

ALBIA COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2005

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Albia Community School District in Albia, Iowa.

The District's revenues for the governmental funds totaled \$11,104,918 for the year ended June 30, 2005 and included \$4,118,763 in local tax, \$5,891,353 from the state, \$521,793 from the federal government and \$86,858 in interest on investments.

Governmental fund expenditures for the year totaled \$10,094,867 and included \$6,546,988 for instruction, \$2,589,183 for support services and \$958,696 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

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Albia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 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>Board of Education (After September 2004 Election)</b>		
Mary Wynn	President	2007
Robin Haselhuhn	Vice President	2006
Mike Stocker	Board Member	2005
Jeff Liston	Board Member	2006
Donna Whisler	Board Member (Resigned)	2007
Tim Bates	Board Member (Appointed)	2005
Joyce Williams	Board Member	2007
John Scieszinski	Board Member	2005
<b>School Officials</b>		
Kevin Crall	Superintendent	2005
Peggy Newman	District Secretary/Treasurer And Business Manager	2005
Gruhn Law Firm	Attorney	2005

**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, the business type activities, each major fund and the aggregate remaining fund information of Albia Community School District, Albia Iowa, 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. 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

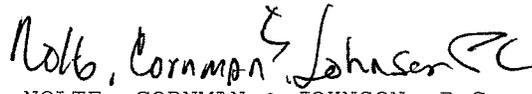
In accordance with Government Auditing Standards, we have also issued our reports dated September 23, 2005 on our consideration of the Albia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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. These reports are an integral part of an audit performed in accordance with Government 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 12 and 35 through 38 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the accompanying Schedule of Expenditures of federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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.

September 23, 2005

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

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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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$9,049,645 in fiscal 2004 to \$9,591,727 in fiscal 2005, while General Fund expenditures increased from \$8,943,926 in fiscal 2004 to \$9,141,712 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$1,080,850 in fiscal 2004 to a balance of \$1,530,865 in fiscal 2005, a 42% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax revenue as well as an increase in state source revenue for fiscal 2005. The increase in expenditures was due primarily to an increase in District transportation services. The District's General Fund balance increased despite the increase in total expenditures because total revenues exceeded total expenditures for fiscal 2005.

