

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

JUNE 30, 2007

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Albia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 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
Board of Education (After September 2006 Election)		
Mary Wynn	President	2007
Robin Haselhuhn	Vice President	2009
Mike Stocker	Board Member	2008
Jeff Liston	Board Member	2009
Tim Bates	Board Member	2009
Joyce Williams	Board Member	2007
John Scieszinski	Board Member	2008
School Officials		
Kevin Crall	Superintendent	2007
Peggy Newman	District Secretary/Treasurer And Business Manager	2007
Gruhn Law Firm	Attorney	2007

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albia Community School District, Albia Iowa, as of and for the year ended June 30, 2007, 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, 2007, 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 May 23, 2008 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 35 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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, 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.

May 23, 2008

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,851,300 in fiscal 2006 to \$9,973,210 in fiscal 2007, while General Fund expenditures increased from \$9,637,233 in fiscal 2006 to \$10,014,072 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$1,749,870 in fiscal 2006 to a balance of \$1,709,008 in fiscal 2007, a 2.34% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state source revenues and federal source revenues. The increase in expenditures was due primarily to an increase in negotiated salary and benefits. The General Fund balance decreased because the increase in revenues was not enough to offset the increase in expenditures experienced by the District during fiscal 2007.

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-1
Albia Community School District Annual Financial Report

