISCAP premiums payable	3,278	0	3,278
Excess of warrants issued over bank balance	0	54,437	54,437
Deferred revenue:			
Succeeding year property tax	2,617,070	569,560	3,186,630
Income surtax	325,026	0	325,026
Total liabilities	5,408,384	730,414	6,138,798
Fund balances:			
Reserved for:			
Debt service	0	110,838	110,838
Phase III	14,097	0	14,097
Talanted and gifted	40,690	0	40,690
Teacher quality	416	0	416
Unreserved:			
Designated			
Reserved for cashflow	512,824	0	512,824
Undesignated	512,823	285,944	798,767
Total fund balances	1,080,850	396,782	1,477,632
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,489,234</b>	<b>1,127,196</b>	<b>7,616,430</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2004

<b>Total fund balances of governmental funds (page 17)</b>	\$	1,477,632
 <i>Amounts reported for governmental activities in the statement of net assets 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.		1,718,768
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(4,468)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		325,026
Long-term liabilities, including bonds payable, operating lease payable, and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(817,588)
<b>Net assets of governmental activities (page 14)</b>	<b>\$</b>	<b>2,699,370</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004

	General	Other Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 2,819,678	545,665	3,365,343
Tuition	139,703	0	139,703
Other	138,907	207,753	346,660
State sources	5,558,393	580	5,558,973
Federal sources	392,964	79,845	472,809
Total revenues	9,049,645	833,843	9,883,488
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	3,899,207	28,062	3,927,269
Special instruction	1,735,912	0	1,735,912
Other instruction	592,496	193,977	786,473
	6,227,615	222,039	6,449,654
Support services:			
Student services	238,974	784	239,758
Instructional staff services	208,455	650	209,105
Administration services	859,013	31,710	890,723
Operation and maintenance of plant services	709,806	38,640	748,446
Transportation services	340,613	28,458	369,071
Central services	4,163	0	4,163
	2,361,024	100,242	2,461,266
Non-instructional:			
Food service	0	6,475	6,475
Community service & educational operations	71	0	71
	71	6,475	6,546
Other expenditures:			
Facilities acquisitions	0	107,065	107,065
Long-term debt:			
Principal	0	365,000	365,000
Interest and fiscal charges	0	21,472	21,472
AEA flowthrough	355,216	0	355,216
	355,216	493,537	848,753
Total expenditures	8,943,926	822,293	9,766,219
Excess of revenues over expenditures	105,719	11,550	117,269
Other financing sources:			
Transfer in	0	7,141	7,141
Sale of materials	900	0	900
Total other financing sources	900	7,141	8,041
Net change in fund balances	106,619	18,691	125,310
Fund balance beginning of year	974,231	378,091	1,352,322
Fund balance end of year	\$ 1,080,850	396,782	1,477,632

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds (page 19) \$ 125,310

*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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 179,606	
Depreciation expense	(143,576)	36,030

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 367,585

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,598

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

Compensated absences		(49)
----------------------	--	------

Changes in net assets of governmental activities (page 16) \$ 532,474

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 8,139
Inventories	24,686
Capital assets, net of accumulated depreciation	40,236
TOTAL ASSETS	73,061
LIABILITIES	
Accounts payable	1,214
Salaries and benefits payable	274
Deferred revenues	3,483
TOTAL LIABILITES	4,971
NET ASSETS	
Invested in capital assets, net of related debt	40,236
Unrestricted	27,854
TOTAL NET ASSETS	\$ 68,090

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 243,610
A la carte	7,563
Miscellaneous	1,006
TOTAL OPERATING REVENUES	252,179
OPERATING EXPENSES:	
Food service operations:	
Salaries	155,638
Benefits	38,285
Services	6,590
Supplies	247,113
Depreciation	7,779
TOTAL OPERATING EXPENSES	455,405
OPERATING LOSS	(203,226)
NON-OPERATING REVENUES:	
Interest	272
State sources	5,369
Federal sources	171,163
TOTAL NON-OPERATING REVENUES	176,804
Change in net assets	(26,422)
Net assets beginning of year	94,512
Net assets end of year	\$ 68,090

