ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
	Board of Education	
	(Before September 2004 Election)	
Gary Hogrefe	President	2005
Doug Rebhuhn	Vice President	2006
Brent Moens	Board Member	2006
Marlyn Hogrefe	Board Member	2004
Phil Bucholz	Board Member	2004
	(After September 2004 Election)	
Brent Moens	President	2006
Doug Rebhuhn	Vice President	2006
Gary Hogrefe	Board Member	2005
Deb Clausen	Board Member	2007
Shelly Buse	Board Member	2007
	School Officials	
Steven Mitchell	Superintendent	
Sandra Otto	District Sercretary/Treaurer	

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

Gary E. Horton CPA

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District, Albert City, Iowa, as of and for the year ended June 30, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2005, on our consideration of Albert City-Truesdale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

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

October 20, 2005

Albert City - Truesdale Community School District

Management Discussion and Analysis

This section of the Albert City – Truesdale Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- General Fund revenues increased from $2,491,294 in fiscal 2004 to $2,535,722 in 2005, while General Fund expenditures decreased from $2,419,758 in fiscal 2004 to $2,220,246 in 2005. The District's General Fund balance increased from $400,965 in fiscal 2004 to $741,561 in 2005, a 45.93% increase.

- The increase in General Fund balance was attributable to an increase in property tax, state and federal grant revenue in fiscal 2005, increased investment income, as well as a small decrease in expenditures. Grant income will decline after the next fiscal year with the completion of the original Reading First Grant in 2006.

- The District's certified enrollment count taken on September 17, 2004, was 253.2. This count represents a reduction of 27.3 students from the prior year compared to a 20.8 reduction in students the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Table A-*1*

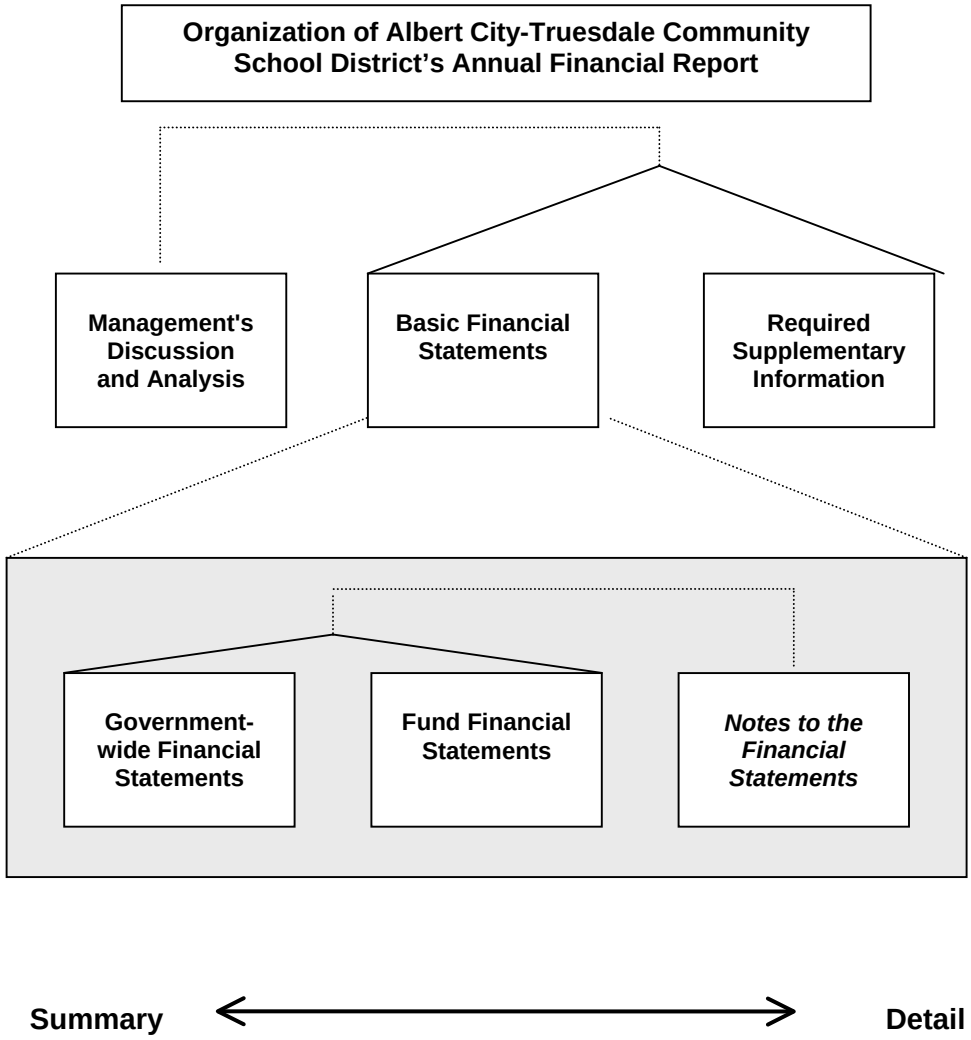

Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses: school nutrition	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, an changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

