

ALBURNETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Alburnett Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Duane Bolton	President	2004
Gregg Smith	Vice President	2004
Dee Lillie Luedtke	Board Member	2006
Barry Woodson	Board Member	2006
Robert Walters	Board Member	2005
Board of Education (After September 2004 Election)		
Dee Lillie Luedtke	President	2006
Barry Woodson	Vice President	2006
Robert Walters	Board Member	2005
Duane Bolton	Board Member	2007
Kent Wright	Board Member	2007
School Officials		
Angel-Dianne Melendez	Superintendent	2005
Rhonda Lange	District Secretary/Treasurer and Business Manager	2005
Hines, Pence, Jackson, Day and Powers	Attorney	2005

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Alburnett Community School District, Alburnett, 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 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 Alburnett 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.

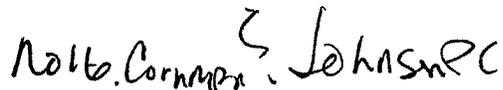
In accordance with Government Auditing Standards, we have also issued our report dated August 1, 2005 on our consideration of the Alburnett Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 through 36 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, 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.

August 1, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alburnett 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 \$4,320,989 in fiscal 2004 to \$4,568,118 in fiscal 2005, while General Fund expenditures decreased from \$4,838,458 in fiscal 2004 to \$4,809,182 in fiscal 2005. The increase in revenues was not large enough to offset the District's already high expenditures. This resulted in a decrease in the District's General Fund balance from \$482,346 in fiscal 2004 to a balance of \$241,282 in fiscal 2005, a 200.09% decrease in fiscal 2005.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2005.
- The decrease in expenditures was due primarily to the following:
 - 1) The District implemented a budgetary freeze on General Fund expenditures during fiscal year 2005.
 - 2) Some expenditures were transferred to the Physical Plant and Equipment Levy account.
 - 3) Energy efficiency projects are producing a positive impact by lowering the District's energy costs.
 - 4) No large purchases such as school buses or roof replacement were needed or made during the year.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$8,241 in fiscal year 2004 to \$4,946 in fiscal year 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 Alburnett 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 Alburnett 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 Alburnett 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.