### **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.

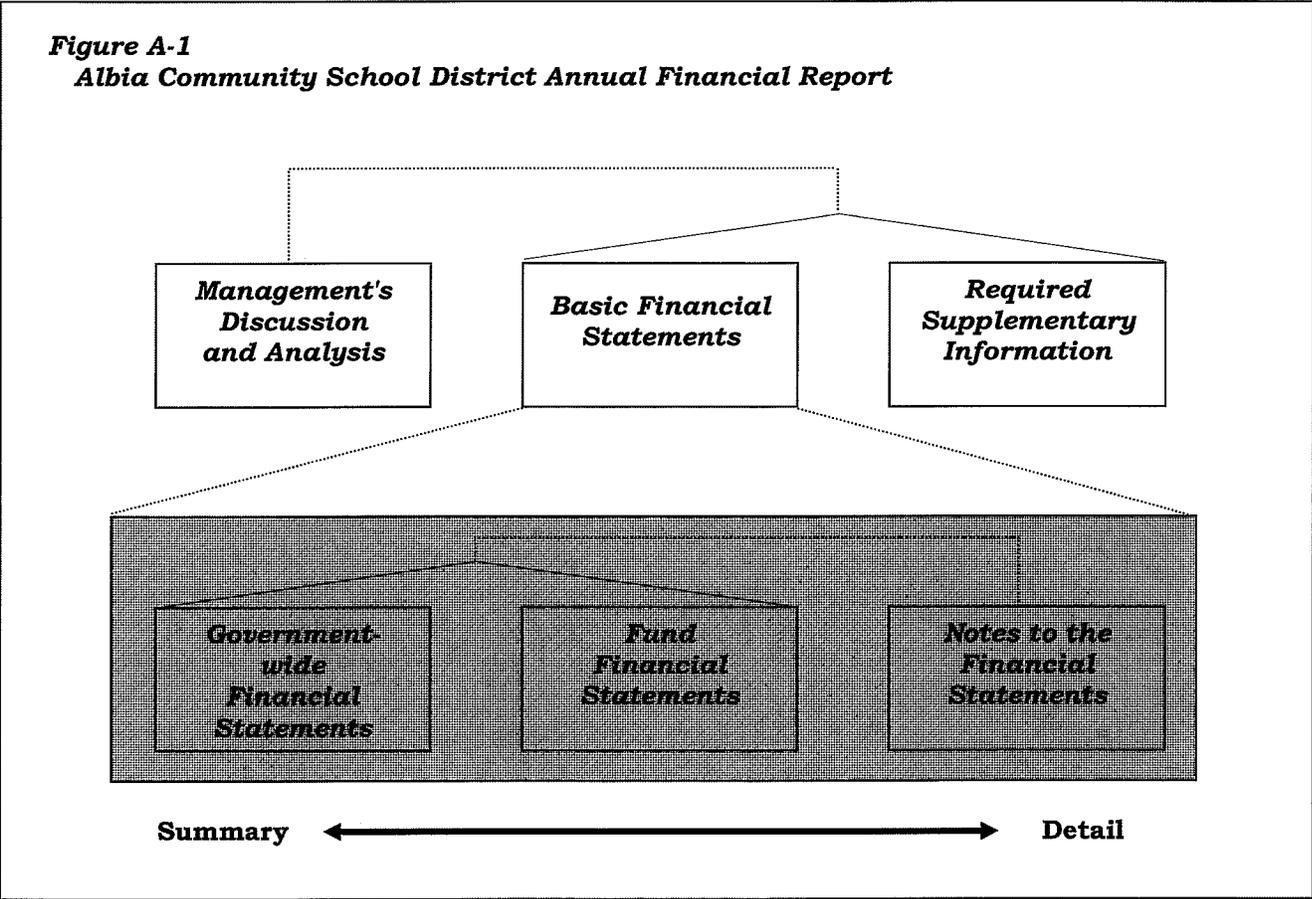


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<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

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## **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, 2005 compared to June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 7,384,974	7,510,275	35,219	32,825	7,420,193	7,543,100	-1.6%
Capital assets	1,663,035	1,718,768	33,073	40,236	1,696,108	1,759,004	-3.6%
Total assets	9,048,009	9,229,043	68,292	73,061	9,116,301	9,302,104	-2.0%
Long-term obligations	454,692	817,588	0	0	454,692	817,588	-44.4%
Other liabilities	4,574,882	5,712,085	5,428	4,971	4,580,310	5,717,056	-19.9%
Total liabilities	5,029,574	6,529,673	5,428	4,971	5,035,002	6,534,644	-22.9%
Net assets:							
Invested in capital assets, net of related debt	1,348,776	1,030,138	33,073	40,236	1,381,849	1,070,374	29.1%
Restricted	889,876	430,310	0	0	889,876	430,310	106.8%
Unrestricted	1,779,783	1,238,922	29,791	27,854	1,809,574	1,266,776	42.8%
Total net assets	\$ 4,018,435	2,699,370	62,864	68,090	4,081,299	2,767,460	47.5%

The District's combined net assets increased by 47.5%, or \$1,313,839, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net 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 increased approximately \$459,566 or 106.8% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$542,798, or 42.8%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 441,594	438,104	296,412	252,179	738,006	690,283	6.9%
Operating grants and contributions and restricted interest	1,114,431	1,086,265	189,183	176,532	1,303,614	1,262,797	3.2%
Capital grants and contributions and restricted interest	164,717	79,845	0	0	164,717	79,845	106.3%
<b>General revenues:</b>							
Property tax	3,548,453	3,365,343	0	0	3,548,453	3,365,343	5.4%
LOSTT	570,310	0	0	0	570,310	0	
Unrestricted state grants	5,178,555	4,865,672	0	0	5,178,555	4,865,672	6.4%
Other	86,858	56,300	292	272	87,150	56,572	54.1%
<b>Total revenues</b>	<b>11,104,918</b>	<b>9,891,529</b>	<b>485,887</b>	<b>428,983</b>	<b>11,590,805</b>	<b>10,320,512</b>	<b>12.3%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	6,546,988	6,449,654	0	0	6,546,988	6,449,654	1.5%
Support services	2,566,846	2,340,111	0	0	2,566,846	2,340,111	9.7%
Non-instructional programs	0	6,546	491,113	455,405	491,113	461,951	6.3%
Other expenses	672,019	562,744	0	0	672,019	562,744	19.4%
<b>Total expenses</b>	<b>9,785,853</b>	<b>9,359,055</b>	<b>491,113</b>	<b>455,405</b>	<b>10,276,966</b>	<b>9,814,460</b>	<b>4.7%</b>
Changes in net assets	1,319,065	532,474	(5,226)	(26,422)	1,313,839	506,052	159.6%
Net assets beginning of year	2,699,370	2,166,896	68,090	94,512	2,767,460	2,261,408	22.4%
Net assets end of year	\$ 4,018,435	2,699,370	62,864	68,090	4,081,299	2,767,460	47.5%

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$11,104,918 and expenses were \$9,785,853.

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	\$ 6,546,988	5,352,804
Support services	2,566,846	2,565,736
Other expenses	672,019	146,571
Totals	\$ 9,785,853	8,065,111

- The cost financed by users of the District’s programs was \$441,594.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,279,148.
- The net cost of governmental activities was financed with \$3,548,453 in local tax, \$5,178,555 in unrestricted state grants, and \$86,858 in interest income.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$485,887 and expenses were \$491,113. 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 \$2,487,683, above last year’s ending fund balances of \$1,477,632. 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. Increase in tax revenue during the year resulted in an increase in revenues. In spite of the increase in General Fund expenditures during the year, the financial position of the District still increased because of the increased revenues.
- The Management, and Activity Fund combined balance decreased from \$324,379 in 2004, to \$315,980 in 2005, 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 \$89,163 to a positive balance of \$25,531, due to an increase in federal revenue for the year.

**Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$68,090 at June 30, 2004 to \$62,864 at June 30, 2005, representing a decrease of approximately 8%.

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## BUDGETARY HIGHLIGHTS

The District's revenues were \$298,730 less than budgeted revenues, a variance of 2.6%. The most significant variance resulted from the District receiving less in both state and federal sources 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, 2005, the District had invested \$1.7 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 decrease of 3.6% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$159,045.