The Government-wide Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's health or position.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent to finance the District's programs. The district currently has the following governmental funds: General Fund and Special Revenue Funds.
- *Proprietary funds* - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District’s Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds* - These funds are used to account for assets held by the District in a trustee capacity. The funds included in the District’s Fiduciary Funds cannot be used to support the district’s own programs therefore the district excludes these activities from the government-wide financial statements. The District has an agency fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. Table A-3 below provides a summary of the District's net assets as of June 30, 2005 compared to June 30, 2004.

Table A-3 Condensed Statement of Net Assets (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2004	2005	2004	2005	2004	2005	2004 to 2005
Current & Other Assets	2,570.22	2,522.89	41.15	21.37	2,611.37	2,544.26	-2.57%
Capital Assets net of Accumulated Depreciation	747.54	726.02	8.42	7.51	755.96	733.53	-2.97%
Total Assets	3,317.76	3,248.91	49.57	28.88	3,367.33	3,277.79	-2.66%
Total Liabilities	1,902.49	1,431.51	6.66	6.71	1,909.15	1,438.22	-24.67%
Net Assets:							
Invested in Capital Assets net of Accumulated Depreciation	747.54	726.03	8.42	7.51	755.96	733.54	-2.97%
Restricted for:							
Management Levy	29.43	85.98			29.43	85.98	192.15%
Physical Plant and Equipment Levy	204.81	118.63			204.81	118.63	-42.08%
Other Special Revenue Purpose	32.52	21.39			32.52	21.39	-34.23%
Local Option Sales Tax	0.00	123.81			0.00	123.81	100.00%
Unrestricted	400.97	741.56	34.49	14.65	435.46	756.21	73.66%
Total Net Assets	1,415.27	1,817.40	42.91	22.17	1,458.18	1,839.57	26.16%

The District's combined net assets increased by 26.16%, or approximately $381,390, over the prior year. A large percentage of the District's net assets are capital assets (e.g., land, infrastructure, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets relating to Physical Plant and Equipment Levy reflect changes due to major purchases from the fund while the postponement of anticipated expenditures and a budgeted revenue increase to prepare for anticipated expenditures resulted in an increase in the Management Levy. This, the first year of Local Option Sales Tax contributed to the total increase in assets.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of $1,272,683 and related unearned revenue liability on the Statement of Net Assets (Exhibit A) result from this requirement. The unearned revenue liability of those taxes account for 88.9% of the total liabilities. The balance would relate to salaries, benefits, accounts payable, and liabilities related to retirement and the Reading First Grant.

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

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2004	2005	2004	2005	2004	2005	2004 to 2005
Revenues:							
Program Revenues:							
Charges for Services	147.65	98.40	45.56	26.54	193.21	124.94	-35.33%
Operating grants, Contributions & Restricted Interest	420.31	356.45	47.15	23.51	467.46	379.96	-18.72%
Capital grants, Contributions & Restricted Interest	25.00	0.00			25.00	0.00	-100.00%
General Revenue:						0.00	
Property taxes	1,394.88	1,341.33			1,394.88	1,341.33	-3.84%
Local Option Sales Tax	0.00	132.37			0.00	132.37	100.00%
Unrestricted State Grants	812.73	883.17			812.73	883.17	8.67%
Unrestricted Investment Earnings	8.70	26.49	0.13	0.17	8.83	26.66	201.93%
Other Revenue	0.76	34.10			0.76	34.10	4386.84%
Total Revenue	2,810.03	2,872.31	92.84	50.22	2,902.87	2,922.53	0.68%
Expenses:							
Instruction	1,821.10	1,619.81			1,821.10	1,619.81	-11.05%
Support Services	710.89	682.31			710.89	682.31	-4.02%
Non-instructional Programs	1.05	0.00	94.78	70.97	95.83	70.97	-25.94%
Other expenditures	117.60	168.05			117.60	168.05	42.90%
Total Expenses	2,650.64	2,470.17	94.78	70.97	2,745.42	2,541.14	-7.44%
CHANGE IN NET ASSETS	159.40	402.14	-1.94	-20.75	157.46	381.39	142.21%
Net assets beginning of year	1,255.86	1,415.26	44.86	42.92	1,300.72	1,458.18	12.11%
Net assets end of year	1,415.26	1,817.40	42.92	22.16	1,458.18	1,839.57	26.16%