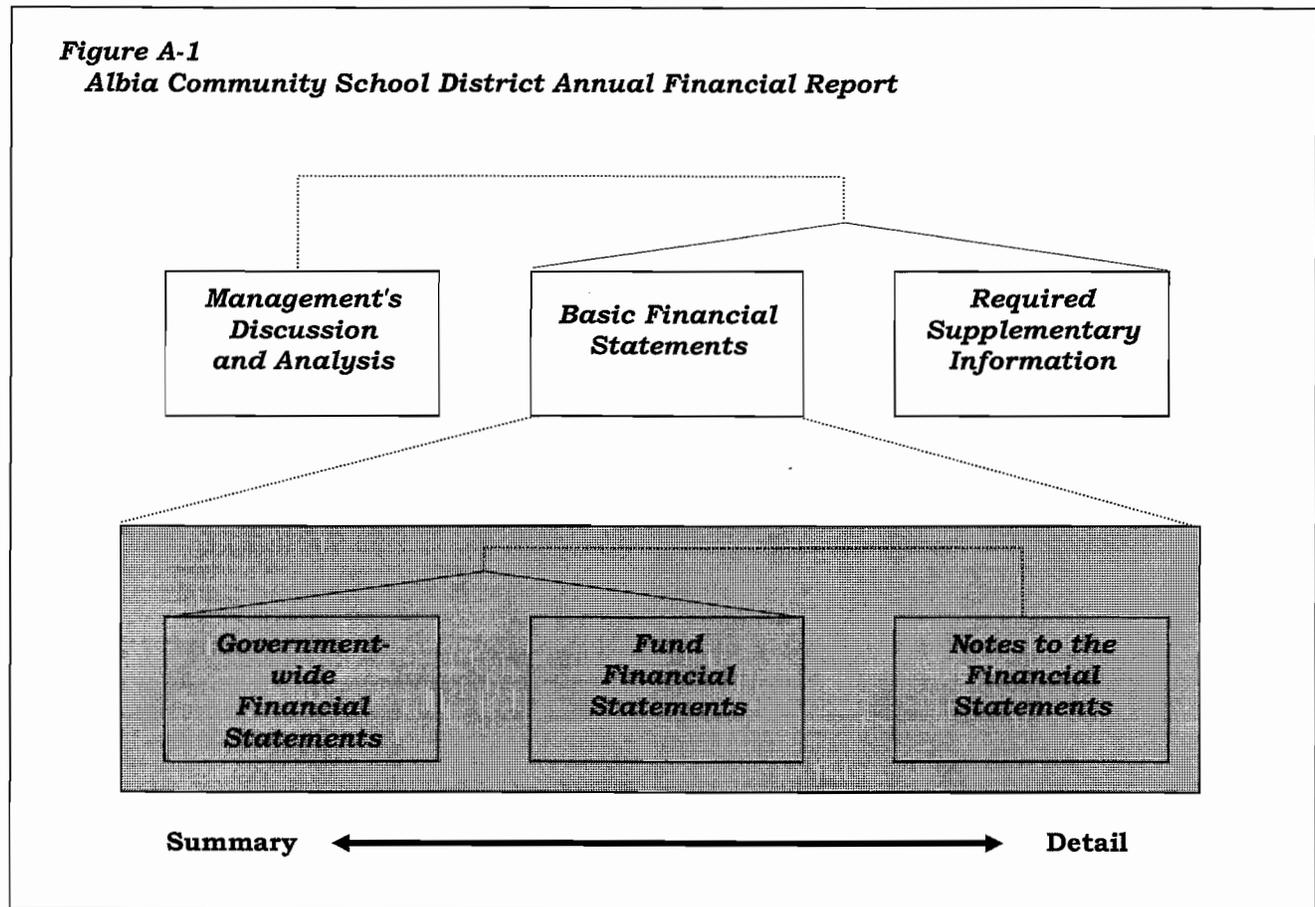


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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. These funds include the Private-Purpose Trust Fund and the Agency 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, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 7,631,323	7,324,978	47,733	53,274	7,679,056	7,378,252	4.1%
Capital assets	2,071,403	1,571,316	36,074	37,528	2,107,477	1,608,844	31.0%
Total assets	9,702,726	8,896,294	83,807	90,802	9,786,533	8,987,096	8.9%
Long-term obligations	32,473	137,689	0	0	32,473	137,689	-76.4%
Other liabilities	4,289,446	4,077,315	5,319	4,186	4,294,765	4,081,501	5.2%
Total liabilities	4,321,919	4,215,004	5,319	4,186	4,327,238	4,219,190	2.6%
Net assets:							
Invested in capital assets, net of related debt	2,071,403	1,534,783	36,074	37,528	2,107,477	1,572,311	34.0%
Restricted	1,275,367	1,157,696	0	0	1,275,367	1,157,696	10.2%
Unrestricted	2,034,037	1,988,811	42,414	49,088	2,076,451	2,037,899	1.9%
Total net assets	\$ 5,380,807	4,681,290	78,488	86,616	5,459,295	4,767,906	14.5%

The District's combined net assets increased by 14.5%, or \$691,389, 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 \$117,671 or 10.2% 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 \$38,552, or 1.9%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 417,574	527,092	302,082	309,536	719,656	836,628	-14.0%
Operating grants and contributions and restricted interest	1,280,470	1,120,309	237,549	212,844	1,518,019	1,333,153	13.9%
Capital grants and contributions and restricted interest	74,441	0	0	0	74,441	0	100.0%
General revenues:							
Local tax	3,295,256	3,339,481	0	0	3,295,256	3,339,481	-1.3%
Local option sales and service tax	714,726	586,990	0	0	714,726	586,990	21.8%
Unrestricted state grants	5,247,584	5,282,617	0	0	5,247,584	5,282,617	-0.7%
Other	295,376	270,632	638	507	296,014	271,139	9.2%
Transfers	(67,308)	572	0	0	(67,308)	572	-11867.1%
Total revenues	11,258,119	11,127,693	540,269	522,887	11,798,388	11,650,580	1.3%
Program expenses:							
Governmental activities:							
Instruction	7,056,936	6,903,186	0	0	7,056,936	6,903,186	2.2%
Support services	2,939,386	2,835,559	0	0	2,939,386	2,835,559	3.7%
Non-instructional programs	7,524	0	548,397	499,135	555,921	499,135	11.4%
Other expenses	554,756	726,093	0	0	554,756	726,093	-23.6%
Total expenses	10,558,602	10,464,838	548,397	499,135	11,106,999	10,963,973	1.3%
Changes in net assets	699,517	662,855	(8,128)	23,752	691,389	686,607	0.7%
Net assets beginning of year	4,681,290	4,018,435	86,616	62,864	4,767,906	4,081,299	16.8%
Net assets end of year	\$ 5,380,807	4,681,290	78,488	86,616	5,459,295	4,767,906	14.5%

In fiscal 2007, local tax, local option sales and service tax and unrestricted state grants account for 82.23% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.88% of the revenue from business type activities.

The District's total revenues were approximately \$11.80 million of which \$11.26 million was for governmental activities and approximately \$0.54 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.3% increase in revenues and a 1.3% increase in expenses. Total operating grants increased \$184,866 and local option sales and service tax increased \$127,736 to fund increases in expenditures. The increase in expenses was related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$11,258,119 and expenses were \$10,558,602.