The original cost of the District's capital assets was \$5,682,743. Governmental funds account for \$5,608,842 with the remainder of \$73,901 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 \$320,248 at June 30, 2005, compared to \$297,970 reported at June 30, 2004. This increase resulted from the purchases made during the current year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 7,000	7,000	0	0	7,000	7,000	0.0%
Buildings	1,328,942	1,411,265	0	0	1,328,942	1,411,265	-5.8%
Improvements other than buildings	39,918	42,769	0	0	39,918	42,769	-6.7%
Machinery and equipment	287,175	257,734	33,073	40,236	320,248	297,970	7.5%
Total	\$ 1,663,035	1,718,768	33,073	40,236	1,696,108	1,759,004	-3.6%

### Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$454,692 in general obligation bonds and compensated absences. This represents a decrease of approximately 44% 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 \$425,000 at June 30, 2005.

The District had compensated absences of \$29,692 at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 425,000	795,000	-46.5%
Compensated absences	29,692	22,588	31.5%
<b>Total</b>	<b>\$ 454,692</b>	<b>817,588</b>	<b>-44.4%</b>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District continues to experience declining enrollment, which remains a financial concern, as the trends do not show future improvement. The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is in a phase out period, which makes our declining enrollment even more of a financial concern.
- The District has been pleased with the one cent sales tax revenues that have been steadily growing since the tax was passed. This tax is providing the District with the flexibility to plan for future major construction projects, and at the same time address present facility needs. This funding has also provided flexibility to the General fund to be able to purchase necessary materials to help meet the educational needs of the students.
- Low allowable growth over several years and enrollment decreases may negatively impact 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 the state level will affect future projections. The District has been forced to shift funding to property taxes. The Albia School District would benefit from a proposed change in the school foundation aid formula that would make property taxes more equitable among Iowa school districts.

## **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, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,511,987	0	1,511,987
Other	1,890,176	16,357	1,906,533
Receivables:			
Property tax:			
Delinquent	82,848	0	82,848
Succeeding year	3,011,194	0	3,011,194
Income surtax	325,026	0	325,026
Accounts	420	947	1,367
Accrued ISCAP interest (Note 5)	323	0	323
Due from other governments	563,000	0	563,000
Inventories	0	17,915	17,915
Capital assets, net of accumulated depreciation (Note 6)	1,663,035	33,073	1,696,108
<b>TOTAL ASSETS</b>	<b>9,048,009</b>	<b>68,292</b>	<b>9,116,301</b>
<b>LIABILITIES</b>			
Accounts payable	4,637	0	4,637
Interest payable	2,617	0	2,617
Due to other governments	5,422	0	5,422
Salaries and benefits payable	25,511	0	25,511
ISCAP warrants payable (Note 5)	1,505,000	0	1,505,000
ISCAP accrued interest payable (Note 5)	289	0	289
ISCAP premiums payable	20,212	0	20,212
Deferred revenue:			
Succeeding year property tax	3,011,194	0	3,011,194
Other	0	5,428	5,428
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds	380,000	0	380,000
Compensated absences	29,692	0	29,692
Portion due after one year:			
General obligation bonds	45,000	0	45,000
<b>TOTAL LIABILITIES</b>	<b>5,029,574</b>	<b>5,428</b>	<b>5,035,002</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,348,776	33,073	1,381,849
Restricted for:			
Phase III	11,480	0	11,480
Talented and gifted	34,936	0	34,936
Management levy	97,934	0	97,934
Physical plant and equipment levy	25,531	0	25,531
Capital projects	450,220	0	450,220
Other special revenue purposes	269,775	0	269,775
Unrestricted	1,779,783	29,791	1,809,574
<b>TOTAL NET ASSETS</b>	<b>\$ 4,018,435</b>	<b>62,864</b>	<b>4,081,299</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 4,284,697	373,291	753,700	0
Special instruction	1,340,465	67,193	0	0
Other instruction	921,826	0	0	0
	<u>6,546,988</u>	<u>440,484</u>	<u>753,700</u>	<u>0</u>
Support services:				
Student services	261,066	0	0	0
Instructional staff services	213,495	0	0	0
Administration services	928,335	0	0	0
Operation and maintenance of plant services	693,688	0	0	0
Transportation services	463,585	1,110	0	0
Other support services	6,677	0	0	0
	<u>2,566,846</u>	<u>1,110</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	214,162	0	0	164,717
Long-term debt interest	11,952	0	0	0
AEA flowthrough	360,731	0	360,731	0
Depreciation (unallocated)*	85,174	0	0	0
	<u>672,019</u>	<u>0</u>	<u>360,731</u>	<u>164,717</u>
Total governmental activities	9,785,853	441,594	1,114,431	164,717
<b>Business-Type activities:</b>				
Nutrition services	491,113	296,412	189,183	0
Total business-type activities	<u>491,113</u>	<u>296,412</u>	<u>189,183</u>	<u>0</u>
Total	<u>\$ 10,276,966</u>	<u>738,006</u>	<u>1,303,614</u>	<u>164,717</u>