Table A-4 recasts the Statement of Activities (Exhibit B) into a traditional revenue and expenses format. Unrestricted state grants accounts for 30.22 percent of total revenue and property tax accounts for 45.90 percent. The balance of funding is received as categorical grants and contributions from state, federal and private sources and charges for services (mainly tuition), for a net increase of 19.66 thousand over the previous year. (See Figure A-5).

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The District's expenses are predominately related to the instruction of students (64.00 percent). (See Figure A-6) Support services, non-instructional programs, and unallocated depreciation categories account for the balance. These categories contain many line items directly supporting students and instruction such as guidance, health, media, technology, improvement of instruction, and student transportation, food service program costs, and depreciation expense not directly allocated to any functional area.

Operations, maintenance, and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency. These AEA support dollars equate to $86,066 of other expenditures.

Figure A-5
Source of District Revenue for Fiscal Year 2005

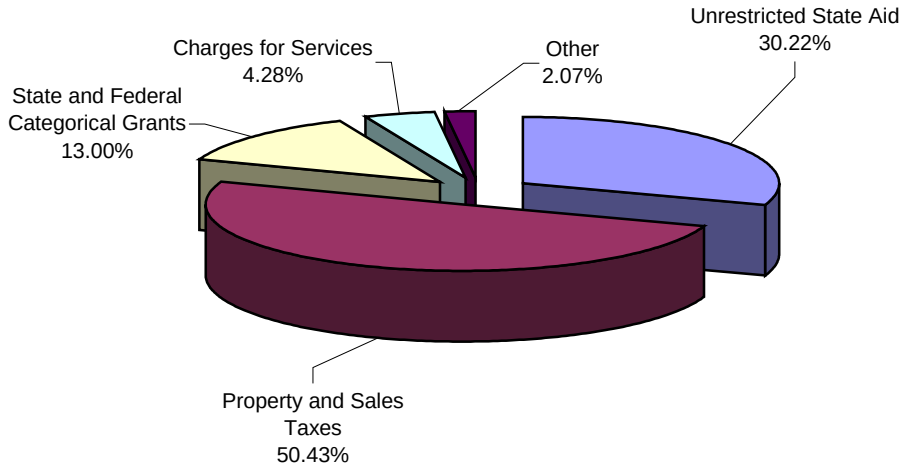
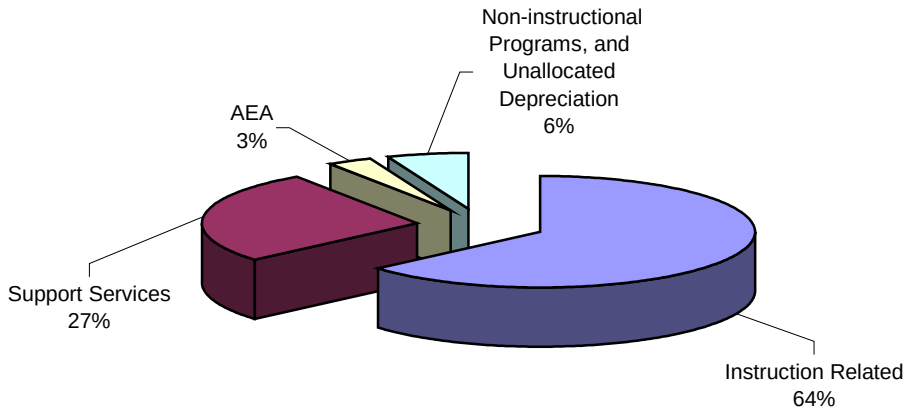


Figure A-6
District's Expenses for Fiscal Year 2005



Governmental Activities

Table A -7 presents the cost of six major District activities: instruction, support services, administration and business, maintenance and operations, transportation, and other. The table also shows each

activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

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

	Total Cost of Services 2004	Total Cost of Services 2005	Net Cost of Services 2004	Net Cost of Services 2005	Percentage Change 2004-2005
Instruction	1,821.10	1,619.81	1,347.20	1,253.40	-6.96%
Support Services	135.13	114.31	135.13	114.01	-15.63%
Administration and Business	267.72	256.82	267.72	256.82	-4.07%
Maintenance and Operations	217.22	170.89	211.52	170.43	-19.43%
Transportation	90.82	140.30	90.82	138.67	52.69%
Other	118.65	168.04	5.28	81.98	1,452.65%
	2,650.64	2,470.17	2,057.67	2,015.31	-2.06%