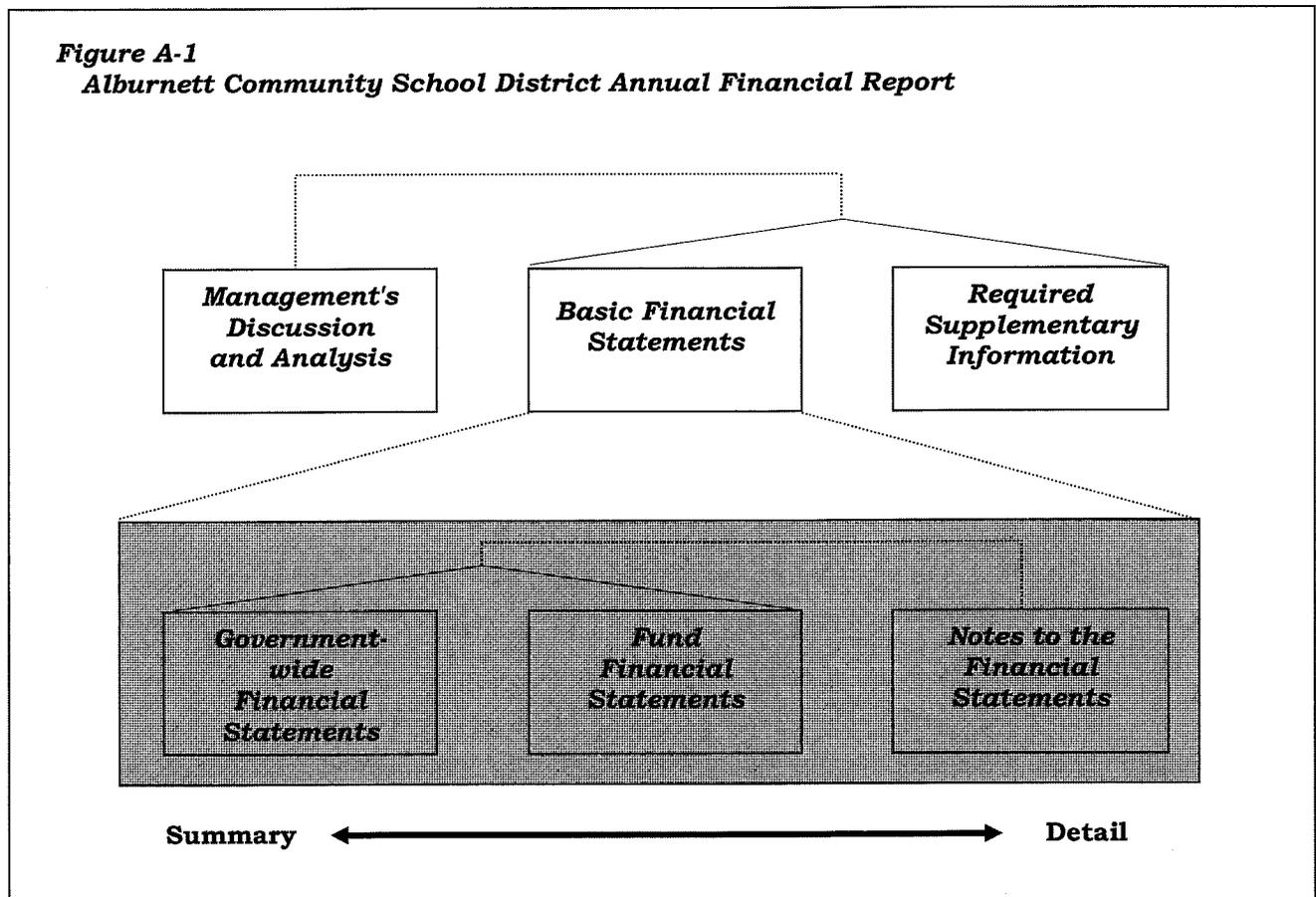


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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
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
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

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 two 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, and Special Revenue Funds.

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.

Reconciliations 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	\$ 2,659,592	2,820,430	11,858	15,383	2,671,450	2,835,813	-5.80%
Capital assets	1,158,780	1,321,070	12,721	16,450	1,171,501	1,337,520	-12.41%
Total assets	3,818,372	4,141,500	24,579	31,833	3,842,951	4,173,333	-7.92%
Long-term obligations	8,000	8,000	0	0	8,000	8,000	0.00%
Other liabilities	2,294,221	2,323,896	8,787	18,448	2,303,008	2,342,344	-1.68%
Total liabilities	2,302,221	2,331,896	8,787	18,448	2,311,008	2,350,344	-1.67%
Net assets:							
Invested in capital assets, net of related debt	1,158,780	1,321,070	12,721	16,450	1,171,501	1,337,520	-12.41%
Restricted	295,015	305,734	0	0	295,015	305,734	-3.51%
Unrestricted	62,356	182,800	3,071	(3,065)	65,427	179,735	-63.60%
Total net assets	\$ 1,516,151	1,809,604	15,792	13,385	1,531,943	1,822,989	-15.97%

The District's combined net assets decreased by 15.97%, or \$291,046, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$10,719, or 3.51% over the prior year. The decrease was primarily a result of the District spending down part of prior year carryover balances.

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 \$114,308, or 63.60%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

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
Revenues:							
Program revenues:							
Charges for services	\$ 850,443	781,448	130,352	127,551	980,795	908,999	7.90%
Operating grants and contributions and restricted interest	444,081	391,574	56,189	61,535	500,270	453,109	10.41%
Capital grants, contributions and restricted interest	0	50,000	0	0	0	50,000	-100.00%
General revenues:							
Local tax	1,517,880	1,474,010	0	0	1,517,880	1,474,010	2.98%
Unrestricted state grants	2,252,433	2,102,458	0	0	2,252,433	2,102,458	7.13%
Other	7,172	12,643	75	58	7,247	12,701	-42.94%
Total revenues	5,072,009	4,812,133	186,616	189,144	5,258,625	5,001,277	5.15%
Program expenses:							
Governmental activities:							
Instructional	3,611,951	3,402,255	0	0	3,611,951	3,402,255	6.16%
Support services	1,548,525	1,502,241	0	0	1,548,525	1,502,241	3.08%
Non-instructional programs	0	0	184,209	214,778	184,209	214,778	-14.23%
Other expenses	204,986	201,903	0	0	204,986	201,903	1.53%
Total expenses	5,365,462	5,106,399	184,209	214,778	5,549,671	5,321,177	4.29%
Changes in net assets	(293,453)	(294,266)	2,407	(25,634)	(291,046)	(319,900)	-9.02%
Beginning net assets	1,809,604	2,103,870	13,385	39,019	1,822,989	2,142,889	-14.93%
Ending net assets	\$ 1,516,151	1,809,604	15,792	13,385	1,531,943	1,822,989	-15.97%