**General Revenues:**

Property tax levied for:  
 General purposes  
 Debt services  
 Capital outlay  
 Local option sales and services tax  
 Unrestricted state grants  
 Unrestricted investment earnings  
 Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,157,706)	0	(3,157,706)
(1,273,272)	0	(1,273,272)
(921,826)	0	(921,826)
(5,352,804)	0	(5,352,804)
(261,066)	0	(261,066)
(213,495)	0	(213,495)
(928,335)	0	(928,335)
(693,688)	0	(693,688)
(462,475)	0	(462,475)
(6,677)	0	(6,677)
(2,565,736)	0	(2,565,736)
(49,445)	0	(49,445)
(11,952)	0	(11,952)
0	0	0
(85,174)	0	(85,174)
(146,571)	0	(146,571)
(8,065,111)	0	(8,065,111)
0	(5,518)	(5,518)
0	(5,518)	(5,518)
(8,065,111)	(5,518)	(8,070,629)
\$ 3,104,296	0	3,104,296
383,056	0	383,056
61,101	0	61,101
570,310	0	570,310
5,178,555	0	5,178,555
86,858	292	87,150
9,384,176	292	9,384,468
1,319,065	(5,226)	1,313,839
2,699,370	68,090	2,767,460
\$ 4,018,435	62,864	4,081,299

ALBIA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	Nonmajor Governmental		Total
	General	Funds	
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,511,987	0	1,511,987
Other	1,289,403	600,773	1,890,176
Receivables:			
Property tax			
Delinquent	68,167	14,681	82,848
Succeeding year	2,673,341	337,853	3,011,194
Income surtax	325,026	0	325,026
Interfund	70,769	0	70,769
Accounts	420	0	420
Accrued ISCAP interest(Note 5)	323	0	323
Due from other governments	150,375	412,625	563,000
<b>TOTAL ASSETS</b>	<b>\$ 6,089,811</b>	<b>1,365,932</b>	<b>7,455,743</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund payable	\$ 0	70,769	70,769
Accounts payable	4,145	492	4,637
Due to other governments	5,422	0	5,422
Salaries and benefits payable	25,511	0	25,511
ISCAP warrants payable(Note 5)	1,505,000	0	1,505,000
ISCAP accrued interest payable(Note 5)	289	0	289
ISCAP premiums payable	20,212	0	20,212
Deferred revenue:			
Succeeding year property tax	2,673,341	337,853	3,011,194
Income surtax	325,026	0	325,026
Total liabilities	<u>4,558,946</u>	<u>409,114</u>	<u>4,968,060</u>
Fund balances:			
Reserved for:			
Debt service	0	113,358	113,358
Phase III	11,480	0	11,480
Talanted and gifted	34,936	0	34,936
Unreserved:			
Designated for cashflow	742,224	0	742,224
Undesignated	742,225	843,460	1,585,685
Total fund balances	<u>1,530,865</u>	<u>956,818</u>	<u>2,487,683</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,089,811</b>	<b>1,365,932</b>	<b>7,455,743</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005

<b>Total fund balances of governmental funds (page 16)</b>	\$ 2,487,683
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,663,035
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.	(2,617)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	325,026
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(454,692)</u>
<b>Net assets of governmental activites (page 13)</b>	<u><u>\$ 4,018,435</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 2,979,410	1,139,353	4,118,763
Tuition	177,593	0	177,593
Other	186,889	208,527	395,416
State sources	5,890,759	594	5,891,353
Federal sources	357,076	164,717	521,793
Total revenues	<u>9,591,727</u>	<u>1,513,191</u>	<u>11,104,918</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	4,054,239	230,458	4,284,697
Special instruction	1,340,465	0	1,340,465
Other instruction	909,626	12,200	921,826
	<u>6,304,330</u>	<u>242,658</u>	<u>6,546,988</u>
Support services:			
Student services	259,928	1,138	261,066
Instructional staff services	212,918	577	213,495
Administration services	890,453	32,683	923,136
Operation and maintenance of plant services	716,224	39,874	756,098
Transportation services	397,128	31,583	428,711
Other support services	0	6,677	6,677
	<u>2,476,651</u>	<u>112,532</u>	<u>2,589,183</u>
Other expenditures:			
Facilities acquisitions	0	214,162	214,162
Long-term debt:			
Principal	0	370,000	370,000
Interest and fiscal charges	0	13,803	13,803
AEA flowthrough	360,731	0	360,731
	<u>360,731</u>	<u>597,965</u>	<u>958,696</u>
Total expenditures	<u>9,141,712</u>	<u>953,155</u>	<u>10,094,867</u>
Excess of revenues over expenditures	450,015	560,036	1,010,051
Other financing sources(uses):			
Transfer in	0	52,886	52,886
Transfer out	0	(52,886)	(52,886)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	450,015	560,036	1,010,051
Fund balance beginning of year	1,080,850	396,782	1,477,632
Fund balance end of year	<u>\$ 1,530,865</u>	<u>956,818</u>	<u>2,487,683</u>

SEE NOTES TO BASIC 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, 2005

**Net change in fund balances - total governmental funds (page 18)** \$ 1,010,051

***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	\$ 96,149	
Depreciation expense	<u>(151,882)</u>	(55,733)

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. 370,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,851

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	<u>(7,104)</u>
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**Changes in net assets of governmental activities (page 15)** \$ 1,319,065