- The cost of all governmental activities for the year 2005 was $2.47 million.
- Users of the District's programs financed some of the cost, $98.40 thousand.
- Federal and state grants (restricted/unrestricted) and investment earning accounted for $1,263.13 thousand.
- Taxpayers of the District and the state financed $1.47 million
- The District's net assets increased by $402,14 thousand.
- The most significant increase was in the other category. Revenue received in 2004 reimbursed year 2003 expenditures, resulting in a decrease in net expenditures. This falsely inflates the percentage of change 2004 - 2005.

Business - Type Activities

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

- Business-type activity expenses exceeded revenues by $20,751.

Financial Analysis of the District's Funds

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

The General Fund ended the year with $420,000 in designated fund balances. This represents operating capital for the district during July, August and the first two weeks of September when salary and benefits payable as well as accounts payable are due but state funds are not received and tax receipts are at a minimum. The district held $321,561in unreserved fund balances in the General fund and $374,912 in Nonmajor Governmental Funds. Nonmajor Governmental funds are restricted in use and cannot be used for General Fund expenses.

The District's School Nutrition Fund's revenues were $42,600 lower in 2005 than in 2004, while expenses deceased $23,800 between the two years. The number of students eating meals at the school declined due to the whole grade sharing program implemented in 2005 and due to declining enrollment.

Budgetary Highlights

- The District continues to budget on a GAAP basis.
- The District levied an additional $191,828 in cash reserves to support a special education deficit, unfunded open enrollment expenditures and cash reserves. These are property tax only dollars.
- Over the course of the 2005 budget year, the District managed and revised its operating budget in that informal budget revisions were made when changes in programs became apparent. These amounts would add to the revenues and/or the expenditures.
- The District's budget versus actual results was within acceptable management planning parameters. It is district policy to budget for worst-case scenario to preserve fund balances for unforeseen events.

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

Capital Asset and Debt Administration

Capital Assets

By the end of 2005, the District had invested more than $733,000 (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. (Detailed information about capital assets can be found in Note 4 to the financial statements).

During fiscal year 2005 the District purchased a bus for $53,000 and a mower for $11,000.

Long – Term Debt

The district had no long-term bond or note debt in fiscal year 2005 and has no current plans to issue debt in 2006.

The District did have long-term debt for its early retirement program. (Detailed information about long-term debt can be found in Note 5 to the financial statements.)

Bond Ratings

The District does not have a General Obligation Bond Rating from Moody's for fiscal year 2005 as the District does not have any general obligation bonds outstanding. If the District were to issue general obligation bonds, it would at that time obtain a Moody's rating.

Factors Bearing on the District's Future

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

- During the 2004-2005 school year the district completed it's first successful year of whole grade sharing with Sioux Central School District. A long-term contract to continue the sharing agreement has already been signed.
- One of the key elements of the Iowa state school aid formula is certified enrollment. The enrollment count of September 2003, which generated funding for this year (2005), was 6.78% lower than the previous year. The enrollment count of Sept 2004, FY06's fund generator is 9.73% lower yet. When enrollment drops it means less state aid even with funding guarantees in place. Stability or even increases in enrollment are critical to maintaining a solid financial picture.
- The District's primary source of revenue is the State of Iowa's school aid formula. The allowable growth in aid to schools was only 2% for fiscal year 2005. Costs of providing a quality education program continue to rise at a greater rate. The teacher settlement alone last year was 6.37%. The 4% increase for the 2006-2007 year and possible further increases in upcoming years, funding for the Preschool program already in place in the district are currently being discussed by legislature. These funding increases if passed would help support our high quality education program.
- Health insurance cost continues to rise each year. In the 2004 – 2005 school year, the district paid an insurance premium of approximately $117,700 for it's teaching and administrative staff. Rising insurance costs is an area that could cause the District major financial concerns. The impending mandate for districts to account for the cost of future insurance and retirement commitments made to retirees will contribute to district liability issues.
- In 2001, two important legislative acts were passed into law that affects public school education. The federal government passed *"No Child Left Behind"* and Iowa passed the *"Student Achievement and Teacher Quality Act".* The District continues working with the various requirements of these laws.
- The taxpayers of the district have passed a Local Option Sales Tax initiative. These dollars give the District additional funding for the same items as the Physical Plant and Equipment Levy. The board has had a facility study completed to help them determine the most efficient use of the building from both a staff and mechanical/maintenance stand point, especially the areas no longer being used by the high school. In addition to building needs, Local Option Sales Tax dollars can be used for technology for the district.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra A. Otto, Board Secretary Albert City-Truesdale Community School District, 300 Orchard St. Albert City, IA 50510, Phone number: 712-843-5416, Fax number: 712-843-2195, or sotto@albertct.k12.ia.us for e-mail.