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		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 7,056,936	6,903,186	2.23%	5,738,835	5,625,670	2.01%
Support services	2,939,386	2,835,559	3.66%	2,938,541	2,834,729	3.66%
Non-instructional	7,524	0	100.00%	7,524	0	100.00%
Other expenses	554,756	726,093	-23.60%	101,217	357,038	-71.65%
Totals	\$ 10,558,602	10,464,838	0.90%	8,786,117	8,817,437	-0.36%

- The cost financed by users of the District's programs was \$417,574.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,354,911.
- The net cost of governmental activities was financed with \$3,295,256 in local tax, \$714,726 in local option sales and service tax, \$5,247,584 in unrestricted state grants, and \$195,045 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$540,269 and expenses were \$548,397. 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 \$2,949,437, above last year's ending fund balances of \$2,947,656.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. Increases in state and federal source revenues caused the increase in District revenues for fiscal 2007. Increases in expenditures related to increases in negotiated salaries and benefits as well as increased expenditures funded by grants received by the District. The increase in revenues was not enough to offset the increase in expenditures, therefore ensuring the decline in General Fund balance.
- The Management Levy Fund and Activity Fund combined balance increased from \$309,562 in 2006, to \$324,843 in 2007, due to the variance of the level of activity in these funds from year to year.
- The Capital Projects Fund increased from \$786,893 in 2006 to \$890,368 in 2007 due to increased local option sales and service tax revenues outpacing the increase in fund expenditures during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$86,616 at June 30, 2006 to \$78,488 at June 30, 2007, representing a decrease of approximately 9.4%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$362,017 less than budgeted revenues, a variance of 3.0%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$2.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 31.0% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$194,911.

The original cost of the District's capital assets was \$6,009,240. Governmental funds account for \$5,920,425 with the remainder of \$88,815 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District's land totaled \$7,000 at June 30, 2006, compared to \$224,786 reported at June 30, 2007. This increase resulted from land purchases made during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 224,786	7,000	0	0	224,786	7,000	3111.2%
Construction in progress	320,362	0	0	0	320,362	0	100.0%
Buildings	1,239,548	1,281,784	0	0	1,239,548	1,281,784	-3.3%
Land improvements	41,549	37,304	0	0	41,549	37,304	11.4%
Machinery and equipment	245,158	245,228	36,074	37,528	281,232	282,756	-0.5%
Total	\$ 2,071,403	1,571,316	36,074	37,528	2,107,477	1,608,844	31.0%

Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$32,473 in compensated absences. This represents a decrease of approximately 76.4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 0	45,000	-100.0%
Compensated absences	32,473	27,483	18.2%
Early Retirement	0	65,206	-100.0%
Total	\$ 32,473	137,689	-76.4%

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, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,279,974	0	1,279,974
Other	2,573,292	29,866	2,603,158
Receivables:			
Property tax:			
Delinquent	46,924	0	46,924
Succeeding year	2,873,504	0	2,873,504
Income surtax	392,440	0	392,440
Accounts	4,135	3,219	7,354
Accrued ISCAP interest(Note 4)	68,546	0	68,546
Due from other governments	392,508	0	392,508
Inventories	0	14,648	14,648
Capital assets, net of accumulated depreciation(Note 5)	2,071,403	36,074	2,107,477
TOTAL ASSETS	9,702,726	83,807	9,786,533
LIABILITIES			
Accounts payable	45,745	0	45,745
Salaries and benefits payable	22,551	14	22,565
ISCAP warrants payable(Note 4)	1,282,000	0	1,282,000
ISCAP accrued interest payable(Note 4)	56,134	0	56,134
ISCAP premiums payable	9,512	0	9,512
Deferred revenue:			
Succeeding year property tax	2,873,504	0	2,873,504
Unearned revenue	0	5,305	5,305
Long-term liabilities(Note 6):			
Portion due within one year:			
Compensated absences	32,473	0	32,473
TOTAL LIABILITIES	4,321,919	5,319	4,327,238
NET ASSETS			
Invested in capital assets, net of related debt	2,071,403	36,074	2,107,477
Restricted for:			
Additional teacher contract day	4,417	0	4,417
Talented and gifted	21,788	0	21,788
Administrator mentoring	12	0	12
Market factor	8,721	0	8,721
Management levy	120,143	0	120,143
Physical plant and equipment levy	25,218	0	25,218
Capital projects	890,368	0	890,368
Other special revenue purposes	204,700	0	204,700
Unrestricted	2,034,037	42,414	2,076,451
TOTAL NET ASSETS	\$ 5,380,807	78,488	5,459,295