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

	School Nutrition
<b>ASSETS</b>	
Cash and cash equivalents	\$ 16,357
Accounts receivable	947
Inventories	17,915
Capital assets, net of accumulated depreciation (Note 5)	33,073
<b>TOTAL ASSETS</b>	<b>68,292</b>
 <b>LIABILITIES</b>	
Deferred revenues:	
Other	5,428
<b>TOTAL LIABILITES</b>	<b>5,428</b>
 <b>NET ASSETS</b>	
Investement in capital assets	33,073
Unrestricted	29,791
<b>TOTAL NET ASSETS</b>	<b>\$ 62,864</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 296,412
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	156,753
Benefits	42,575
Services	7,369
Supplies	276,725
Depreciation	7,163
Other	528
TOTAL OPERATING EXPENSES	491,113
OPERATING LOSS	(194,701)
NON-OPERATING REVENUES:	
Interest	292
State sources	5,567
Federal sources	183,616
TOTAL NON-OPERATING REVENUES	189,475
Change in net assets	(5,226)
Net assets beginning of year	68,090
Net assets end of year	\$ 62,864

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 276,654
Cash received from miscellaneous operating activities	20,756
Cash payments to employees for services	(199,602)
Cash payments to suppliers for goods or services	(253,906)
Net cash used in operating activities	(156,098)
Cash flows from non-capital financing activities:	
State grants received	5,567
Federal grants received	158,457
Net cash provided by non-capital financing activities	164,024
Cash flows from investing activities:	
Interest on investments	292
Net cash provided by investing activities	292
Net increase in cash and cash equivalents	8,218
Cash and cash equivalents at beginning of year	8,139
Cash and cash equivalents at end of year	\$ 16,357
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (194,701)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,159
Depreciation	7,163
Decrease in inventories	6,771
Increase in accounts receivable	(947)
Decrease in accounts payable	(1,214)
Decrease in salaries and benefits payable	(274)
Increase in deferred revenue	1,945
Net cash used in operating activities	\$ (156,098)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 16,357

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$25,159.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 55,307	(47,547)
Due from other governments	0	62,276
	<u>55,307</u>	<u>14,729</u>
LIABILITIES		
Due to other groups	0	14,729
NET ASSETS		
Reserved for scholarships	<u>55,307</u>	0
TOTAL NET ASSETS	<u>\$ 55,307</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2005

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Interest income	\$ 742
DEDUCTIONS:	
Instruction:	
Purchased services	1,340
Deficiency of revenues under expenditures	(598)
Net assets beginning of year	55,905
Net assets end of year	\$ 55,307

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005

(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, 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, 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, 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 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
Land improvements	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 Lives (In Years)
Buildings	25-50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for 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, 2005. 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.

Designated for Cashflow - In the governmental fund financial statements, the District's board designated 50% of the General Fund's unreserved balance for cashflow purposes. For the fiscal year, the amount of this designation was 742,224.

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, no disbursements exceeded the amount 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.

**(3) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Physical Plant and Equipment Levy	<u>\$ 70,769</u>

**(4) Transfers**

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Physical Plant and Equipment Levy	Local Option Sales and Services Tax	\$ 52,886
General	Physical Plant and Equipment Levy	<u>35,386</u>
		<u>\$ 88,272</u>

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. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/2004	6/30/2005	320	0	0	0
2005-06A	6/30/2005	6/30/2006	1,511,667	323	1,505,000	289
Total			<u>\$ 1,511,987</u>	<u>323</u>	<u>1,505,000</u>	<u>289</u>

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
2004-05A	3.000%	2.463%
2005-06A	3.500%	3.903%

**(6) 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	\$ 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	1,336,395	96,149	0	1,432,544
Total capital assets being depreciated	5,505,693	96,149	0	5,601,842
Less accumulated depreciation for:				
Buildings	2,584,603	82,323	0	2,666,926
Land improvements	130,661	2,851	0	133,512
Machinery and equipment	1,078,661	66,708	0	1,145,369
Total accumulated depreciation	3,793,925	151,882	0	3,945,807
Total capital assets being depreciated, net	1,711,768	(55,733)	0	1,656,035
Governmental activities capital assets, net	\$ 1,718,768	(55,733)	0	1,663,035

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 75,300	0	1,399	73,901
Less accumulated depreciation	35,064	7,163	1,399	40,828
Business-type activities capital assets, net	\$ 40,236	(7,163)	0	33,073

Depreciation expense was charged by the District as follows:

Governmental activities:	
Support services:	
Student services	16,005
Transportation	50,703
	<u>66,708</u>
Unallocated depreciation	85,174
	<u>151,882</u>
Total governmental activities depreciation expense	\$ 151,882
Business-type activities:	
Food services	\$ 7,163

#### (7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 795,000	0	370,000	425,000	380,000
Compensated absences	22,588	29,692	22,588	29,692	29,692
Total	\$ 817,588	29,692	392,588	454,692	409,692

#### General Obligation Bonds Payable

Details of the District's June 30, 2005 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue March 1, 2003		
	Principal	Interest	Total
2006	380,000	7,852	387,852
2007	45,000	1,013	46,013
Total	\$ 425,000	8,865	433,865

#### (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 covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 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 \$360,731 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