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 251,587
Cash received from miscellaneous operating activities	1,006
Cash payments to employees for services	(193,649)
Cash payments to suppliers for goods or services	(232,388)
Net cash used in operating activities	(173,444)
Cash flows from non-capital financing activities:	
State grants received	5,369
Federal grants received	144,584
Net cash provided by non-capital financing activities	149,953
Cash flows from investing activities:	
Interest on investments	272
Net cash provided by investing activities	272
Cash flows from capital financing activities:	
Purchase of assets	(840)
Net cash used in financing activities	(840)
Net decrease in cash and cash equivalents	(24,059)
Cash and cash equivalents at beginning of year	32,198
Cash and cash equivalents at end of year	\$ 8,139
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (203,226)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	26,579
Depreciation	7,779
Increase in inventories	(6,478)
Decrease in accounts receivable	664
Increase in accounts payable	1,214
Increase in salaries and benefits payable	274
Decrease in deferred revenue	(250)
Net cash used in operating activities	\$ (173,444)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 8,139

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$26,579.

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2004

	Private-purpose	
	Trust	
	Scholarship	Agency
<b>ASSETS</b>		
Cash and pooled investments	\$ 55,905	(48,463)
Due from other governments	0	56,550
	55,905	8,087
<b>LIABILITIES</b>		
Due to other groups	0	8,087
<b>NET ASSETS</b>		
Reserved for scholarships	\$ 55,905	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Interest income	\$ 837
DEDUCTIONS:	
Instruction:	
Purchased services	1,529
Deficiency of revenues under expenditures	(692)
Other financing uses:	
Transfer out	(7,141)
Deficiency of revenues under expenditures and other financing uses	(7,833)
Net assets beginning of year	63,738
Net assets end of year	\$ 55,905

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

(1) **Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

For financial reporting purposes, Albia Community School District has included all funds, organizations, account groups, 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 Albia Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

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

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

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

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

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the 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 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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Live (In Years)
Buildings	25-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

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

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

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of 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 for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net 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, no disbursements exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits 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.

**(3) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	PPEL	\$ 106,155

**(4) Transfers**

The detail of transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Expendable Trust	Non-expendable Trust	\$ 7,141

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) 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. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Accrued Interest Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04B	1/30/04	1/28/05	684,631	3,725	680,000	5,648
2004-05A	6/30/04	6/30/05	1,712,407	0	1,727,000	0
Total			\$ 2,397,038	3,725	2,407,000	5,648

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 25<sup>th</sup> 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. No ISCAP advance activity was noted during the 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
2003-04A	2.000%	1.050%
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

**(6) Capital Assets**

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

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,000	0	0	7,000
Total capital assets not being depreciated	7,000	0	0	7,000
Capital assets being depreciated:				
Buildings	3,995,868	0	0	3,995,868
Land improvements	173,430	0	0	173,430
Machinery and equipment	1,156,789	179,606	0	1,336,395
Total capital assets being depreciated	5,326,087	179,606	0	5,505,693
Less accumulated depreciation for:				
Buildings	2,502,280	82,323	0	2,584,603
Land improvements	127,810	2,851	0	130,661
Machinery and equipment	1,020,259	58,402	0	1,078,661
Total accumulated depreciation	3,650,349	143,576	0	3,793,925
Total capital assets being depreciated, net	1,675,738	36,030	0	1,711,768
Governmental activities capital assets, net \$	1,682,738	36,030	0	1,718,768

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 75,450	840	990	75,300
Less accumulated depreciation	28,275	7,779	990	35,064
Business-type activities capital assets, net \$	47,175	(6,939)	0	40,236

Depreciation expense was charged by the District as follows:

Governmental activities:		
Support services:		
Student services		1,000
Transportation		57,402
		<u>58,402</u>
Unallocated depreciation		85,174
Total governmental activities depreciation expense		<u>\$ 143,576</u>
Business-type activities:		
Food services		<u>\$ 7,779</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 1,160,000	0	365,000	795,000	370,000
Operating lease	2,585	0	2,585	0	0
Compensated absences	22,539	22,588	22,539	22,588	22,588
Total	\$ 1,185,124	22,588	390,124	817,588	392,588

General Obligation Bonds Payable

Details of the District's June 30, 2004 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue March 1, 2003		
	Principal	Interest	Total
2005	\$ 370,000	13,403	383,403
2006	380,000	7,852	387,852
2007	45,000	1,013	46,013
Total	\$ 795,000	22,268	817,268

**(8) 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 salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$296,335, \$289,274, and \$299,296, respectively, equal to the required contributions for each year.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$355,216 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.