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 4,249,608	177,051	820,381	0	(3,252,176)	0	(3,252,176)
Special instruction	1,413,475	70,647	65,958	0	(1,276,870)	0	(1,276,870)
Other instruction	1,393,853	169,031	15,033	0	(1,209,789)	0	(1,209,789)
	<u>7,056,936</u>	<u>416,729</u>	<u>901,372</u>	<u>0</u>	<u>(5,738,835)</u>	<u>0</u>	<u>(5,738,835)</u>
Support services:							
Student services	293,144	0	0	0	(293,144)	0	(293,144)
Instructional staff services	128,962	0	0	0	(128,962)	0	(128,962)
Administration services	1,095,135	0	0	0	(1,095,135)	0	(1,095,135)
Operation and maintenance of plant services	890,979	0	0	0	(890,979)	0	(890,979)
Transportation services	531,166	845	0	0	(530,321)	0	(530,321)
	<u>2,939,386</u>	<u>845</u>	<u>0</u>	<u>0</u>	<u>(2,938,541)</u>	<u>0</u>	<u>(2,938,541)</u>
Non-instructional programs:							
Food service program	7,524	0	0	0	(7,524)	0	(7,524)
Other expenditures:							
Facilities acquisitions	87,365	0	0	74,441	(12,924)	0	(12,924)
Long-term debt interest	1,074	0	0	0	(1,074)	0	(1,074)
AEA flowthrough	379,098	0	379,098	0	0	0	0
Depreciation(unallocated)*	87,219	0	0	0	(87,219)	0	(87,219)
	<u>554,756</u>	<u>0</u>	<u>379,098</u>	<u>74,441</u>	<u>(101,217)</u>	<u>0</u>	<u>(101,217)</u>
Total governmental activities	10,558,602	417,574	1,280,470	74,441	(8,786,117)	0	(8,786,117)
Business-Type activities:							
Nutrition services	548,397	302,082	237,549	0	0	(8,766)	(8,766)
Total business-type activities	<u>548,397</u>	<u>302,082</u>	<u>237,549</u>	<u>0</u>	<u>0</u>	<u>(8,766)</u>	<u>(8,766)</u>
Total	\$ 11,106,999	719,656	1,518,019	74,441	(8,786,117)	(8,766)	(8,794,883)
General Revenues & Transfers:							
General Revenues:							
Local tax for:							
General purposes					\$ 3,295,256	0	3,295,256
Local option sales and services tax					714,726	0	714,726
Unrestricted state grants					5,247,584	0	5,247,584
Unrestricted investment earnings					195,045	638	195,683
Other general revenues					100,331	0	100,331
Transfers					(67,308)	0	(67,308)
Total general revenues and transfers					<u>9,485,634</u>	<u>638</u>	<u>9,486,272</u>
Changes in net assets					699,517	(8,128)	691,389
Net assets beginning of year					4,681,290	86,616	4,767,906
Net assets end of year					<u>\$ 5,380,807</u>	<u>78,488</u>	<u>5,459,295</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP (Note 4)	\$ 1,279,974	0	0	1,279,974
Other	1,530,640	767,082	275,570	2,573,292
Receivables:				
Property tax				
Delinquent	43,315	0	3,609	46,924
Succeeding year	2,698,504	0	175,000	2,873,504
Income surtax	392,440	0	0	392,440
Accounts	4,135	0	0	4,135
Accrued ISCAP interest (Note 4)	68,546	0	0	68,546
Due from other governments	194,782	123,286	74,440	392,508
TOTAL ASSETS	\$ 6,212,336	890,368	528,619	7,631,323
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	42,187	0	3,558	45,745
Salaries and benefits payable	22,551	0	0	22,551
ISCAP warrants payable (Note 4)	1,282,000	0	0	1,282,000
ISCAP accrued interest payable (Note 4)	56,134	0	0	56,134
ISCAP premiums payable	9,512	0	0	9,512
Deferred revenue:				
Succeeding year property tax	2,698,504	0	175,000	2,873,504
Income surtax	392,440	0	0	392,440
Total liabilities	4,503,328	0	178,558	4,681,886
Fund balances:				
Reserved for:				
Additional teacher contract day	4,417	0	0	4,417
Talanted and gifted	21,788	0	0	21,788
Administrator mentoring	12	0	0	12
Market factor	8,721	0	0	8,721
Unreserved:				
Designated for cashflow	837,035	0	0	837,035
Undesignated	837,035	890,368	350,061	2,077,464
Total fund balances	1,709,008	890,368	350,061	2,949,437
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,212,336	890,368	528,619	7,631,323