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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
<b>Receipts:</b>		
Local sources	\$ 4,359,591	297,702
State sources	5,885,578	5,567
Federal sources	424,109	183,616
Total receipts	<u>10,669,278</u>	<u>486,885</u>
<b>Disbursements:</b>		
Instruction	6,561,970	0
Support services	2,584,550	0
Non-instructional programs	6,677	478,667
Other expenditures	958,696	0
Total disbursements	<u>10,111,893</u>	<u>478,667</u>
Excess(deficiency) of receipts over(under) disbursements	557,385	8,218
Balance beginning of year	<u>1,332,791</u>	<u>8,139</u>
Balance end of year	<u>\$ 1,890,176</u>	<u>16,357</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,657,293	4,596,425	4,596,425	60,868
5,891,174	6,083,468	6,083,468	(192,294)
607,696	775,000	775,000	(167,304)
<u>11,156,163</u>	<u>11,454,893</u>	<u>11,454,893</u>	<u>(298,730)</u>
6,561,970	8,077,652	8,077,652	1,515,682
2,584,550	3,191,000	3,191,000	606,450
485,344	609,698	609,698	124,354
958,696	1,064,816	1,064,816	106,120
<u>10,590,560</u>	<u>12,943,166</u>	<u>12,943,166</u>	<u>2,352,606</u>
565,603	(1,488,273)	(1,488,273)	2,053,876
<u>1,340,930</u>	<u>1,770,439</u>	<u>1,770,439</u>	<u>(429,509)</u>
<u>1,906,533</u>	<u>282,166</u>	<u>282,166</u>	<u>1,624,367</u>

ALBIA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE-  
 BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 10,669,278	435,640	11,104,918
Expenses	10,111,893	(17,026)	10,094,867
Net	557,385	452,666	1,010,051
Beginning fund balances	1,332,791	144,841	1,477,632
Ending fund balances	\$ 1,890,176	597,507	2,487,683

	Proprietary Fund Type		
	Cash Basis	Enterprise	
		Adjust- ments	Accrual Basis
Revenues	\$ 486,885	(998)	485,887
Expenses	478,667	12,446	491,113
Net	8,218	(13,444)	(5,226)
Beginning net assets	8,139	59,951	68,090
Ending net assets	\$ 16,357	46,507	62,864

ALBIA 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 from not being able to present budgetary comparisons for the general Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds							
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>								
Cash and pooled investments	\$ 95,134	218,116	(37,635)	51,729	327,344	103,475	169,954	600,773
Receivables:								
Property tax:								
Current year delinquent	3,222	0	1,576	0	4,798	9,883	0	14,681
Succeeding year	150,000	0	0	0	150,000	187,853	0	337,853
Due from other governments	0	0	132,359	0	132,359	0	280,266	412,625
<b>TOTAL ASSETS</b>	<b>\$ 248,356</b>	<b>218,116</b>	<b>96,300</b>	<b>51,729</b>	<b>614,501</b>	<b>301,211</b>	<b>450,220</b>	<b>1,365,932</b>
<b>LIABILITIES AND FUND EQUITY</b>								
Liabilities:								
Accounts payable	\$ 422	70	0	0	492	0	0	492
Interfund payable	0	0	70,769	0	70,769	0	0	70,769
Deferred revenue:								
Succeeding year property tax	150,000	0	0	0	150,000	187,853	0	337,853
<b>Total Liabilities</b>	<b>150,422</b>	<b>70</b>	<b>70,769</b>	<b>0</b>	<b>221,261</b>	<b>187,853</b>	<b>0</b>	<b>409,114</b>
Fund equity:								
Fund balances:								
Reserved for:								
Debt Service	0	0	0	0	0	113,358	0	113,358
Unreserved:								
Undesignated	97,934	218,046	25,531	51,729	393,240	0	450,220	843,460
<b>Total fund balances</b>	<b>97,934</b>	<b>218,046</b>	<b>25,531</b>	<b>51,729</b>	<b>393,240</b>	<b>113,358</b>	<b>450,220</b>	<b>956,818</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 248,356</b>	<b>218,116</b>	<b>96,300</b>	<b>51,729</b>	<b>614,501</b>	<b>301,211</b>	<b>450,220</b>	<b>1,365,932</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, 2005

