

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

JUNE 30, 2006

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Albia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Mary Wynn	President	2007
Robin Haselhuhn	Vice President	2006
Mike Stocker	Board Member	2005
Jeff Liston	Board Member	2006
Donna Whisler	Board Member (Resigned)	2006
Tim Bates	Board Member (Appointed)	2006
Joyce Williams	Board Member	2007
John Scieszinski	Board Member	2005
Board of Education (After September 2005 Election)		
Mary Wynn	President	2007
Robin Haselhuhn	Vice President	2006
Mike Stocker	Board Member	2008
Jeff Liston	Board Member	2006
Tim Bates	Board Member	2006
Joyce Williams	Board Member	2007
John Scieszinski	Board Member	2008
School Officials		
Kevin Crall	Superintendent	2006
Peggy Newman	District Secretary/Treasurer And Business Manager	2006
Gruhn Law Firm	Attorney	2006

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Certified Public Accountants
(a professional corporation)
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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, 2006, 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, 2006, 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.

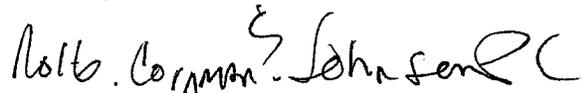
In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2006 on our consideration of the Albia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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. 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 12 and 34 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 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, 2005 (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.

November 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Albia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,591,727 in fiscal 2005 to \$9,851,300 in fiscal 2006, while General Fund expenditures increased from \$9,141,712 in fiscal 2005 to \$9,637,233 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$1,530,865 in fiscal 2005 to a balance of \$1,749,870 in fiscal 2006, a 14% 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 2006. The increase in expenditures was due primarily to an increase in other instruction. The District's General Fund balance increased despite the increase in total expenditures because total revenues exceeded total expenditures for fiscal 2006.

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.