**(11) Accounting Change and Restatements**

Governmental Accounting Standards Board 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 Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No.38, Certain Financial Statement Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statement 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.

Beginning capital assets for governmental activities were restated to \$5,512,693. The District had not previously reported capital assets, therefore the restatement primarily added assets above the District's capitalization threshold after an inventory was taken.

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

	Fund		Total
	General	Other Governmental Funds	
Net assets, June 30, 2003, as previously reported \$	951,692	378,091	1,329,783
GASB Interpretation 6 adjustments	22,539	0	22,539
Net assets, July 1, 2003, as restated for governmental funds	\$ 974,231	378,091	1,352,322
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$3,650,349			1,682,738
Income surtax			325,026
Long-term liabilities:			
General obligation bonds		1,160,000	
Operating lease		2,585	
Compensated absences		22,539	(1,185,124)
Accrued interest			(8,066)
Net assets July 1, 2003, as restated			\$ 2,166,896

**(12) Deficit Fund Balance**

The Special Revenue - Physical Plant and Equipment Levy fund had a deficit undesignated fund balance of \$89,163 at June, 30 2004.

REQUIRED SUPPLEMENTAL INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 3,854,738	252,865
Intermediate sources	0	0
State sources	5,558,972	5,369
Federal sources	509,233	171,163
Total receipts	9,922,943	429,397
Disbursements:		
Instruction	6,444,348	0
Support services	2,426,914	0
Non-instructional programs	7,068	453,456
Other expenditures	848,603	0
Total disbursements	9,726,933	453,456
Excess(deficiency) of receipts over(under) disbursements	196,010	(24,059)
Other financing sources, net	8,041	0
Excess(deficiency) of receipts and other financing sources over(under) disbursements	204,051	(24,059)
Balance beginning of year	1,128,740	32,198
Balance end of year	\$ 1,332,791	8,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,107,603	4,333,047	4,333,047	(225,444)
0	75,000	75,000	(75,000)
5,564,341	5,586,081	5,586,081	(21,740)
680,396	782,884	782,884	(102,488)
10,352,340	10,777,012	10,777,012	(424,672)
6,444,348	7,455,000	7,455,000	1,010,652
2,426,914	2,781,578	2,781,578	354,664
460,524	585,000	585,000	124,476
848,603	967,238	967,238	118,635
10,180,389	11,788,816	11,788,816	1,608,427
171,951	(1,011,804)	(1,011,804)	1,183,755
8,041	0	0	8,041
179,992	(1,011,804)	(1,011,804)	1,191,796
1,160,938	1,517,410	1,517,410	(356,472)
1,340,930	505,606	505,606	835,324

ALBIA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE-  
 BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 9,922,943	(39,455)	9,883,488
Expenses	9,726,933	39,286	9,766,219
Net	196,010	(78,741)	117,269
Other financing sources, net	8,041	0	8,041
Beginning fund balances	1,128,740	223,582	1,352,322
Ending fund balances	\$ 1,332,791	144,841	1,477,632

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 429,397	(414)	428,983
Expenses	453,456	1,949	455,405
Net	(24,059)	(2,363)	(26,422)
Beginning retained earnings	32,198	62,314	94,512
Ending retained earnings	\$ 8,139	59,951	68,090