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 93% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the decrease in capital grant monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements. The District also noted a decrease in expenditures for the Nutrition program, due to a decrease in commodities received from the State.

Governmental Activities

Revenues for governmental activities were \$5,072,009 and expenses were \$5,365,462.

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	\$ 3,611,951	2,505,151
Support services	1,548,525	1,536,823
Other expenses	204,986	28,964
Totals	<u>\$ 5,365,462</u>	<u>4,070,938</u>

- The cost financed by users of the District's programs was \$850,443.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$444,081.
- The net cost of governmental activities was financed with \$1,517,880 in local tax, \$2,252,433 in unrestricted state grants and \$7,172 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$186,616 and expenses were \$184,209. 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 Alburnett 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 \$365,371, below last year's ending fund balances of a \$496,534. However, the primary reason for the decrease was the increased expenses in the General Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increase in tax levy during the year in tax and grants resulted in a increase in revenues. The District's increase in General Fund expenditures ensured a decrease in the Districts financial position. The District spent more than the District received.
- The Student Activity fund balance decreased from \$150,958 in 2004, to \$148,598 in 2005, due to the increase in expenditures.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from a deficit \$123,364 to a deficit \$31,972, due to controlled spending in order to reduce the deficit.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$13,385 at June 30, 2004 to \$15,792 at June 30, 2005, representing a increase of 17.98%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$29,597 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in local 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 \$1.2 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 14.17% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$174,690.

The original cost of the District's capital assets was \$2.8 million. Governmental funds account for \$2.7 million with the remainder of \$0.1 million 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 \$243,308 at June 30, 2005, compared to \$391,999 reported at June 30, 2004. This decrease resulted from current year depreciation expense.

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	\$ 1,000	1,000	0	0	1,000	1,000	0.00%
Buildings	918,844	944,521	0	0	918,844	944,521	-2.79%
Land improvements	8,349	0	0	0	8,349	0	100.00%
Machinery and equipment	230,587	375,549	12,721	16,450	243,308	391,999	-61.11%
Total	\$ 1,158,780	1,321,070	12,721	16,450	1,171,501	1,337,520	-14.17%

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$8,000 in other long-term debt outstanding. This represents no change from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$8,000 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Early retirement	\$ 8,000	8,000	0.0%
Total	\$ 8,000	8,000	0.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda Lange, District Board Secretary, Alburnett Community School District, P.O. Box 189, Alburnett, Iowa, 52202.

FINANCIAL STATEMENTS

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,057,543	2,960	1,060,503
Receivables:			
Property tax:			
Delinquent	15,729	0	15,729
Succeeding year	1,563,095	0	1,563,095
Due from other governments	23,225	0	23,225
Inventories	0	8,898	8,898
Capital assets, net of accumulated depreciation(Note 4)	1,158,780	12,721	1,171,501
TOTAL ASSETS	3,818,372	24,579	3,842,951
LIABILITIES			
Accounts payable	149,517	0	149,517
Salaries and benefits payable	581,609	5,576	587,185
Deferred revenue:			
Succeeding year property tax	1,563,095	0	1,563,095
Other	0	3,211	3,211
Long-term liabilities(Note 5):			
Portion due within one year:			
Early retirement payable	8,000	0	8,000
TOTAL LIABILITIES	2,302,221	8,787	2,311,008
NET ASSETS			
Investment in capital assets	1,158,780	12,721	1,171,501
Restricted for:			
Early Intervention	38,491	0	38,491
Talented and Gifted	69,246	0	69,246
State Technology	20,451	0	20,451
Salary Improvement Program	1,161	0	1,161
Phase III	3,775	0	3,775
Other special revenue purposes	161,891	0	161,891
Unrestricted	62,356	3,071	65,427
TOTAL NET ASSETS	\$ 1,516,151	15,792	1,531,943

SEE NOTES TO FINANCIAL STATEMENTS.