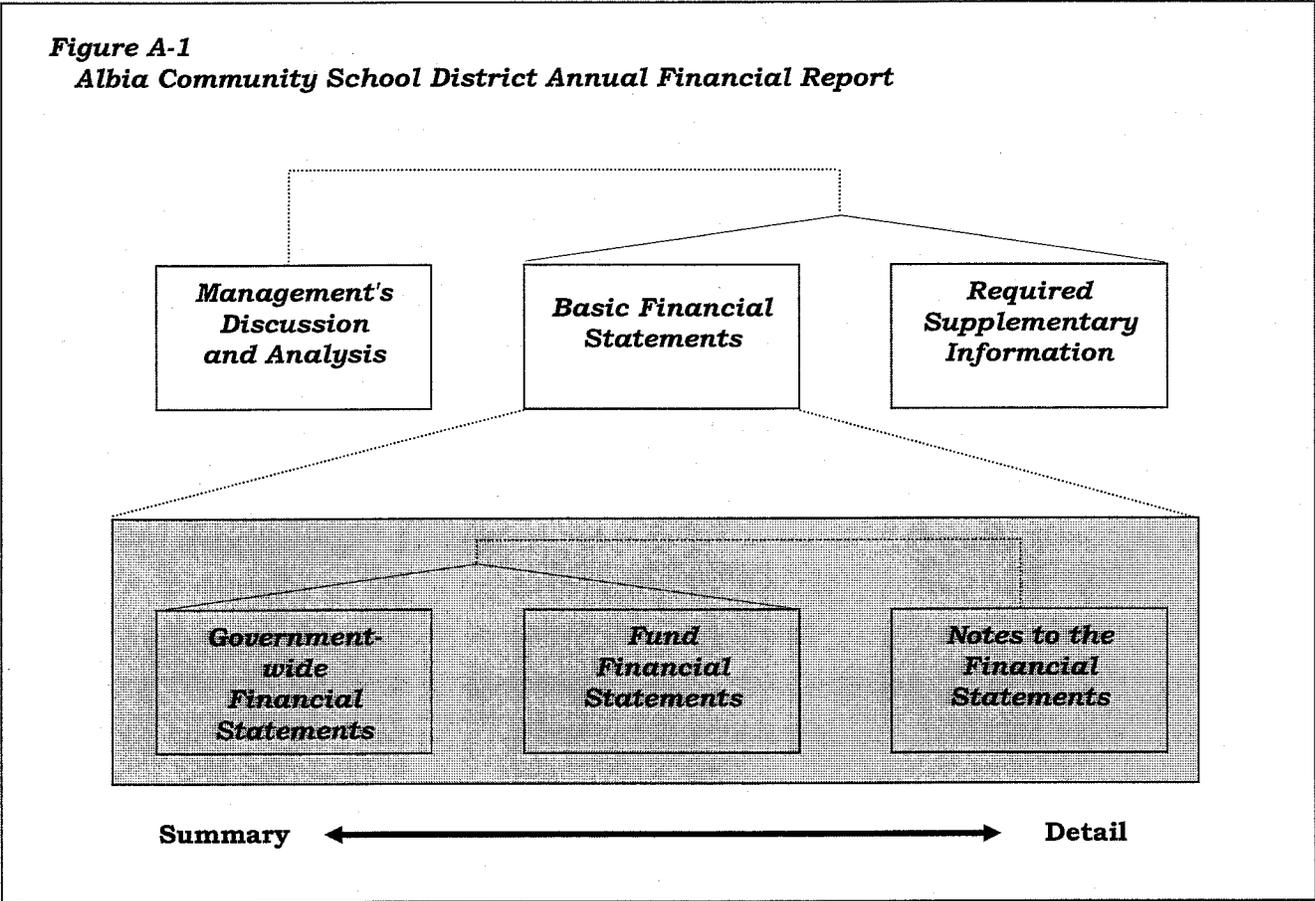


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	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"> • 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 revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 and June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 7,324,978	7,384,974	53,274	35,219	7,378,252	7,420,193	-0.6%
Capital assets	1,571,316	1,663,035	37,528	33,073	1,608,844	1,696,108	-5.1%
Total assets	8,896,294	9,048,009	90,802	68,292	8,987,096	9,116,301	-1.4%
Long-term obligations	137,689	454,692	0	0	137,689	454,692	-69.7%
Other liabilities	4,077,315	4,574,882	4,186	5,428	4,081,501	4,580,310	-10.9%
Total liabilities	4,215,004	5,029,574	4,186	5,428	4,219,190	5,035,002	-16.2%
Net assets:							
Invested in capital assets, net of related debt	1,534,783	1,348,776	37,528	33,073	1,572,311	1,381,849	13.8%
Restricted	1,157,696	889,876	0	0	1,157,696	889,876	30.1%
Unrestricted	1,988,811	1,779,783	49,088	29,791	2,037,899	1,809,574	12.6%
Total net assets	\$ 4,681,290	4,018,435	86,616	62,864	4,767,906	4,081,299	16.8%

The District's combined net assets increased by 16.8%, or \$686,607, 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 \$267,820 or 30.1% 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 – increased approximately \$228,325, or 12.6%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 527,092	441,594	309,536	296,412	836,628	738,006	13.4%
Operating grants and contributions and restricted interest	1,120,309	1,114,431	212,844	189,183	1,333,153	1,303,614	2.3%
Capital grants and contributions and restricted interest	0	164,717	0	0	0	164,717	-100.0%
General revenues:							
Property tax	3,339,481	3,548,453	0	0	3,339,481	3,548,453	-5.9%
LOST	586,990	570,310	0	0	586,990	0	
Unrestricted state grants	5,282,617	5,178,555	0	0	5,282,617	5,178,555	2.0%
Other	270,632	86,858	507	292	271,139	87,150	211.1%
Total revenues	11,127,121	11,104,918	522,887	485,887	11,650,008	11,590,805	0.5%
Program expenses:							
Governmental activities:							
Instructional	6,903,186	6,546,988	0	0	6,903,186	6,546,988	5.4%
Support services	2,835,559	2,566,846	0	0	2,835,559	2,566,846	10.5%
Non-instructional programs	0	0	499,135	491,113	499,135	491,113	1.6%
Other expenses	726,093	672,019	0	0	726,093	672,019	8.0%
Total expenses	10,464,838	9,785,853	499,135	491,113	10,963,973	10,276,966	6.7%
Changes in net assets before other financing sources	662,283	1,319,065	23,752	(5,226)	686,035	1,313,839	-47.8%
Other financing sources	572	0	0	0	572	0	100.0%
Change in net assets	662,855	1,319,065	23,752	(5,226)	686,607	1,313,839	-47.7%
Net assets beginning of year	4,018,435	2,699,370	62,864	68,090	4,081,299	2,767,460	47.5%
Net assets end of year	\$ 4,681,290	4,018,435	86,616	62,864	4,767,906	4,081,299	16.8%

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 \$11,127,121 and expenses were \$10,464,838.

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	\$ 6,903,186	5,625,670
Support services	2,835,559	2,834,729
Other expenses	726,093	357,038
Totals	<u>\$ 10,464,838</u>	<u>8,817,437</u>

- The cost financed by users of the District's programs was \$527,092.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,120,309.
- The net cost of governmental activities was financed with \$3,339,481 in local tax, \$586,990 in local option sales and service tax, \$5,282,617 in unrestricted state grants, and \$145,527 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$522,887 and expenses were \$499,135. 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 \$2,947,656, above last year's ending fund balances of \$2,487,683.

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 \$315,980 in 2005, to \$309,562 in 2006, due to excess of expenditures over revenues in both funds.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from a balance of \$25,531 to a balance of \$25,218.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$62,864 at June 30, 2005 to \$86,616 at June 30, 2006, representing an increase of approximately 37.8%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$293,828 less than budgeted revenues, a variance of 2.5%. 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, 2006, the District had invested \$1.6 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 5.1% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$124,531.