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

OTHER SUPPLEMENTAL INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Physical Plant & Management	Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue	Debt Service	
<b>ASSETS</b>							
Cash and pooled investments	\$ 111,914	45,402	210,443	50,728	418,487	102,017	520,504
Receivables:							
Property tax:							
Current year delinquent	2,284	1,503	0	0	3,787	8,821	12,608
Succeeding year	125,000	61,157	0	0	186,157	383,403	569,560
Accounts	0	24,524	0	0	24,524	0	24,524
<b>TOTAL ASSETS</b>	<b>\$ 239,198</b>	<b>132,586</b>	<b>210,443</b>	<b>50,728</b>	<b>632,955</b>	<b>494,241</b>	<b>1,127,196</b>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities:</b>							
Interfund payable	\$ 0	106,155	0	0	106,155	0	106,155
Accounts payable	173	0	89	0	262	0	262
Excess of warrants issued over bank balance	0	54,437	0	0	54,437	0	54,437
<b>Deferred revenue:</b>							
Succeeding year property tax	125,000	61,157	0	0	186,157	383,403	569,560
Income surtax	0	0	0	0	0	0	0
	125,173	221,749	89	0	347,011	383,403	730,414
<b>Fund equity:</b>							
<b>Fund balances:</b>							
<b>Reserved:</b>							
Debt service	0	0	0	0	0	110,838	110,838
<b>Unreserved:</b>							
Undesignated	114,025	(89,163)	210,354	50,728	285,944	0	285,944
Total fund balances	114,025	(89,163)	210,354	50,728	285,944	110,838	396,782
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 239,198</b>	<b>132,586</b>	<b>210,443</b>	<b>50,728</b>	<b>632,955</b>	<b>494,241</b>	<b>1,127,196</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2004

	Special Revenue						
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES:</b>							
Local sources:							
Local tax	\$ 98,707	64,950	0	0	163,657	382,008	545,665
Other	1,901	0	199,445	3,244	204,590	3,163	207,753
State sources	105	69	0	0	174	406	580
Federal sources	0	79,845	0	0	79,845	0	79,845
<b>TOTAL REVENUES</b>	<b>100,713</b>	<b>144,864</b>	<b>199,445</b>	<b>3,244</b>	<b>448,266</b>	<b>385,577</b>	<b>833,843</b>
<b>EXPENDITURES:</b>							
Current:							
Instruction:							
Regular instruction	28,062	0	0	0	28,062	0	28,062
Other instruction	0	0	183,827	10,150	193,977	0	193,977
	28,062	0	183,827	10,150	222,039	0	222,039
Support services:							
Student services	784	0	0	0	784	0	784
Instructional staff services	650	0	0	0	650	0	650
Administration services	31,612	98	0	0	31,710	0	31,710
Operation and maintenance of plant services	38,640	0	0	0	38,640	0	38,640
Transportation services	28,458	0	0	0	28,458	0	28,458
	100,144	98	0	0	100,242	0	100,242
Non-instructional:							
Food service	6,475	0	0	0	6,475	0	6,475
Other expenditures:							
Facility acquisition	0	107,065	0	0	107,065	0	107,065
Long-term debt:							
Principle	0	0	0	0	0	365,000	365,000
Interest and fiscal charges	0	0	0	0	0	21,472	21,472
	0	107,065	0	0	107,065	386,472	493,537
<b>TOTAL EXPENDITURES</b>	<b>134,681</b>	<b>107,163</b>	<b>183,827</b>	<b>10,150</b>	<b>435,821</b>	<b>386,472</b>	<b>822,293</b>
Excess (deficiency) of revenues over (under) expenditures	(33,968)	37,701	15,618	(6,906)	12,445	(895)	11,550
Other financing sources							
Transfers in	0	0	0	7,141	7,141	0	7,141
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(33,968)	37,701	15,618	235	19,586	(895)	18,691
Fund balance beginning of year	147,993	(126,864)	194,736	50,493	266,358	111,733	378,091
Fund balance end of year	\$ 114,025	(89,163)	210,354	50,728	285,944	110,838	396,782

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High school co-curricular	\$ 43,515	73,860	76,800	40,575
High school athletics	69,580	71,393	58,426	82,547
7th/8th grade co-curricular	17,635	(2,183)	7,172	8,280
7th/8th grade athletics	10,430	12,834	3,617	19,647
High school clubs	41,354	38,846	35,583	44,617
7th/8th grade clubs	11,568	4,533	2,221	13,880
Lincoln center clubs	654	162	8	808
Total	\$ 194,736	199,445	183,827	210,354

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 EXPENDABLE TRUST FUNDS  
 JUNE 30, 2004