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Capital Projects	
<b>REVENUES:</b>								
Local sources:								
Local tax	\$ 124,886	0	61,101	0	185,987	383,056	570,310	1,139,353
Other	3,318	188,247	0	13,201	204,766	2,867	894	208,527
State sources	130	0	64	0	194	400	0	594
Federal sources	0	0	164,717	0	164,717	0	0	164,717
<b>TOTAL REVENUES</b>	<b>128,334</b>	<b>188,247</b>	<b>225,882</b>	<b>13,201</b>	<b>555,664</b>	<b>386,323</b>	<b>571,204</b>	<b>1,513,191</b>
<b>EXPENDITURES:</b>								
Current:								
Instruction:								
Regular instruction	32,403	180,555	17,500	0	230,458	0	0	230,458
Other instruction	0	0	0	12,200	12,200	0	0	12,200
Support services:								
Student support services	1,138	0	0	0	1,138	0	0	1,138
Instructional staff	577	0	0	0	577	0	0	577
Administration services	32,173	0	510	0	32,683	0	0	32,683
Operation and maintenance of plant services	39,874	0	0	0	39,874	0	0	39,874
Student transportation	31,583	0	0	0	31,583	0	0	31,583
Other support services	6,677	0	0	0	6,677	0	0	6,677
Other expenditures:								
Facilities acquisitions	0	0	146,064	0	146,064	0	68,098	214,162
Long-term debt:								
Principal	0	0	0	0	0	370,000	0	370,000
Interest and fiscal charges	0	0	0	0	0	13,803	0	13,803
<b>TOTAL EXPENDITURES</b>	<b>144,425</b>	<b>180,555</b>	<b>164,074</b>	<b>12,200</b>	<b>501,254</b>	<b>383,803</b>	<b>68,098</b>	<b>953,155</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(16,091)</b>	<b>7,692</b>	<b>61,808</b>	<b>1,001</b>	<b>54,410</b>	<b>2,520</b>	<b>503,106</b>	<b>560,036</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Transfers in	0	0	52,886	0	52,886	0	0	52,886
Transfers out	0	0	0	0	0	0	(52,886)	(52,886)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>52,886</b>	<b>0</b>	<b>52,886</b>	<b>0</b>	<b>(52,886)</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(16,091)</b>	<b>7,692</b>	<b>114,694</b>	<b>1,001</b>	<b>107,296</b>	<b>2,520</b>	<b>450,220</b>	<b>560,036</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>114,025</b>	<b>210,354</b>	<b>(89,163)</b>	<b>50,728</b>	<b>285,944</b>	<b>110,838</b>	<b>0</b>	<b>396,782</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 97,934</b>	<b>218,046</b>	<b>25,531</b>	<b>51,729</b>	<b>393,240</b>	<b>113,358</b>	<b>450,220</b>	<b>956,818</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Beginning Balance	Revenues	Expendi- tures	Balance End of Year
High school co-curricular	\$ 40,575	94,562	83,438	51,699
High school athletics	82,547	52,346	57,825	77,068
7th/8th grade co-curricular	8,280	9,121	6,407	10,994
7th/8th grade athletics	19,647	6,556	4,759	21,444
High school clubs	44,617	23,673	25,553	42,737
7th/8th grade clubs	13,880	1,819	2,573	13,126
Lincoln center clubs	808	170	0	978
Total	<u>\$ 210,354</u>	<u>188,247</u>	<u>180,555</u>	<u>218,046</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 EXPENDABLE TRUST FUNDS  
 JUNE 30, 2005

	Coca- Cola Middle School	O'Neil Sisters Scholarship	Hope Scholarship	Mick Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Total
ASSETS							
Cash and pooled investments	\$ 1,150	600	2,778	250	4,250	42,701	51,729
TOTAL ASSETS	\$ 1,150	600	2,778	250	4,250	42,701	51,729
LIABILITIES AND FUND EQUITY							
Liabilities:	\$ 0	0	0	0	0	0	0
Fund equity:							
Fund balances:							
Unreserved, undesignated	1,150	600	2,778	250	4,250	42,701	51,729
TOTAL LIABILITES AND FUND EQUITY	\$ 1,150	600	2,778	250	4,250	42,701	51,729

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, 2005

	Coca- Cola	Pepsi	O'Neil Sisters	Hope	Mick	Frances Edgington	Anonymous Annuity	Total
REVENUES:								
Local sources:								
Interest on investment	\$ 0	0	0	0	0	0	2,467	2,467
Donations	0	500	0	0	5,734	4,250	0	10,484
Other	0	0	0	0	250	0	0	250
TOTAL REVENUES	0	500	0	0	5,984	4,250	2,467	13,201
EXPENDITURES:								
Instruction:								
Purchased services	350	500	200	400	5,750	0	5,000	12,200
Excess(deficiency) of revenues over(under) expenditures	(350)	0	(200)	(400)	234	4,250	(2,533)	1,001
Balance beginning of year	1,500	0	800	3,178	16	0	45,234	50,728
Balance end of year	\$ 1,150	0	600	2,778	250	4,250	42,701	51,729

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2005

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Total
ASSETS					
Cash and pooled investments	\$ 18,208	7,728	3,407	25,964	55,307
TOTAL ASSETS	18,208	7,728	3,407	25,964	55,307
LIABILITIES					
Liabilities:	0	0	0	0	0
NET ASSETS					
Reserved for Scholarships	\$ 18,208	7,728	3,407	25,964	55,307

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, 2005

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Total
ADDITIONS:					
Local sources:					
Interest on investment	\$ 242	124	20	356	742
DEDUCTIONS:					
Instruction:					
Purchased services	600	300	100	340	1,340
Excess(deficiency) of revenues over(under) expenditures	(358)	(176)	(80)	16	(598)
Net assets beginning of year	18,566	7,904	3,487	25,948	55,905
Net assets end of year	\$ 18,208	7,728	3,407	25,964	55,307