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

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,347,516	391,594	231,378
Special instruction	648,725	95,549	24,979
Other instruction	615,710	363,300	0
	<u>3,611,951</u>	<u>850,443</u>	<u>256,357</u>
Support services:			
Student services	186,611	0	0
Instructional staff services	164,655	0	0
Administration services	499,280	0	0
Operation and maintenance of plant services	375,948	0	0
Transportation services	322,031	0	11,702
	<u>1,548,525</u>	<u>0</u>	<u>11,702</u>
Other expenditures:			
AEA flowthrough	176,022	0	176,022
Depreciation(unallocated)*	28,964	0	0
	<u>204,986</u>	<u>0</u>	<u>176,022</u>
Total governmental activities	5,365,462	850,443	444,081
Business-Type activities:			
Non-instructional programs:			
Nutrition services	184,209	130,352	56,189
Total business-type activities	184,209	130,352	56,189
Total	\$ 5,549,671	980,795	500,270

General Revenues:

Property tax levied for:
 General purposes
 Capital outlays
 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 FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,724,544)	0	(1,724,544)
(528,197)	0	(528,197)
(252,410)	0	(252,410)
<u>(2,505,151)</u>	<u>0</u>	<u>(2,505,151)</u>
(186,611)	0	(186,611)
(164,655)	0	(164,655)
(499,280)	0	(499,280)
(375,948)	0	(375,948)
(310,329)	0	(310,329)
<u>(1,536,823)</u>	<u>0</u>	<u>(1,536,823)</u>
0	0	0
(28,964)	0	(28,964)
<u>(28,964)</u>	<u>0</u>	<u>(28,964)</u>
(4,070,938)	0	(4,070,938)
0	2,332	2,332
<u>0</u>	<u>2,332</u>	<u>2,332</u>
<u>(4,070,938)</u>	<u>2,332</u>	<u>(4,068,606)</u>
\$ 1,404,373	0	1,404,373
113,507	0	113,507
2,252,433	0	2,252,433
7,172	75	7,247
<u>3,777,485</u>	<u>75</u>	<u>3,777,560</u>
(293,453)	2,407	(291,046)
<u>1,809,604</u>	<u>13,385</u>	<u>1,822,989</u>
<u>\$ 1,516,151</u>	<u>15,792</u>	<u>1,531,943</u>

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

	General	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 808,613	150,652	91,643	13,293	1,064,201
Receivables:					
Property tax					
Delinquent	13,730	0	1,171	828	15,729
Succeeding year	1,346,806	0	116,289	100,000	1,563,095
Interfund	124,786	0	0	0	124,786
Due from other governments	23,225	0	0	0	23,225
TOTAL ASSETS	\$ 2,317,160	150,652	209,103	114,121	2,791,036
LIABILITIES AND FUND BALANCES					
Liabilities:					
Excess of warrants issued over bank balance	\$ 0	0	0	6,658	6,658
Interfund payable	0	0	124,786	0	124,786
Accounts payable	147,463	2,054	0	0	149,517
Salaries and benefits payable	581,609	0	0	0	581,609
Deferred revenue:					
Succeeding year property tax	1,346,806	0	116,289	100,000	1,563,095
Total liabilities	2,075,878	2,054	241,075	106,658	2,425,665
Fund balances:					
Reserved for:					
Early Intervention	38,491	0	0	0	38,491
Talented and Gifted	69,246	0	0	0	69,246
State Technology	20,451	0	0	0	20,451
Salary Improvement Program Phase III	1,161	0	0	0	1,161
3,775	3,775	0	0	0	3,775
Unreserved:					
Undesignated	108,158	148,598	(31,972)	7,463	232,247
Total fund balances	241,282	148,598	(31,972)	7,463	365,371
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,317,160	150,652	209,103	114,121	2,791,036