	Coca- Cola Middle School	O'Neil Sisters Scholarship	Hope Scholarship	Mick Scholarship	Anonymous Annuity	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 1,500	800	3,178	16	45,234	50,728
<b>TOTAL ASSETS</b>	<b>\$ 1,500</b>	<b>800</b>	<b>3,178</b>	<b>16</b>	<b>45,234</b>	<b>50,728</b>
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:	\$ 0	0	0	0	0	0
Fund equity:						
Fund balances:						
Unreserved, undesignated	1,500	800	3,178	16	45,234	50,728
<b>TOTAL LIABILITES AND FUND EQUITY</b>	<b>\$ 1,500</b>	<b>800</b>	<b>3,178</b>	<b>16</b>	<b>45,234</b>	<b>50,728</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - EXPENDABLE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2004

	Coca- Cola Middle School	O'Neil Sisters Scholarship	Hope Scholarship	Mick Scholarship	Anonymous Annuity	Total
<b>REVENUES:</b>						
Local sources:						
Interest on investment	\$ 0	0	50	753	2,441	3,244
<b>EXPENDITURES:</b>						
Instruction:						
Purchased services	0	400	400	4,350	5,000	10,150
Excess(deficiency) of revenues over(under) expenditures	0	(400)	(350)	(3,597)	(2,559)	(6,906)
Other financing sources						
Transfers in	0	0	3,528	3,613	0	7,141
Excess(deficiency) of revenues and other financing sources over (under) expenditures	0	(400)	3,178	16	(2,559)	235
Balance beginning of year	1,500	1,200	0	0	47,793	50,493
Balance end of year	\$ 1,500	800	3,178	16	45,234	50,728

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2004

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Total
ASSETS					
Cash and pooled investments	\$ 18,566	7,904	3,487	25,948	55,905
TOTAL ASSETS	\$ 18,566	7,904	3,487	25,948	55,905
LIABILITIES AND FUND EQUITY					
Liabilities:	\$ 0	0	0	0	0
Fund equity:					
Fund balances:					
Unreserved, undesignated	18,566	7,904	3,487	25,948	55,905
TOTAL LIABILITES AND FUND EQUITY	\$ 18,566	7,904	3,487	25,948	55,905

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - PRIVATE PURPOSE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2004

	AA Webb Scholarship	Hope Scholarship	Mick Scholarship
REVENUES:			
Local sources:			
Interest on investment	\$ 282	0	0
EXPENDITURES:			
Instruction:			
Purchased services	700	0	0
Excess(deficiency) of revenues over(under) expenditures	(418)	0	0
Other financing uses			
Transfers out	0	(3,528)	(3,613)
Excess(deficiency) of revenues over(under) expenditures and other financing uses	(418)	(3,528)	(3,613)
Balance beginning of year	18,984	3,528	3,613
Balance end of year	\$ 18,566	0	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Total
173	26	356	837
400	0	429	1,529
(227)	26	(73)	(692)
0	0	0	(7,141)
(227)	26	(73)	(7,833)
8,131	3,461	26,021	63,738
7,904	3,487	25,948	55,905

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS AND  
LIABILITIES - AGENCY FUND  
YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>POP MONEY</b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 5,355	8,845	7,923	6,277
<b>LIABILITES</b>				
Due to other groups	\$ 5,355	8,845	7,923	6,277
<b>PERKINS MONEY</b>				
<b>ASSETS</b>				
Cash	\$ (45,428)	57,571	62,897	(50,754)
Due from other goverments	57,571	56,550	57,571	56,550
	\$ 12,143	114,121	120,468	5,796
<b>LIABILITIES</b>				
Due to other groups	\$ 12,143	114,121	120,468	5,796
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 0	48,100	52,086	(3,986)
<b>LIABILITIES</b>				
Due to other groups	\$ 0	48,100	52,086	(3,986)
<b>TOTAL</b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ (40,073)	114,516	122,906	(48,463)
Due from other goverments	57,571	56,550	57,571	56,550
	\$ 17,498	171,066	180,477	8,087
<b>LIABILITIES</b>				
Due to other groups	\$ 17,498	171,066	180,477	8,087