BASIC FINANCIAL STATEMENTS

Exhibit A

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	$	$	$
Assets			
Cash and cash equivalents	1,193,899	16,886	1,210,785
Receivables:			
Property tax:			
Delinquent	17,582	-	17,582
Succeeding year	1,272,683	-	1,272,683
Accounts	-	3	3
Accrued interest	46	-	46
Due from other governments	38,676	-	38,676
Inventories	-	4,467	4,467
Capital assets, net of accumulated depreciation	726,026	7,519	733,545
Total assets	3,248,912	28,875	3,277,787
Liabilities			
Accounts payable	1,753	-	1,753
Salaries and benefits payable	123,183	6,159	129,342
Deferred revenue:			
Succeeding year property tax	1,272,683	-	1,272,683
Other	8,794	552	9,346
Long-term liabilities:			
Portion due within one year:			
Early retirement	8,158	-	8,158
Portion due after one year:			
Early retirement	16,942	-	16,942
Total liabilities	1,431,513	6,711	1,438,224
Net assets			
Invested in capital assets, net of related debt	726,026	7,519	733,545
Restricted for:			
Management levy	85,980	-	85,980
Physical plant and equipment levy	118,634	-	118,634
Other special revenue purposes	21,387	-	21,387
Local option sales tax capital projects	123,811		123,811
Unrestricted	741,561	14,645	756,206
Total net assets	1,817,399	22,164	1,839,563

See notes to financial statements.

Exhibit B

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	1,235,361	82,267	214,584	
Special instruction	368,136	8,074	53,881	-
Other instruction	16,314	7,604	-	-
	1,619,811	97,945	268,465	-
Support services:				
Student services	59,620	-	300	-
Instructional staff services	54,691	-	-	-
Administration services	256,816	-	-	-
Operation and maintenance of plant services	170,889	455		-
Transportation services	140,295	-	1,621	-
	682,311	455	1,921	-
Other expenditures:				
Facilities acquisition	51,174	-	-	
AEA flowthrough	86,066	-	86,066	-
Depreciation (unallocated)*	30,807	-	-	-
	168,047	-	86,066	-
Total governmental activities	2,470,169	98,400	356,452	-
Business type activities:				
Non-instructional programs:				
Food service operations	70,971	26,544	23,508	-
Total	2,541,140	124,944	379,960	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(938,510)	-	(938,510)
(306,181)	-	(306,181)
(8,710)	-	(8,710)
(1,253,401)	-	(1,253,401)
(59,320)	-	(59,320)
(54,691)	-	(54,691)
(256,816)	-	(256,816)
(170,434)	-	(170,434)
(138,674)	-	(138,674)
(679,935)	-	(679,935)
(51,174)	-	(51,174)
-	-	-
(30,807)	-	(30,807)
(81,981)	-	(81,981)
(2,015,317)	-	(2,015,317)
-	(20,919)	(20,919)
(2,015,317)	(20,919)	(2,036,236)
1,313,527	-	1,313,527
27,809	-	27,809
132,367	-	132,367
883,166	-	883,166
26,487	168	26,655
34,097	-	34,097
2,417,453	168	2,417,621
402,136	(20,751)	381,385
1,415,263	42,915	1,458,178
1,817,399	22,164	1,839,563

See notes to financial statements.

Exhibit C

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	$	$	$
Assets			
Cash and pooled investments	998,584	346,307	1,344,891
Receivables:			
Property tax:			
Delinquent	15,384	2,198	17,582
Succeeding year	1,140,038	132,645	1,272,683
Accrued interest	46	-	46
Due from other governments	12,269	26,407	38,676
Total assets	2,166,321	507,557	2,673,878
Liabilities and Fund Balances			
Liabilities:			
Warrants issued in excess of bank balance	150,992	-	150,992
Accounts payable	1,753	-	1,753
Salaries and benefits payable	123,183	-	123,183
Deferred revenue:			
Succeeding year property tax	1,140,038	132,645	1,272,683
Other	8,794	-	8,794
Total liabilities	1,424,760	132,645	1,557,405
Fund balances:			
Unreserved, undesignated reported in:			
General fund	321,561	-	321,561
Special revenue funds	-	251,101	251,101
Capital project funds	-	123,811	123,811
Unreserved, designated for:			
Special purposes	270,000	-	270,000
Cash flow	150,000	-	150,000
Total fund balances	741,561	374,912	1,116,473
Total liabilities and fund balances	2,166,321	507,557	2,673,878