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 17) \$ 365,371

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not
financial resources and, therefore, are not report as
assets in in the governmental funds. 1,158,780

Long-term liabilities, including early retirement payable,
are not due and payable in the current period and,
therefore, are not reported as liabilities in the
governmental funds. (8,000)

Net assets of governmental activites (page 14) \$ 1,516,151

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Special Revenue - Activity Fund	Special Revenue - PPEL Fund	Other Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,324,477	0	113,507	79,896	1,517,880
Tuition	487,143	0	0	0	487,143
Other	75,984	292,400	460	17,628	386,472
State sources	2,600,046	0	0	0	2,600,046
Federal sources	80,468	0	0	0	80,468
Total revenues	4,568,118	292,400	113,967	97,524	5,072,009
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,249,417	0	0	26,723	2,276,140
Special instruction	650,055	0	0	0	650,055
Other instruction	310,243	294,760	0	0	605,003
	3,209,715	294,760	0	26,723	3,531,198
Support services:					
Student services	186,239	0	0	0	186,239
Instructional staff services	161,357	0	0	0	161,357
Administration services	498,299	0	1,579	0	499,878
Operation and maintenance of plant services	312,806	0	20,996	38,786	372,588
Transportation services	264,744	0	0	11,146	275,890
	1,423,445	0	22,575	49,932	1,495,952
Other expenditures:					
AEA flowthrough	176,022	0	0	0	176,022
	176,022	0	0	0	176,022
Total expenditures	4,809,182	294,760	22,575	76,655	5,203,172
Excess (deficiency) of revenues over (under) expenditures	(241,064)	(2,360)	91,392	20,869	(131,163)
Fund balance beginning of year	482,346	150,958	(123,364)	(13,406)	496,534
Fund balance end of year	\$ 241,282	148,598	(31,972)	7,463	365,371

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT 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 19) \$ (131,163)

***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	\$ 8,042	
Depreciation expense	(170,332)	(162,290)

Changes in net assets of governmental activities (page 16) \$ (293,453)

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2005

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 2,960
Inventories	8,898
Capital assets, net of accumulated depreciation (Note 4)	<u>12,721</u>
TOTAL ASSETS	<u>24,579</u>
LIABILITIES	
Salaries and benefits payable	5,576
Deferred revenues	<u>3,211</u>
TOTAL LIABILITES	<u>8,787</u>
NET ASSETS	
Invested in capital assets	12,721
Unrestricted	<u>3,071</u>
TOTAL NET ASSETS	<u>\$ 15,792</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 130,352
TOTAL OPERATING REVENUES	130,352
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	77,033
Benefits	10,339
Services	6,793
Supplies	85,645
Depreciation	4,358
Other	41
TOTAL OPERATING EXPENSES	184,209
OPERATING LOSS	(53,857)
NON-OPERATING REVENUES:	
State sources	3,109
Federal sources	53,080
Interest on investments	75
TOTAL NON-OPERATING REVENUES	56,264
Change in net assets	2,407
Net assets beginning of year	13,385
Net assets end of year	\$ 15,792

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT 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	\$ 130,383
Cash received from miscellaneous operating activities	419
Cash payments to employees for services	(87,187)
Cash payments to suppliers for goods or services	(85,627)
Net cash used in operating activities	(42,012)
Cash flows from non-capital financing activities:	
State grants received	3,109
Federal grants received	40,316
Net cash provided by non-capital financing activities	43,425
Cash flows from investing activities:	
Interest on investments	75
Net cash provided by investing activities	75
Cash flows from capital financing activities:	
Purchase of assets	(629)
Net cash used in capital financing activities	(629)
Net increase in cash and cash equivalents	859
Cash and cash equivalents at beginning of year	2,101
Cash and cash equivalents at end of year	\$ 2,960
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (53,857)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	12,764
Depreciation	4,358
Decrease in inventories	4,188
Decrease in accounts receivable	196
Decrease in accounts payable	(10,100)
Increase in salaries and benefits payable	185
Increase in deferred revenue	254
Net cash used in operating activities	\$ (42,012)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 2,960
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2005, the District received Federal commodities valued at \$12,764.