The original cost of the District's capital assets was \$5,381,719. Governmental funds account for \$5,295,144 with the remainder of \$86,575 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 \$282,756 at June 30, 2006, compared to \$320,248 reported at June 30, 2005. 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
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 7,000	7,000	0	0	7,000	7,000	0.0%
Buildings	1,281,784	1,328,942	0	0	1,281,784	1,328,942	-3.5%
Improvements other than buildings	37,304	39,918	0	0	37,304	39,918	-6.5%
Machinery and equipment	245,228	287,175	37,528	33,073	282,756	320,248	-11.7%
Total	\$ 1,571,316	1,663,035	37,528	33,073	1,608,844	1,696,108	-5.1%

Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding of \$137,689 in general obligation bonds, compensated absences, and early retirement. This represents a decrease of approximately 70% 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 \$45,000 at June 30, 2006.

The District had compensated absences of \$27,483 at June 30, 2006.

The District had early retirement of \$65,206 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 45,000	425,000	-89.4%
Compensated absences	27,483	29,692	-7.4%
Early Retirement	65,206	0	100.0%
Total	\$ 137,689	454,692	-69.7%

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, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,201,648	0	1,201,648
Other	2,544,016	37,454	2,581,470
Receivables:			
Property tax:			
Delinquent	111,373	0	111,373
Succeeding year	2,813,096	0	2,813,096
Income surtax	300,345	0	300,345
Accounts	2,877	1,528	4,405
Accrued ISCAP interest(Note 5)	374	0	374
Due from other governments	351,249	0	351,249
Inventories	0	14,292	14,292
Capital assets, net of accumulated depreciation(Note 6)	1,571,316	37,528	1,608,844
TOTAL ASSETS	8,896,294	90,802	8,987,096
LIABILITIES			
Accounts payable	33,455	0	33,455
Interest payable	338	0	338
Salaries and benefits payable	17,965	0	17,965
ISCAP warrants payable(Note 5)	1,203,000	0	1,203,000
ISCAP accrued interest payable(Note 5)	306	0	306
ISCAP premiums payable	9,155	0	9,155
Deferred revenue:			
Succeeding year property tax	2,813,096	0	2,813,096
Other	0	4,186	4,186
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds	45,000	0	45,000
Compensated absences	27,483	0	27,483
Early Retirement	65,206	0	65,206
TOTAL LIABILITIES	4,215,004	4,186	4,219,190
NET ASSETS			
Investment in capital assets, net of related debt	1,534,783	37,528	1,572,311
Restricted for:			
Phase III	1,803	0	1,803
Talented and gifted	29,815	0	29,815
Teacher quality	2,303	0	2,303
Management levy	28,130	0	28,130
Physical plant and equipment levy	25,218	0	25,218
Capital projects	786,893	0	786,893
Other special revenue purposes	283,534	0	283,534
Unrestricted	1,988,811	49,088	2,037,899
TOTAL NET ASSETS	\$ 4,681,290	86,616	4,767,906