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,365,343	3,333,014	3,092,991	3,001,670
Tuition	139,703	115,683	92,281	106,114
Other	346,660	437,517	438,051	476,086
State sources	5,558,973	5,575,588	5,500,937	5,646,957
Federal sources	472,809	427,711	352,698	419,835
<b>Total</b>	<b>\$ 9,883,488</b>	<b>9,889,513</b>	<b>9,476,958</b>	<b>9,650,662</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 3,927,269	3,849,377	4,057,955	4,054,895
Special instruction	1,735,912	1,616,860	1,476,171	1,240,322
Other instruction	786,473	768,211	773,072	730,263
Support services:				
Student services	239,758	238,385	222,511	275,797
Instructional staff services	209,105	205,845	213,076	377,946
Administration services	890,723	870,466	822,660	810,226
Operation and maintenance of plant services	748,446	717,331	680,482	746,503
Transportation services	369,071	385,887	339,828	436,056
Other	4,163	1,917	3,566	0
Non-instructional:				
Food service	6,475	4,993	3,557	3,548
Community service and education operations	71	290	0	296
Other expenditures:				
Facilities acquisitions	107,065	76,174	123,748	124,401
Long Term Debt:				
Principal	365,000	245,000	233,000	230,000
Interest	21,472	67,249	76,318	84,881
AEA flow-through	355,216	374,934	373,941	391,527
<b>Total</b>	<b>\$ 9,766,219</b>	<b>9,422,919</b>	<b>9,399,885</b>	<b>9,506,661</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	\$ 26,579
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	22,417
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	122,167
			<u>144,584</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-G	189,231
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-GC	30,944
			<u>220,175</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 03	8,435
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 04	7,809
			<u>16,244</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 04	10,729
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 04	70,498
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 03	30,797
DATA DRIVEN LEADERSHIP	84.348	FY 04	4,500

ALBIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED)			
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 04	22,405
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 04	49,048
NATIONAL SCIENCE FOUNDATION:			
UNIVERSITY OF MISSOURI			
EDUCATION AND HUMAN RESOURCE			
(NATIONAL SCIENCE AWARD)	47.076	FY 04	940
TOTAL			\$ 596,499

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

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

We have audited the financial statements of Albia Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 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 Albia Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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, 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, except IV-G-04 and IV-K-04.

#### Internal Control Over Financial Reporting

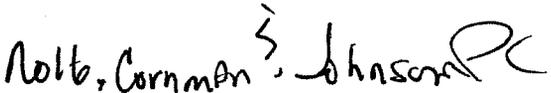
In planning and performing our audit, we considered Albia Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over 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 judgment, 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 the accompanying Schedule of Findings and Questioned Costs.

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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Albia Community School District and other parties to whom Albia Community School 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 Albia Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

November 9, 2004

**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 with Requirements Applicable  
to Each Major Program and Internal Control over Compliance

To the Board of Education of  
Albia Community School District

Compliance

We have audited the compliance of Albia Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Albia Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Albia Community School District's management. Our responsibility is to express an opinion on Albia Community School District's compliance based on our audit.

We conducted our audit of compliance 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 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Albia Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Albia Community School District's compliance with those requirements.

In our opinion, Albia Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Albia Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Albia Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 non-compliance with applicable requirements of laws, regulations,

Members American Institute & Iowa Society of Certified Public Accountants

contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Albia Community School District and other parties to whom Albia Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson". The signature is stylized and includes a large, decorative flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

November 9, 2004

ALBIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions 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) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Individual Programs:
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Albia Community School District qualified as a low-risk auditee.

ALBIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

ALBIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

ALBIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceed the amount budgeted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 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-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deann Crall, Food Service Director Parents own Spurg's Tees	Supplies	\$3,930
Patty Kraber, Secretary Spouse owns Donald Kraber Electric	Supplies	\$139

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

IV-F-04 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-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the two weeks of the Board meeting, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-04 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - Due to the medical absence of the Business Manager, The Certified Annual Report was not timely filed. We will file the report timely next year.

Conclusion - Response accepted.

IV-K-04 Financial Condition - The District had deficit unreserved fund balances of \$89,163 in the Special Revenue - Physical Plant and Equipment Levy Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The deficit came about as a result of the reaudit of our 1998 general purpose financial statements by the Office of Auditor of State which determined some general fund expenditures would be more appropriately classified as PPEL fund expenditures. The interfund payable to the General fund is included in the balance sheet, which is scheduled to be repaid over the next five years. We will continue to monitor this fund.

Conclusion - Response accepted.