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Alburnett 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 City of Alburnett, Iowa, and the predominate agricultural territory in Linn County. 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, Alburnett 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 Alburnett 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 Linn 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 Special Revenue - Activity Fund is utilized to account for the resources used in student driven accounts.

The Special Revenue - Physical Plant and Equipment Levy (PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which 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.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(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 Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) Interfund Receivable/Payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenues - Physical Plant and Equipment Levy	<u>\$ 124,786</u>

(4) Capital Assets

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

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	0	0	1,000
Total capital assets not being depreciated	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>1,000</u>
Capital assets being depreciated:				
Buildings	1,094,811	0	0	1,094,811
Land improvements	154,867	8,170	0	163,037
Machinery and equipment	1,416,568	8,042	32,435	1,392,175
Total capital assets being depreciated	<u>2,666,246</u>	<u>16,212</u>	<u>32,435</u>	<u>2,650,023</u>
Less accumulated depreciation for:				
Buildings	150,290	25,677	0	175,967
Land improvements	154,867	(179)	0	154,688
Machinery and equipment	1,041,019	144,834	24,265	1,161,588
Total accumulated depreciation	<u>1,346,176</u>	<u>170,332</u>	<u>24,265</u>	<u>1,492,243</u>
Total capital assets being depreciated, net	<u>1,320,070</u>	<u>(154,120)</u>	<u>8,170</u>	<u>1,157,780</u>
Governmental activities capital assets, net	<u>\$ 1,321,070</u>	<u>(154,120)</u>	<u>8,170</u>	<u>1,158,780</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 90,005	629	7,139	83,495
Less accumulated depreciation	73,555	4,358	7,139	70,774
Business-type activities capital assets, net	<u>\$ 16,450</u>	<u>(3,729)</u>	<u>0</u>	<u>12,721</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 71,893
Special	1,255
Other	10,707
Support services:	
Student services	372
Instructional staff	4,229
Administration	3,411
Operation and maintenance	3,360
Transportation	46,141
	<u>141,368</u>
Unallocated depreciation	<u>28,964</u>
Total governmental activities depreciation expense	<u>\$ 170,332</u>
Business-type activities:	
Food services	<u>\$ 4,358</u>

(5) 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
Early Retirement	\$ 8,000	8,000	8,000	8,000	8,000
Total	\$ 8,000	8,000	8,000	8,000	8,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employees base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum of \$8,000 per individual. Early retirement benefits paid during the year ended June 30, 2005, totaled \$8,000. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$156,705, \$150,121, \$146,137 respectively, equal to the required contributions for each year.

(7) Risk Management

Alburnett 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.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$176,022 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.

(9) Deficit Fund Balance

The Special Revenue - Physical Plant and Equipment Levy (PPEL) fund had a deficit undesignated fund balance of \$31,972 at June 30, 2005. The Special Revenue - Management fund also had a deficit undesignated fund balance of \$5,830 at June 30, 2005.

REQUIRED SUPPLEMENTAL INFORMATION

ALBURNETT 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
Receipts:		
Local sources	\$ 2,437,971	130,877
State sources	2,600,046	3,109
Federal sources	78,534	53,080
Total receipts	<u>5,116,551</u>	<u>187,066</u>
Disbursements:		
Instruction	3,434,040	0
Support services	1,428,892	0
Non-instructional programs	0	176,107
Other expenditures	176,022	0
Total disbursements	<u>5,038,954</u>	<u>176,107</u>
Excess of receipts over disbursements	77,597	10,959
Balance beginning of year	<u>979,946</u>	<u>(7,999)</u>
Balance end of year	<u>\$ 1,057,543</u>	<u>2,960</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,568,848	2,447,900	2,447,900	120,948
2,603,155	2,642,120	2,642,120	(38,965)
131,614	184,000	184,000	(52,386)
<u>5,303,617</u>	<u>5,274,020</u>	<u>5,274,020</u>	<u>29,597</u>
3,434,040	3,499,625	3,499,625	65,585
1,428,892	1,795,428	1,795,428	366,536
176,107	235,000	235,000	58,893
176,022	200,710	200,710	24,688
<u>5,215,061</u>	<u>5,730,763</u>	<u>5,730,763</u>	<u>515,702</u>
88,556	(456,743)	(456,743)	545,299
971,947	969,548	969,548	2,399
<u>1,060,503</u>	<u>512,805</u>	<u>512,805</u>	<u>547,698</u>