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit B

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 4,056,865	106,656	751,254	(3,198,955)	0	(3,198,955)
Special instruction	1,455,258	103,575	0	(1,351,683)	0	(1,351,683)
Other instruction	1,391,063	316,031	0	(1,075,032)	0	(1,075,032)
	<u>6,903,186</u>	<u>526,262</u>	<u>751,254</u>	<u>(5,625,670)</u>	<u>0</u>	<u>(5,625,670)</u>
Support services:						
Student services	266,405	0	0	(266,405)	0	(266,405)
Instructional staff services	140,091	0	0	(140,091)	0	(140,091)
Administration services	1,068,249	0	0	(1,068,249)	0	(1,068,249)
Operation and maintenance of plant services	869,430	0	0	(869,430)	0	(869,430)
Transportation services	483,664	830	0	(482,834)	0	(482,834)
Other support services	7,720	0	0	(7,720)	0	(7,720)
	<u>2,835,559</u>	<u>830</u>	<u>0</u>	<u>(2,834,729)</u>	<u>0</u>	<u>(2,834,729)</u>
Other expenditures:						
Facilities acquisitions	301,292	0	0	(301,292)	0	(301,292)
Long-term debt interest	5,974	0	0	(5,974)	0	(5,974)
AEA flowthrough	369,055	0	369,055	0	0	0
Depreciation(unallocated)*	49,772	0	0	(49,772)	0	(49,772)
	<u>726,093</u>	<u>0</u>	<u>369,055</u>	<u>(357,038)</u>	<u>0</u>	<u>(357,038)</u>
Total governmental activities	10,464,838	527,092	1,120,309	(8,817,437)	0	(8,817,437)
Business-Type activities:						
Nutrition services	499,135	309,536	212,844	0	23,245	23,245
Total business-type activities	<u>499,135</u>	<u>309,536</u>	<u>212,844</u>	<u>0</u>	<u>23,245</u>	<u>23,245</u>
Total	<u>\$ 10,963,973</u>	<u>836,628</u>	<u>1,333,153</u>	<u>(8,817,437)</u>	<u>23,245</u>	<u>(8,794,192)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,151,851	0	3,151,851
Debt services				187,630	0	187,630
Local option sales and services tax				586,990	0	586,990
Unrestricted state grants				5,282,617	0	5,282,617
Unrestricted investment earnings				145,527	507	146,034
Other				125,105	0	125,105
Total general revenues				<u>9,479,720</u>	<u>507</u>	<u>9,480,227</u>
Change in net assets before transfers				662,283	23,752	686,035
Transfers in				572	0	572
Changes in net assets				<u>662,855</u>	<u>23,752</u>	<u>686,607</u>
Net assets beginning of year				<u>4,018,435</u>	<u>62,864</u>	<u>4,081,299</u>
Net assets end of year				<u>\$ 4,681,290</u>	<u>86,616</u>	<u>4,767,906</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	Nonmajor			Total
	General	Capital Projects	Governmental Funds	
ASSETS				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 1,201,648	0	0	1,201,648
Other	1,551,719	591,373	400,924	2,544,016
Receivables:				
Property tax				
Delinquent	68,521	0	42,852	111,373
Succeeding year	2,598,096	0	215,000	2,813,096
Income surtax	300,345	0	0	300,345
Interfund	35,383	0	0	35,383
Accounts	377	0	2,500	2,877
Accrued ISCAP interest(Note 5)	374	0	0	374
Due from other governments	155,729	195,520	0	351,249
TOTAL ASSETS	\$ 5,912,192	786,893	661,276	7,360,361
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	35,383	35,383
Accounts payable	33,455	0	0	33,455
Salaries and benefits payable	17,965	0	0	17,965
ISCAP warrants payable(Note 5)	1,203,000	0	0	1,203,000
ISCAP accrued interest payable(Note 5)	306	0	0	306
ISCAP premiums payable	9,155	0	0	9,155
Deferred revenue:				
Succeeding year property tax	2,598,096	0	215,000	2,813,096
Income surtax	300,345	0	0	300,345
Total liabilities	4,162,322	0	250,383	4,412,705
Fund balances:				
Reserved for:				
Debt service	0	0	8,805	8,805
Phase III	1,803	0	0	1,803
Talanted and gifted	29,815	0	0	29,815
Teacher quality	2,303	0	0	2,303
Unreserved:				
Designated for cashflow	857,974	0	0	857,974
Undesignated	857,975	786,893	402,088	2,046,956
Total fund balances	1,749,870	786,893	410,893	2,947,656
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,912,192	786,893	661,276	7,360,361

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, 2006

Total fund balances of governmental funds (page 16)	\$ 2,947,656
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,571,316
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.	(338)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	300,345
Long-term liabilities, including bonds payable, early retirement, and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(137,689)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 4,681,290</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, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,026,711	586,990	337,451	3,951,152
Tuition	210,231	0	0	210,231
Other	238,152	37,890	311,450	587,492
State sources	6,052,977	26,376	344	6,079,697
Federal sources	323,229	0	0	323,229
Total revenues	<u>9,851,300</u>	<u>651,256</u>	<u>649,245</u>	<u>11,151,801</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,948,997	0	54,090	4,003,087
Special instruction	1,455,258	0	0	1,455,258
Other instruction	1,202,557	0	188,506	1,391,063
	<u>6,606,812</u>	<u>0</u>	<u>242,596</u>	<u>6,849,408</u>
Support services:				
Student services	265,122	0	1,283	266,405
Instructional staff services	139,440	0	651	140,091
Administration services	1,018,005	0	37,297	1,055,302
Operation and maintenance of plant services	764,954	0	46,789	811,743
Transportation services	473,845	0	34,224	508,069
Other support services	0	0	7,720	7,720
	<u>2,661,366</u>	<u>0</u>	<u>127,964</u>	<u>2,789,330</u>
Other expenditures:				
Facilities acquisitions	0	223,083	78,209	301,292
Long-term debt:				
Principal	0	0	380,000	380,000
Interest and fiscal charges	0	0	8,253	8,253
AEA flowthrough	369,055	0	0	369,055
	<u>369,055</u>	<u>223,083</u>	<u>466,462</u>	<u>1,058,600</u>
Total expenditures	<u>9,637,233</u>	<u>223,083</u>	<u>837,022</u>	<u>10,697,338</u>
Excess (deficiency) of revenues over (under) expenditures	214,067	428,173	(187,777)	454,463
Other financing sources(uses):				
Transfer in	0	0	92,072	92,072
Transfer out	0	(91,500)	0	(91,500)
Gain on sale of equipment	4,938	0	0	4,938
Total other financing sources(uses)	<u>4,938</u>	<u>(91,500)</u>	<u>92,072</u>	<u>5,510</u>
Net change in fund balances	219,005	336,673	(95,705)	459,973
Fund balance beginning of year	<u>1,530,865</u>	<u>450,220</u>	<u>506,598</u>	<u>2,487,683</u>
Fund balance end of year	<u>\$ 1,749,870</u>	<u>786,893</u>	<u>410,893</u>	<u>2,947,656</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, 2006