See notes to financial statements.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	$
Total fund balances of governmental funds (Exhibit C)	1,116,473
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	726,026
Long-term liabilities, including early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(25,100)
Net assets of governmental activities (Exhibit A)	1,817,399

See notes to financial statements.

Exhibit E

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	$	$	$
Revenues:			
Local sources:			
Local tax	1,173,686	300,017	1,473,703
Tuition	38,946	-	38,946
Other	83,472	11,446	94,918
State sources	1,082,874	-	1,082,874
Federal sources	156,744	-	156,744
Total revenues	2,535,722	311,463	2,847,185
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,194,135	26,166	1,220,301
Special instruction	368,136	-	368,136
Other instruction	-	16,314	16,314
	1,562,271	42,480	1,604,751
Support services:			
Student services	59,620	-	59,620
Instructional staff services	52,441	-	52,441
Administration services	212,527	10,350	222,877
Operation and maintenance of plant services	138,978	41,775	180,753
Transportation services	108,343	57,532	165,875
	571,909	109,657	681,566
Other expenditures:			
Facilities acquisition	-	51,174	51,174
AEA flowthrough	86,066	-	86,066
	86,066	51,174	137,240
Total expenditures	2,220,246	203,311	2,423,557
Excess (deficiency) of revenues over (under) expenditures	315,476	108,152	423,628
Other financing sources (uses):			
Sales of materials and equipment	25,120	-	25,120
Net change in fund balances	340,596	108,152	448,748
Fund balances beginning of year	400,965	266,760	667,725
Fund balances end of year	741,561	374,912	1,116,473

See notes to financial statements.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2005

	$	$
Net change in fund balances - total governmental funds (Exhibit E)		448,748
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	63,950	
Depreciation expense	(85,462)	(21,512)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		(25,100)
Changes in net assets of governmental activities (Exhibit B)		402,136

See notes to financial statements.

Exhibit G

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2005

	Nonmajor School Nutrition
	$
Assets	
Cash and cash equivalents	16,886
Accounts receivable	3
Inventories	4,467
Capital assets, net of accumulated depreciation	7,519
Total assets	28,875
Liabilities	
Salaries and benefits payable	6,159
Deferred revenue	552
Total liabilities	6,711
Net assets	
Invested in capital assets, net of related debt	7,519
Unrestricted	14,645
Total net assets	22,164

See notes to financial statements

Exhibit H

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor School Nutrition
	$
Operating revenue:	
Local sources:	
Charges for service	26,544
Operating expenses:	
Non-instructional programs:	
Salaries	30,941
Benefits	7,489
Purchased services	2,145
Supplies	29,364
Depreciation	904
Other	128
	70,971
Operating gain (loss)	(44,427)
Non-operating revenue:	
State sources	697
Federal sources	22,811
Interest income	168
Total non-operating revenue	23,676
Change in net assets	(20,751)
Net assets beginning of year	42,915
Net assets end of year	22,164

See notes to financial statements.

Exhibit I

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	Nonmajor School Nutrition
	$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	26,334
Cash received from daycare services	
Cash payments to employees for services	(38,162)
Cash payments to suppliers for goods or services	(23,150)
Net cash used by operating activities	(34,978)
Cash flows from non-capital financing activities:	
State grants received	697
Federal grants received	15,845
Net cash provided by non-capital financing activities	16,542
Cash flows from capital and related financing activities	-
Cash flows from investing activities:	
Interest on investments	168
Net increase (decrease) in cash and cash equivalents	(18,268)
Cash and cash equivalents at beginning of year	35,154
Cash and cash equivalents at end of year	16,886
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(44,427)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	6,966
Depreciation	904
Decrease (increase) in inventories	1,521
Decrease (increase) in accounts receivable	2
(Decrease) increase in salaries and benefits payable	268
(Decrease) increase in deferred revenue	(212)
Net cash used in operating activities	(34,978)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received $6,966 of federal commodities.

See notes to financial statements.

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Asset Class	Amount
	$
Land	3,500
Buildings	3,500
Improvements other that buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be

used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	$
Diversified Portfolio	1,231,538

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust is rated Aaa by Moody's Investors Service.

3. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			$	$	$	$
2004-05A	6/30/04	6/30/05	-	46	-	-

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

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

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463

4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Governmental activities:				
Capital assets not being depreciated:				
Land	31,066	-	-	31,066
Capital assets being depreciated:				
Buildings	1,217,584	-	-	1,217,584
Improvements other than buildings	130,628	-	-	130,628
Furniture and equipment	868,927	63,950	23,540	909,337
Total capital assets being deprec.	2,217,139	63,950	23,540	2,257,549
Less accumulated depreciation for:				
Buildings	820,274	19,912	-	840,186
Improvements other than buildings	111,819	1,577	-	113,396
Furniture and equipment	568,574	63,973	23,540	609,007
Total accumulated depreciation	1,500,667	85,462	23,540	1,562,589
Total capital assets being Depreciated, net	716,472	(21,512)	-	694,960
Governmental activities capital Assets, net	747,538	(21,512)	-	726,026

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Business type activities:				
Furniture and equipment	57,355	-	-	57,355
Less accumulated depreciation	48,932	904	-	49,836
Business type activities capital Assets, net	8,423	(904)	-	7,519

Depreciation expense was charged to the following functions:

	$
Governmental activities:	
Instruction:	
Regular	15,060
Support Services:	
Instructional staff services	2,250
Administration services	8,839
Operation and maintenance of plant	1,096
Transportation	27,410
	55,655
Unallocated depreciation	30,807
Total governmental activities depreciation expense	85,462
Business type activities:	
Food service operations	904

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Early retirement	-	34,513	9,413	25,100	8,158

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of full-time service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on the difference between the salary schedule base and current salary. Early retirement expenditures for the year ended June 30, 2005 totaled $9,413

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were $57,148, $77,725, and $78,688 respectively, equal to the required contributions for each year.

7. Risk Management

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be $2.2 million. The District's share of this assessment was $7,485, of which $3,928 was paid with the 2004-2005 premiums and $3,557 is a liability as of June 30, 2005 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were $191,950

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

The 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.

8. 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 $86,066 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	$	$	$		$	$
Revenues:						
Local sources	1,607,567	26,712	1,634,279	1,661,707	1,661,707	(27,428)
State sources	1,082,874	697	1,083,571	1,116,271	1,116,271	(32,700)
Federal sources	156,744	22,811	179,555	242,000	242,000	(62,445)
Total revenues	2,847,185	50,220	2,897,405	3,019,978	3,019,978	(122,573)
Expenditures:						
Instruction	1,604,751	-	1,604,751	2,068,784	2,068,784	464,033
Support services	681,566	-	681,566	896,600	896,600	215,034
Non-instructional programs	-	70,971	70,971	164,343	164,343	93,372
Other expenditures	137,240	-	137,240	143,537	143,537	6,297
Total expenditures	2,423,557	70,971	2,494,528	3,273,264	3,273,264	778,736
Excess (deficiency) of revenues over (under) expenditures	423,628	(20,751)	402,877	(253,286)	(253,286)	656,163
Other financing sources (uses) net	25,120	-	25,120	1,300	1,300	23,820
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	448,748	(20,751)	427,997	(251,986)	(251,986)	679,983
Balance beginning of year	667,725	42,915	710,640	539,239	539,239	171,401
Balance end of year	1,116,473	22,164	1,138,637	287,253	287,253	851,384

See accompanying independent auditor's report

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

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

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

OTHER SUPPLEMENTARY INFORMATION

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Special Revenue Funds				Capital Projects	
Assets	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Local Option Sales and Services Tax	Total
	$	$	$	$	$	$
Cash and pooled investments	109,247	16,507	118,269	4,880	97,404	346,307
Receivables:						
Property tax:						
Delinquent	1,833	-	365	-	-	2,198
Succeeding year	50,000	-	82,645	-	-	132,645
Due from other governments	-	-	-	-	26,407	26,407
Total assets	161,080	16,507	201,279	4,880	123,811	507,557
Liabilities & Fund Balances						
Liabilities:						
Succeeding year property tax	50,000	-	82,645	-	-	132,645
Fund balances:						
Unreserved fund balance reported in:						
Special revenue funds	111,080	16,507	118,634	4,880	-	251,101
Capital project funds	-	-	-	-	123,811	123,811
Total fund balances	111,080	16,507	118,634	4,880	123,811	374,912
Total liabilities and fund balances	161,080	16,507	201,279	4,880	123,811	507,557