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS AND  
LIABILITIES - AGENCY FUND  
YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>POP MONEY</b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 6,277	8,770	7,170	7,877
<b>LIABILITES</b>				
Due to other groups	\$ 6,277	8,770	7,170	7,877
<b>PERKINS MONEY</b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ (50,754)	50,754	50,051	(50,051)
Due from other governments	56,550	56,480	50,754	62,276
	\$ 5,796	107,234	100,805	12,225
<b>LIABILITIES</b>				
Due to other groups	\$ 5,796	107,234	100,805	12,225
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ (3,986)	52,145	53,532	(5,373)
<b>LIABILITIES</b>				
Due to other groups	\$ (3,986)	52,145	53,532	(5,373)
<b>TOTAL</b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ (48,463)	111,669	110,753	(47,547)
Due from other goverments	56,550	56,480	50,754	62,276
	\$ 8,087	168,149	161,507	14,729
<b>LIABILITIES</b>				
Due to other groups	\$ 8,087	168,149	161,507	14,729

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,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,118,763	3,365,343	3,333,014	3,092,991
Tuition	177,593	139,703	115,683	92,281
Other	395,416	346,660	437,517	438,051
State sources	5,891,353	5,558,973	5,575,588	5,500,937
Federal sources	521,793	472,809	427,711	352,698
Total	<u>\$ 11,104,918</u>	<u>9,883,488</u>	<u>9,889,513</u>	<u>9,476,958</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 4,284,697	3,927,269	3,849,377	4,057,955
Special instruction	1,340,465	1,735,912	1,616,860	1,476,171
Other instruction	921,826	786,473	768,211	773,072
Support services:				
Student services	261,066	239,758	238,385	222,511
Instructional staff services	213,495	209,105	205,845	213,076
Administration services	923,136	890,723	870,466	822,660
Operation and maintenance of plant services	756,098	748,446	717,331	680,482
Transportation services	428,711	369,071	385,887	339,828
Other support services	6,677	4,163	1,917	3,566
Non-instructional:				
Food service operations	0	6,475	4,993	3,557
Community service and education operations	0	71	290	0
Other expenditures:				
Facilities acquisitions	214,162	107,065	76,174	123,748
Long Term Debt:				
Principal	370,000	365,000	245,000	233,000
Interest	13,803	21,472	67,249	76,318
AEA flow-through	360,731	355,216	374,934	373,941
Total	<u>\$ 10,094,867</u>	<u>9,766,219</u>	<u>9,422,919</u>	<u>9,399,885</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ <u>25,159</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	25,467
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	<u>132,990</u>
			<u>158,457</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-G	154,938
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-GC	<u>30,311</u>
			<u>185,249</u>
STATE GRANTS FOR			
INNOVATIVE PROGRAMS	84.298	FY 04	910
STATE GRANTS FOR			
INNOVATIVE PROGRAMS	84.298	FY 05	<u>6,174</u>
			<u>7,084</u>
SAFE AND DRUG-FREE SCHOOLS AND			
COMMUNITIES - STATE GRANTS	84.186	FY 05	<u>6,364</u>
IMPROVING TEACHER QUALITY			
STATE GRANTS	84.367	FY 05	<u>70,417</u>
FUND FOR THE IMPROVEMENT OF			
EDUCATION	84.215	FY 05	<u>100,000</u>
GRANTS FOR STATE ASSESSMENTS			
AND RELATED ACTIVITIES	84.369	FY 05	<u>7,350</u>

ALBIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED)			
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 05	<u>22,035</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	<u>64,717</u>
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 05	<u>1,544</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY	84.318	FY 04	<u>3,603</u>
NATIONAL SCIENCE FOUNDATION:			
UNIVERSITY OF MISSOURI			
EDUCATION AND HUMAN RESOURCE			
(NATIONAL SCIENCE AWARD)	47.076	FY 04	<u>2,502</u>
TOTAL			<u>\$ 654,481</u>

**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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the  
Albia 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 Albia 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 September 23, 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 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 an opinion on the internal control over financial reporting. 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. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

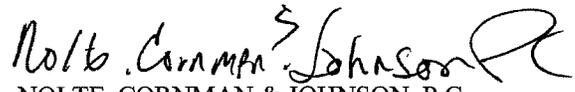
Compliance and Other Matters

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 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 an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Albia Community School District and other parties to whom Albia Community School District may report, including federal awarding agencies and pass-through entities. 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.

September 23, 2005

**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  
in Accordance with OMB Circular A-133

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, 2005. 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 grant agreements 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 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.

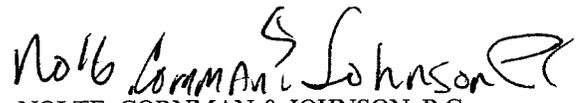
In our opinion, Albia Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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 grant agreements 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, 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 23, 2005

ALBIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

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:
  - CFDA Number 10.550 - Food Distribution
  - Clustered programs:
    - CDFA Number 10.553 - School Breakfast Program
    - CDFA Number 10.555 - National School Lunch Program
- (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, 2005

Part II: Findings Related to the Basic 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, 2005

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, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 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, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

IV-C-05 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-05 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-05 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	\$552
Patty Kraber, Secretary Spouse owns Donald Kraber Electric	Supplies	\$107

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

IV-I-05 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. We did note, however, that Certificate of Deposit 821 was not receiving the proper rate.

Recommendation - The District should contact People's State Bank and request the proper rate on this certificate of deposit.

Response - We will contact People's State Bank to make this correction.

Conclusion - Response accepted.

IV-J-05 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 file the Certified Annual Report before September 15 to be in compliance with the required due date.

Response - We will file the Certified Annual Report by the required date.

Conclusion - Response accepted.