Net change in fund balances - total governmental funds(page 18)		\$ 459,973
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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	\$ (313,698)	
Depreciation expense	<u>221,979</u>	(91,719)
 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.		
		380,000
 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.		
		2,279
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(24,681)
 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		2,209
Early Retirement		<u>(65,206)</u>
Changes in net assets of governmental activities(page 15)		<u>\$ 662,855</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 37,454
Accounts receivable	1,528
Inventories	14,292
Capital assets, net of accumulated depreciation (Note 5)	<u>37,528</u>
TOTAL ASSETS	<u>90,802</u>
LIABILITIES	
Deferred revenues:	
Other	4,186
TOTAL LIABILITES	<u>4,186</u>
NET ASSETS	
Investement in capital assets	37,528
Unrestricted	<u>49,088</u>
TOTAL NET ASSETS	<u>\$ 86,616</u>

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, 2006

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	
Students	\$ 214,729
Adults	9,936
A la carte	82,050
Miscellaneous	2,821
TOTAL OPERATING REVENUES	309,536
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	162,636
Benefits	47,312
Services	5,076
Supplies	275,892
Depreciation	8,219
TOTAL OPERATING EXPENSES	499,135
OPERATING LOSS	(189,599)
NON-OPERATING REVENUES:	
Interest	507
State sources	5,714
Federal sources	207,130
TOTAL NON-OPERATING REVENUES	213,351
Change in net assets	23,752
Net assets beginning of year	62,864
Net assets end of year	\$ 86,616

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 304,892
Cash received from miscellaneous operating activities	2,821
Cash payments to employees for services	(209,948)
Cash payments to suppliers for goods or services	(255,866)
Net cash used in operating activities	(158,101)
Cash flows from non-capital financing activities:	
State grants received	5,714
Federal grants received	185,651
Net cash provided by non-capital financing activities	191,365
Cash flows from investing activities:	
Interest on investments	507
Net cash provided by investing activities	507
Cash flow from capital and related financing activities:	
Acquisition of capital assets	(12,674)
Net increase in cash and cash equivalents	21,097
Cash and cash equivalents at beginning of year	16,357
Cash and cash equivalents at end of year	\$ 37,454
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (189,599)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	21,479
Depreciation	8,219
Decrease in inventories	3,623
Increase in accounts receivable	(581)
Decrease in deferred revenue	(1,242)
Net cash used in operating activities	\$ (158,101)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:

Current assets:	
Cash and pooled investments	\$ 37,454

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$21,479.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2006

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 54,735	(46,900)
Due from other governments	0	114,255
	<u>54,735</u>	<u>67,355</u>
LIABILITIES		
Due to other groups	0	67,355
NET ASSETS		
Reserved for scholarships	<u>54,735</u>	<u>0</u>
TOTAL NET ASSETS	<u>\$ 54,735</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, 2006

	<u>Private Purpose Trust Scholarship</u>
Other financing uses:	
Transfer out	<u>\$ (572)</u>
Deficiency of revenues under other financing uses	(572)
Net assets beginning of year	<u>55,307</u>
Net assets end of year	<u><u>\$ 54,735</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

(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 Capital Projects Fund is used for all resources used in the acquisition and construction of capital facilities.

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, 2004 assessed property valuations; is for the tax

accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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, 2006. 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 \$857,974.

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, 2006, no disbursements exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 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, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Physical Plant and Equipment Levy	<u>\$ 35,383</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 91,500
Expendable Trust Fund	Non-Expendable Trust Fund	<u>572</u>
		<u>\$ 92,072</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, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/30/2006	6/30/2007	<u>\$ 1,201,648</u>	374	1,203,000	306

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

General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. 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, 2006 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
Capital assets being depreciated:				
Buildings	3,995,868	0	0	3,995,868
Land improvements	173,430	0	0	173,430
Machinery and equipment	1,432,544	108,854	422,552	1,118,846
Total capital assets being depreciated	5,601,842	108,854	422,552	5,288,144
Less accumulated depreciation for:				
Buildings	2,666,926	47,158	0	2,714,084
Land improvements	133,512	2,614	0	136,126
Machinery and equipment	1,145,369	66,540	338,291	873,618
Total accumulated depreciation	3,945,807	116,312	338,291	3,723,828
Total capital assets being depreciated, net	1,656,035	(7,458)	84,261	1,564,316
Governmental activities capital assets, net	\$ 1,663,035	(7,458)	84,261	1,571,316

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 73,901	12,674	0	86,575
Less accumulated depreciation	40,828	8,219	0	49,047
Business-type activities capital assets, net	\$ 33,073	4,455	0	37,528