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

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 5,116,551	(44,542)	5,072,009
Expenses	5,038,954	164,218	5,203,172
Net	77,597	(208,760)	(131,163)
Beginning fund balances	979,946	(483,412)	496,534
Ending fund balances	\$ 1,057,543	(692,172)	365,371

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 187,066	(450)	186,616
Expenses	176,107	8,102	184,209
Net	10,959	(8,552)	2,407
Beginning retained earnings	(7,999)	21,384	13,385
Ending retained earnings	\$ 2,960	12,832	15,792

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTAL INFORMATION

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Manage- ment	Expendable Trust	
ASSETS			
Cash and pooled investments	\$ 0	13,293	13,293
Receivables:			
Property tax:			
Current year delinquent	828	0	828
Succeeding year	100,000	0	100,000
TOTAL ASSETS	<u>\$ 100,828</u>	<u>13,293</u>	<u>114,121</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Excess of warrants issued over bank balance	\$ 6,658	0	6,658
Deferred revenue:			
Succeeding year property tax	100,000	0	100,000
Total Liabilities	<u>106,658</u>	<u>0</u>	<u>106,658</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	(5,830)	13,293	7,463
Total fund balances	<u>(5,830)</u>	<u>13,293</u>	<u>7,463</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 100,828</u>	<u>13,293</u>	<u>114,121</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Manage- ment	Expendable Trust	
REVENUES:			
Local sources:			
Local tax	\$ 79,896	0	79,896
Other	1,224	16,404	17,628
TOTAL REVENUES	<u>81,120</u>	<u>16,404</u>	<u>97,524</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	17,123	9,600	26,723
Support services:			
Operation and maintenance of plant services	38,786	0	38,786
Student transportation	11,146	0	11,146
TOTAL EXPENDITURES	<u>67,055</u>	<u>9,600</u>	<u>76,655</u>
EXCESS OF REVENUES OVER EXPENDITURES	14,065	6,804	20,869
FUND BALANCE BEGINNING OF YEAR	<u>(19,895)</u>	6,489	<u>(13,406)</u>
FUND BALANCE END OF YEAR	<u>\$ (5,830)</u>	<u>13,293</u>	<u>7,463</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 0	461	461	0
Athletics	(336)	56,577	51,924	4,317
Class Funds	1,110	2,787	2,400	1,497
Student Project-Ven	3,779	6,669	5,363	5,085
Class of 2003	1,032	0	1,032	0
Class of 2004	825	0	825	0
Class of 2005	2,126	1,732	2,544	1,314
Class of 2006	2,103	2,816	4,106	813
Class of 2007	2,439	661	1,011	2,089
Class of 2008	1,384	658	64	1,978
Class of 2009	436	1,177	309	1,304
Class of 2010	0	618	0	618
FFA	9,205	16,451	17,700	7,956
Project oxygen- FFA	13	1	0	14
National honor society	221	2,670	2,106	785
Booster club	51,174	84,726	70,997	64,903
Math counts	228	7	0	235
Pom pons	3,111	5,634	7,405	1,340
Color guard	72	2	0	74
Football squad	1,500	2,444	2,173	1,771
Science club	1,378	394	284	1,488
Wrestling club	668	17	96	589
FBLA	144	8,904	9,048	0
Renaissance	4,297	3,738	6,674	1,361
Spanish club	968	502	640	830
Volleyball squad	389	1,104	177	1,316
Baseball	668	2,437	1,848	1,257
Sunshine club	615	1,711	2,013	313
Interest & misc.	10,000	1,362	4,028	7,334
Book fines	0	5,878	5,878	0
Marketing	0	2,549	2,549	0
Book fair	1,584	7,549	7,718	1,415
Home Economics	0	2,868	2,868	0
Annual	885	3,590	4,349	126
Student council	2,617	593	2,701	509
Art	9,077	1,552	250	10,379
Music parents	7,477	12,220	11,688	8,009
Band boosters	6,107	31,591	37,446	252
Elementary club	9,385	3,982	5,670	7,697
Cheerleaders	1,522	3,888	5,112	298
Peer group	288	414	0	702
Wrestling cheerleading	2,428	910	4,493	(1,155)
School cents	8,172	6,235	6,386	8,021
Soda program	347	28	0	375
Shop	0	2,102	2,102	0
Paper & pencils	1,415	38	172	1,281
Health careers	26	1	0	27
Tattler	79	2	0	81
Archery in Iowa School	0	150	150	0
Total	<u>\$ 150,958</u>	<u>292,400</u>	<u>294,760</u>	<u>148,598</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT 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
Revenues:				
Local sources:				
Local tax	\$ 1,517,880	1,474,010	1,459,639	1,429,900
Tuition	487,143	470,432	438,291	408,669
Other	386,472	310,651	342,156	302,856
Intermediate sources	0	300	2,075	2,375
State sources	2,600,046	2,436,976	2,520,123	2,423,130
Federal sources	80,468	117,374	118,838	63,012
Total	<u>\$ 5,072,009</u>	<u>4,809,743</u>	<u>4,881,122</u>	<u>4,629,942</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,276,140	2,265,072	2,043,082	2,081,251
Special instruction	650,055	570,669	567,495	391,380
Other instruction	605,003	614,222	572,396	576,023
Support services:				
Student services	186,239	172,100	128,642	122,730
Instructional staff services	161,357	159,331	280,299	230,673
Administration services	499,878	455,873	436,401	414,904
Operation and maintenance of plant services	372,588	476,911	352,635	320,893
Transportation services	275,890	290,981	307,218	277,839
Central support services	0	0	544	0
Other expenditures:				
Facilities acquisitions	0	53,697	8,188	676,780
AEA flow-through	176,022	172,940	185,287	183,275
Total	<u>\$ 5,203,172</u>	<u>5,231,796</u>	<u>4,882,187</u>	<u>5,275,748</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Alburnett 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 Alburnett 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 August 1, 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 Alburnett 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alburnett 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 II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