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds				Capital Projects	
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Local Option Sales and Services Tax	Total
	$	$	$	$	$	$
Revenues:						
Local sources:						
Local tax	139,841	-	27,809	-	132,367	300,017
Other	1,675	5,612	3,008	20	1,131	11,446
Total revenues	141,516	5,612	30,817	20	133,498	311,463
Expenditures:						
Current:						
Instruction:						
Regular instruction	14,162	-	11,552	452	-	26,166
Other instruction	-	16,314	-	-	-	16,314
Support services:						
Administration services	10,350	-	-	-	-	10,350
Operation and maintenance of plant services	30,815	-	10,960	-	-	41,775
Transportation services	4,542	-	52,990	-	-	57,532
Other expenditures:						
Facilities acquisition	-	-	41,487	-	9,687	51,174
Total expenditures	59,869	16,314	116,989	452	9,687	203,311
Excess (deficiency) of revenues over (under) expenditures	81,647	(10,702)	(86,172)	(432)	123,811	108,152
Fund balances beginning of year	29,433	27,209	204,806	5,312	-	266,760
Fund balances end of year	111,080	16,507	118,634	4,880	123,811	374,912

See accompanying independent auditor's report.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	$	$	$	$	$
Commerce club	13,776	4,071	3,331	169	14,685
Tag club	993	-	-	-	993
Student council	522	618	311	-	829
Annual	-	923	1,933	1,010	-
Spanish club	-	-	159	159	-
FFA	742	-	508	(234)	-
LOF fund	794	-	794	-	-
Cheerleaders	216	-	216	-	-
National Honor Society	87	-	-	(87)	-
Track	-	-	(120)	(120)	-
Volleyball	-	-	(897)	(897)	-
Class of 2005	2,025	-	2,025	-	-
Class of 2006	2,339	-	2,339	-	-
Class of 2007	2,696	-	2,696	-	-
Class of 2008	1,767	-	1,767	-	-
Class of 2009	1,252	-	1,252	-	-
Total	27,209	5,612	16,314	-	16,507

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	$	$	$	$
Assets				
Cash	52	-	52	-
Liabilities				
Other payables	52	-	52	-

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	$	$	$	$
Revenues:				
Local sources:				
Local tax	1,473,703	1,394,872	1,297,688	1,164,489
Tuition	38,946	27,342	23,693	32,566
Other	94,918	130,910	134,090	172,432
State sources	1,082,874	1,044,191	1,037,113	979,795
Federal sources	156,744	211,949	121,758	51,432
Total revenues	2,847,185	2,809,264	2,614,342	2,400,714
Expenditures:				
Instruction:				
Regular instruction	1,220,301	1,154,228	1,052,173	1,140,665
Special instruction	368,136	356,156	331,266	271,883
Other instruction	16,314	314,617	365,200	318,216
Support services:				
Student services	59,620	90,614	92,390	71,793
Instructional staff services	52,441	44,518	50,914	44,138
Administration services	222,877	265,466	266,012	330,785
Operation and maintenance of plant services	180,753	208,378	199,883	147,704
Transportation services	165,875	70,034	112,253	86,632
Non-instructional programs	-	1,046	-	1,395
Other expenditures:				
Facilities acquisition	51,174	58,795	78,927	29,783
AEA flowthrough	86,066	88,365	91,805	90,328
Total expenditures	2,423,557	2,652,217	2,640,823	2,533,322

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 20, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Albert City-Truesdale Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 05-I-A and 05-I-B are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

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

October 20, 2005

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget: Expenditures for the year ended June 30, 2005, did not exceed the amounts budgeted.

05-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

05-II-E Business Transactions: We noted that the District did about $21,377 of business with Clausen Hardware in which the spouse of board member Deb Clausen appears to have an ownership interest. However, business with the spouse of a board member is not a conflict of interest.

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

05-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

05-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

05-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

05-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

05-II-K Signature Cards We noted old signatures on some of the bank signature cards, which were not currently relevant.

Recommendation: The District should update bank account signature cards at each bank annually.

District Response: We will review our procedures and make any necessary changes to be in compliance with the Code of Iowa.

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

Conclusion: Response accepted.

05-II-L Booster Clubs We noted that booster clubs in the community were using the District's federal identification number on their bank accounts.

Recommendation : The District should insist that organizations which are not under control of the District and its board obtain their own federal identification number for banking purposes or turn the assets and control over to the District to manage.

District Response: We will review our procedures and make any necessary changes to be in compliance with the Code of Iowa.

Conclusion: Response accepted