Depreciation expense was charged by the District as follows:

Governmental activities:	
Support services:	
Operation and maintenance of plant services	2,380
Transportation	64,160
	<u>66,540</u>
Unallocated depreciation	49,772
	<u> </u>
Total governmental activities depreciation expense	<u>\$ 116,312</u>
Business-type activities:	
Food services	8,219
	<u> </u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 425,000	0	380,000	45,000	45,000
Compensated absences	29,692	27,483	29,692	27,483	27,483
Early retirement	0	65,206	0	65,206	65,206
	<hr/>				
Total	\$ 454,692	92,689	409,692	137,689	137,689

Early Retirement

The District offers a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have been employed by the District for a period of thirty years. Employees must complete an application which is subject to approval by the Board of Education. Each participating employee shall receive as early retirement incentive pay, a cash payment, not to exceed twenty-five thousand dollars, that is equal to 50% of the employee's full-time 2005-06 salary on the salary schedule, excluding extra duty pay extra-curricular pay, Teacher Compensation Funds or other payments not included in the salary schedule.

Upon retirement, the licensed employee shall be eligible to continue participation in the school district's group insurance plan at the licensed employee's expense by meeting the requirements of the issuer. The insurance coverage shall cease when the licensed employee becomes eligible for medicare or is no longer permitted to continue coverage by the insurance, or dies.

The cost of early retirement payments expected to be liquidated currently is a liability on the government wide financial statements, representing the districts commitment to fund non-current early retirement of \$65,206.

General Obligation Bonds Payable

Details of the District's June 30, 2006 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue March 1, 2003		
	Principal	Interest	Total
2007 Total	\$ 45,000	1,013	46,013

(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, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$322,160, \$296,335, and \$289,274 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 \$369,055 for the year ended June 30, 2006 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 REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 4,748,875	310,043
State sources	6,079,697	5,714
Federal sources	323,229	207,130
Total receipts	<u>11,151,801</u>	<u>522,887</u>
Expenditures:		
Instruction	6,849,408	0
Support services	2,789,330	0
Non-instructional programs	0	499,135
Other expenditures	1,058,600	0
Total disbursements	<u>10,697,338</u>	<u>499,135</u>
Excess(deficiency) of revenues over(under) expenditures	454,463	23,752
Other financing sources, net	<u>5,510</u>	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	459,973	23,752
Balance beginning of year	<u>2,487,683</u>	<u>62,864</u>
Balance end of year	<u>\$ 2,947,656</u>	<u>86,616</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,058,918	4,728,914	4,728,914	330,004
6,085,411	6,479,602	6,479,602	(394,191)
530,359	760,000	760,000	(229,641)
<u>11,674,688</u>	<u>11,968,516</u>	<u>11,968,516</u>	<u>(293,828)</u>
6,849,408	8,666,470	8,666,470	1,817,062
2,789,330	3,367,248	3,367,248	577,918
499,135	684,460	684,460	185,325
1,058,600	1,287,275	1,287,275	228,675
<u>11,196,473</u>	<u>14,005,453</u>	<u>14,005,453</u>	<u>2,808,980</u>
478,215	(2,036,937)	(2,036,937)	2,515,152
5,510	5,000	5,000	510
483,725	(2,031,937)	(2,031,937)	2,515,662
<u>2,550,547</u>	<u>2,281,030</u>	<u>2,281,030</u>	<u>269,517</u>
<u>3,034,272</u>	<u>249,093</u>	<u>249,093</u>	<u>2,785,179</u>

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

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, 2006

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 89,438	216,226	24,029	67,308	397,001	3,923	400,924
Receivables:							
Property tax:							
Current year delinquent	3,898	0	34,072	0	37,970	4,882	42,852
Succeeding year	215,000	0	0	0	215,000	0	215,000
Accounts	0	0	2,500	0	2,500	0	2,500
TOTAL ASSETS	\$ 308,336	216,226	60,601	67,308	652,471	8,805	661,276
LIABILITIES AND FUND EQUITY							
Liabilities:							
Interfund payable	0	0	35,383	0	35,383	0	35,383
Succeeding year property tax	215,000	0	0	0	215,000	0	215,000
Total Liabilities	215,000	0	35,383	0	250,383	0	250,383
Fund equity:							
Fund balances:							
Reserved for:							
Debt Service	0	0	0	0	0	8,805	8,805
Unreserved:							
Undesignated	93,336	216,226	25,218	67,308	402,088	0	402,088
Total fund balances	93,336	216,226	25,218	67,308	402,088	8,805	410,893
TOTAL LIABILITIES AND FUND EQUITY	\$ 308,336	216,226	60,601	67,308	652,471	8,805	661,276