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, 2007

Total fund balances of governmental funds (page 15)	\$ 2,949,437
 <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.	2,071,403
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	392,440
Long-term liabilities, such as compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(32,473)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 5,380,807</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, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,986,216	714,726	216,945	3,917,887
Tuition	204,936	0	0	204,936
Other	293,045	35,404	218,390	546,839
State sources	6,094,725	0	216	6,094,941
Federal sources	394,288	0	74,441	468,729
Total revenues	<u>9,973,210</u>	<u>750,130</u>	<u>509,992</u>	<u>11,233,332</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	4,239,613	0	63,772	4,303,385
Special instruction	1,402,648	0	10,827	1,413,475
Other instruction	1,179,930	0	213,923	1,393,853
	<u>6,822,191</u>	<u>0</u>	<u>288,522</u>	<u>7,110,713</u>
Support services:				
Student services	292,294	0	850	293,144
Instructional staff services	128,508	0	454	128,962
Administration services	1,061,349	0	42,629	1,103,978
Operation and maintenance of plant services	840,930	0	50,419	891,349
Transportation services	489,702	9,000	29,620	528,322
	<u>2,812,783</u>	<u>9,000</u>	<u>123,972</u>	<u>2,945,755</u>
Non-instructional programs:				
Food service operations	0	0	7,524	7,524
Other expenditures:				
Facilities acquisitions	0	600,300	74,441	674,741
Long-term debt:				
Principal	0	0	45,000	45,000
Interest and fiscal charges	0	0	1,412	1,412
AEA flowthrough	379,098	0	0	379,098
	<u>379,098</u>	<u>600,300</u>	<u>120,853</u>	<u>1,100,251</u>
Total expenditures	<u>10,014,072</u>	<u>609,300</u>	<u>540,871</u>	<u>11,164,243</u>
Excess(deficiency) of revenues over(under) expenditures	(40,862)	140,830	(30,879)	69,089
Other financing sources(uses):				
Transfer in	0	0	37,355	37,355
Transfer out	0	(37,355)	(67,308)	(104,663)
Total other financing sources(uses)	<u>0</u>	<u>(37,355)</u>	<u>(29,953)</u>	<u>(67,308)</u>
Net change in fund balances	(40,862)	103,475	(60,832)	1,781
Fund balance beginning of year	<u>1,749,870</u>	<u>786,893</u>	<u>410,893</u>	<u>2,947,656</u>
Fund balance end of year	<u>\$ 1,709,008</u>	<u>890,368</u>	<u>350,061</u>	<u>2,949,437</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, 2007

Net change in fund balances - total governmental funds (page 17)	\$	1,781
 Amounts reported for governmental activities in the statement of activities are different because:		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 686,926	
Depreciation expense	<u>(186,839)</u>	500,087
 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.		
		45,000
 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.		
		338
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		92,095
 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		(4,990)
Early Retirement		<u>65,206</u>
 Changes in net assets of governmental activities (page 14)	 \$	 <u><u>699,517</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 29,866
Accounts receivable	3,219
Inventories	14,648
Capital assets, net of accumulated depreciation(Note 5)	36,074
TOTAL ASSETS	<u>83,807</u>
LIABILITIES	
Salaries and benefits payable	14
Unearned revenue	5,305
TOTAL LIABILITES	<u>5,319</u>
NET ASSETS	
Invested in capital assets	36,074
Unrestricted	42,414
TOTAL NET ASSETS	<u>\$ 78,488</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, 2007

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 302,082
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	179,292
Benefits	54,035
Services	10,149
Supplies	296,122
Depreciation	8,072
TOTAL OPERATING EXPENSES	547,670
OPERATING LOSS	(245,588)
NON-OPERATING REVENUES:	
Interest	638
State sources	5,707
Federal sources	231,842
TOTAL NON-OPERATING REVENUES	238,187
Change in net assets before other financing uses	(7,401)
Other financing uses:	
Loss on asset disposal	(727)
Change in net assets	(8,128)
Net assets beginning of year	86,616
Net assets end of year	\$ 78,488