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 Alburnett Community School District and other parties to whom Alburnett 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 Alburnett 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.

August 1, 2005

ALBURNETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

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

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial balance of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-05 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets sold.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We will review our procedures for collecting gate admissions.

Conclusion - Response accepted.

I-C-05 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - The interest earned each year should be allocated at least on an annual basis to the individual activity accounts.

Response - In the future interest will be allocated annually. The current balance will be allocated to negative accounts over a period of years to reduce the balance.

Conclusion - Response accepted.

I-D-05 Purchase Orders - We noted during our audit that purchase orders in the Activity Fund were dated after the invoices. Purchase orders are typically used to document approval prior to the purchase as well as documenting which account will be paying for the invoice. The fact the purchase orders are completed after the invoice arrives, indicates that purchases are being made without proper approval.

Recommendation - The district should review procedures in place with regard to use of purchase orders, placing the order and subsequent payment. The district should require purchase orders be completed prior to ordering.

Response - The district will have discussions plus an in-service on proper use of purchase orders with all personnel and activity boosters members associated with the Activity Fund. A system will be put in place to correct this item for fiscal 2006.

Conclusion - Response accepted.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-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.

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

II-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.

II-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.

II-E-05 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Craig Titler, Bus Mechanic Owner of Masters Auto	Supplies/Repairs	\$1,112
Gary Holsinger, Custodian	Snow removal	\$1,596

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's mechanic and custodian does not appear to represent a conflict of interest.

II-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.

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

II-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.

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

II-K-05 Financial Condition - The District had a deficit undesignated fund balance of \$31,972 in the Special Revenue - Physical Plant Equipment Levy fund. The District also had a deficit undesignated fund balance of \$5,830 in the Special Revenue - Management fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should consider a workout plan to bring the PPEL and Management funds to a solvent position.

Response - We are monitoring the expenditures in the Management and PPEL funds and are monitoring required repayment from the PPEL to the General fund for the inter-fund loan to keep our anticipated outlays within the remainder of Voted-PPEL which serves as our source for repayment.

Conclusion - Response accepted.