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, 2006

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 149,821	0	0	0	149,821	187,630	337,451
Other	10,227	186,686	77,896	32,262	307,071	4,379	311,450
State sources	153	0	0	0	153	191	344
TOTAL REVENUES	160,201	186,686	77,896	32,262	457,045	192,200	649,245
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	36,835	0	0	17,255	54,090	0	54,090
Other instruction	0	188,506	0	0	188,506	0	188,506
Support services:							
Student support services	1,283	0	0	0	1,283	0	1,283
Instructional staff	651	0	0	0	651	0	651
Administration services	37,297	0	0	0	37,297	0	37,297
Administration							
of plant services	46,789	0	0	0	46,789	0	46,789
Student transportation	34,224	0	0	0	34,224	0	34,224
Other support services	7,720	0	0	0	7,720	0	7,720
Other expenditures:							
Facilities acquisitions	0	0	78,209	0	78,209	0	78,209
Long-term debt:							
Principal	0	0	0	0	0	380,000	380,000
Interest and fiscal charges	0	0	0	0	0	8,253	8,253
TOTAL EXPENDITURES	164,799	188,506	78,209	17,255	448,769	388,253	837,022
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,598)	(1,820)	(313)	15,007	8,276	(196,053)	(187,777)
OTHER FINANCING SOURCES							
Transfers in	0	0	0	572	572	91,500	92,072
EXCESS (DEFICIENCY) OF REVENUES							
FUND BALANCE BEGINNING OF YEAR	97,934	218,046	25,531	51,729	393,240	113,358	506,598
FUND BALANCE END OF YEAR	\$ 93,336	216,226	25,218	67,308	402,088	8,805	410,893

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Beginning Balance	Revenues	Expendi- tures	Balance End of Year
High school co-curricular	\$ 51,699	71,954	73,342	50,311
High school athletics	77,068	73,498	79,043	71,523
7th/8th grade co-curricular	10,994	10,326	8,044	13,276
7th/8th grade athletics	21,444	4,275	5,676	20,043
High school clubs	42,737	24,433	21,257	45,913
7th/8th grade clubs	13,126	1,674	1,144	13,656
Lincoln center clubs	978	526	1	1,503
Total	<u>\$ 218,046</u>	<u>186,686</u>	<u>188,506</u>	<u>216,226</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 EXPENDABLE TRUST FUNDS
 JUNE 30, 2006

	Coca-Cola		Lizzie Alexander		Mick Shalley		AA Webb		O'Neil Sisters		Frances Edgington		Anonymous Annuity		Total	
	School	Trust	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Annuit	Total
ASSETS																
Cash and pooled investments	\$ 750	371	71	224	522	300	2,378	7,800	18,426	36,466	67,308					
LIABILITIES AND FUND EQUITY																
Liabilities:	\$ 0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fund equity:																
Fund balances:																
Unreserved, undesignated	750	371	71	224	522	300	2,378	7,800	18,426	36,466	67,308					
TOTAL LIABILITIES AND FUND EQUITY	\$ 750	371	71	224	522	300	2,378	7,800	18,426	36,466	67,308					

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, 2006

	Coca- Cola Middle School	Pepsi Scholarship	Minnie Alexander Trust	Shalley Scholarship	Currie Scholarship	AA Webb Scholarship	O'Neil Sisters Scholarship	Hope Scholarship	Mick Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Total
REVENUES:												
Local sources:												
Interest on investment	\$ 0	0	0	0	0	0	0	0	0	0	2,466	2,466
Donations	0	500	676	25	196	473	0	0	13,000	14,676	0	29,596
Other	0	0	0	0	0	0	0	0	250	0	0	250
TOTAL REVENUES	0	500	676	25	196	473	0	0	13,250	14,676	2,466	32,262
EXPENDITURES:												
Instruction:												
Purchased services	400	500	504	50	200	0	300	400	5,700	500	8,701	17,255
Excess(deficiency) of revenues over(under) expenditures	(400)	0	172	(25)	(4)	473	(300)	(400)	7,550	14,176	(6,235)	15,007
Other financing sources												
Transfers in	0	0	198	96	228	49	0	0	0	0	0	572
Balance beginning of year	1,150	0	0	0	0	0	600	2,778	250	4,250	42,701	51,729
Balance end of year	\$ 750	0	371	71	224	522	300	2,378	7,800	18,426	36,466	67,309

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2006

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Total
ASSETS					
Cash and pooled investments	\$ 18,159	7,500	3,311	25,765	54,735
LIABILITIES					
Liabilities:	0	0	0	0	0
NET ASSETS					
Reserved for Scholarships	\$ 18,159	7,500	3,311	25,765	54,735

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, 2006

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Total
ADDITIONS:					
Local sources:					
Interest on investment	\$ 0	0	0	0	0
DEDUCTIONS:					
Instruction:					
Purchased services	0	0	0	0	0
Excess(deficiency) of revenues over(under) expenditures	0	0	0	0	0
Other financing uses					
Transfers out	(49)	(228)	(96)	(199)	(572)
Deficiency of revenues under expenditures and other financing uses	(49)	(228)	(96)	(199)	(572)
Net assets beginning of year	18,208	7,728	3,407	25,964	55,307
Net assets end of year	\$ 18,159	7,500	3,311	25,765	54,735

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS AND
LIABILITIES - AGENCY FUND
YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
POP MONEY				
ASSETS				
Cash and pooled investments	\$ 7,877	8,725	7,503	9,099
LIABILITES				
Due to other groups	\$ 7,877	8,725	7,503	9,099
PERKINS MONEY				
ASSETS				
Cash and pooled investments	\$ (50,051)	50,051	48,306	(48,306)
Due from other governments	62,276	73,784	21,805	114,255
	\$ 12,225	123,835	70,111	65,949
LIABILITIES				
Due to other groups	\$ 12,225	123,835	70,111	65,949
OTHER				
ASSETS				
Cash and pooled investments	\$ (5,373)	53,033	55,353	(7,693)
LIABILITIES				
Due to other groups	\$ (5,373)	53,033	55,353	(7,693)
TOTAL				
ASSETS				
Cash and pooled investments	\$ (47,547)	111,809	111,162	(46,900)
Due from other governments	62,276	73,784	21,805	114,255
	\$ 14,729	185,593	132,967	67,355
LIABILITIES				
Due to other groups	\$ 14,729	185,593	132,967	67,355

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,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 3,951,152	4,118,763	3,365,343	3,333,014
Tuition	210,231	177,593	139,703	115,683
Other	587,492	395,416	346,660	437,517
State sources	6,079,697	5,891,353	5,558,973	5,575,588
Federal sources	323,229	521,793	472,809	427,711
Total	\$ 11,151,801	11,104,918	9,883,488	9,889,513
Expenditures:				
Instruction:				
Regular instruction	\$ 4,003,087	4,284,697	3,927,269	3,849,377
Special instruction	1,455,258	1,340,465	1,735,912	1,616,860
Other instruction	1,391,063	921,826	786,473	768,211
Support services:				
Student services	266,405	261,066	239,758	238,385
Instructional staff services	140,091	213,495	209,105	205,845
Administration services	1,055,302	923,136	890,723	870,466
Operation and maintenance of plant services	811,743	756,098	748,446	717,331
Transportation services	508,069	428,711	369,071	385,887
Other support services	7,720	6,677	4,163	1,917
Non-instructional:				
Food service operations	0	0	6,475	4,993
Community service and education operations	0	0	71	290
Other expenditures:				
Facilities acquisitions	301,292	214,162	107,065	76,174
Long Term Debt:				
Principal	380,000	370,000	365,000	245,000
Interest	8,253	13,803	21,472	67,249
AEA flow-through	369,055	360,731	355,216	374,934
Total	\$ 10,697,338	10,094,867	9,766,219	9,422,919

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 06	\$ <u>21,479</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	26,103
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	148,416
FRUIT AND VEGETABLES	10.556	FY 06	<u>11,132</u>
			<u>185,651</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	0081-G	193,931
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	0081-GC	<u>6,422</u>
			<u>200,353</u>
STATE GRANTS FOR			
INNOVATIVE PROGRAMS	84.298	FY 06	<u>3,956</u>
SAFE AND DRUG-FREE SCHOOLS AND			
COMMUNITIES - STATE GRANTS	84.186	FY 06	<u>9,161</u>
IMPROVING TEACHER QUALITY			
STATE GRANTS	84.367	FY 06	<u>68,951</u>
GRANTS FOR STATE ASSESSMENTS			
AND RELATED ACTIVITIES	84.369	FY 06	<u>7,206</u>

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED)			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 06	<u>18,413</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 06	<u>68,144</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 06	<u>15,189</u>
TOTAL			<u>\$ 598,503</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.

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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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 13, 2006. 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.

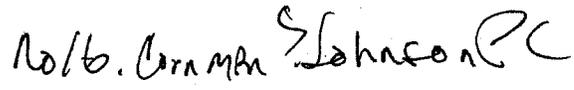
Compliance and Other Matters

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, 2006 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.

November 13, 2006

NOLTE, CORNMAN & JOHNSON P.C.
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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, 2006. 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, 2006.

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.

November 13, 2006

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

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:
 - CDFA Number 84:010 Title I
- (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, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Authorized Check Signatures - Checks written from the Student Activity Fund have two signatures; however, we noted instances on checks where no signature was present..

Recommendation - The Board President and Board Secretary are to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa. However, the Board President can designate an authorized signer only upon approval in the board minutes.

Response - We missed signing one batch of Accounts Payable checks for the Activity Fund before they were mailed. We will make sure this doesn't happen again.

Conclusion - Response accepted

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

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, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.

IV-B-06 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-C-06 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-D-06 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	\$577

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-E-06 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-F-06 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-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-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.

IV-I-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 timely as required by the Department of Education.

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

Conclusion - Response accepted.