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 301,510
Cash payments to employees for services	(233,313)
Cash payments to suppliers for goods or services	(281,061)
Net cash used in operating activities	(212,864)
Cash flows from non-capital financing activities:	
State grants received	5,707
Federal grants received	206,276
Net cash provided by non-capital financing activities	211,983
Cash flows from investing activities:	
Interest on investments	638
Cash flow from capital and related financing activities:	
Acquisition of capital assets	(7,345)
Net decrease in cash and cash equivalents	(7,588)
Cash and cash equivalents at beginning of year	37,454
Cash and cash equivalents at end of year	\$ 29,866
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (245,588)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,566
Depreciation	8,072
Increase in inventories	(356)
Increase in accounts receivable	(1,691)
Increase in salaries and benefits payable	14
Increase in unearned revenue	1,119
Net cash used in operating activities	\$ (212,864)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 29,866
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2007, the District received Federal commodities valued at \$25,566.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 112,263	(29,400)
Due from other governments	0	42,161
	<u>112,263</u>	<u>12,761</u>
LIABILITIES		
Due to other groups	0	12,761
NET ASSETS		
Reserved for scholarships	<u>112,263</u>	<u>0</u>
TOTAL NET ASSETS	<u><u>\$ 112,263</u></u>	<u><u>0</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Interest income	\$ 3,592
Donations	2,900
Other	300
TOTAL ADDITIONS	6,792
DEDUCTIONS:	
Instruction:	
Regular instruction	16,572
Changes in net assets before other financing sources	(9,780)
Other financing sources:	
Transfer in	67,308
Changes in net assets	57,528
Net assets beginning of year	54,735
Net assets end of year	\$ 112,263

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

(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 Balances

The following accounting policies are followed in preparing the financial statements:

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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

Capital assets are depreciated using the straight line method 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, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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 \$837,035.

Fund Balances - 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, 2007, disbursements did not exceed budgeted amounts.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 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. As of the year ended June 30, 2007, the District has no investments.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 37,355
Private-Purpose Trust Fund	Expendable Trust Fund	<u>67,308</u>
		<u>\$ 104,663</u>

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

(4) 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, 2007 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2006-07A	6/28/2006	6/28/2007	\$ 0	68,163	0	55,807
2007-08A	6/28/2007	6/27/2008	1,279,974	383	1,282,000	327
Total			<u>\$ 1,279,974</u>	<u>68,546</u>	<u>1,282,000</u>	<u>56,134</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 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
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,000	217,786	0	224,786
Construction in progress	0	320,362	0	320,362
Total capital assets not being depreciated	7,000	538,148	0	545,148
Capital assets being depreciated:				
Buildings	3,995,868	41,758	0	4,037,626
Land improvements	173,430	7,470	0	180,900
Machinery and equipment	1,118,846	99,550	61,645	1,156,751
Total capital assets being depreciated	5,288,144	148,778	61,645	5,375,277
Less accumulated depreciation for:				
Buildings	2,714,084	83,994	0	2,798,078
Land improvements	136,126	3,225	0	139,351
Machinery and equipment	873,618	99,620	61,645	911,593
Total accumulated depreciation	3,723,828	186,839	61,645	3,849,022
Total capital assets being depreciated, net	1,564,316	(38,061)	0	1,526,255
Governmental activities capital assets, net	\$ 1,571,316	500,087	0	2,071,403

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 86,575	7,345	5,105	88,815
Less accumulated depreciation	49,047	8,072	4,378	52,741
Business-type activities capital assets, net	\$ 37,528	(727)	727	36,074

Depreciation expense was charged by the District as follows:

Governmental activities:		
Support services:		
Operation and maintenance of plant services		\$ 19,380
Transportation		80,240
		<u>99,620</u>
Unallocated depreciation		<u>87,219</u>
Total governmental activities depreciation expense		<u>\$ 186,839</u>
Business-type activities:		
Food services		<u>\$ 8,072</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 45,000	0	45,000	0	0
Compensated absences	27,483	32,473	27,483	32,473	32,473
Early retirement	65,206	0	65,206	0	0
Total	<u>\$ 137,689</u>	<u>32,473</u>	<u>137,689</u>	<u>32,473</u>	<u>32,473</u>

Early Retirement

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

Upon retirement, the licensed employee was 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 ceases when the licensed employee becomes eligible for Medicare or is no longer permitted to continue coverage by the insurance, or dies. As of the year ended, June 30, 2007, the District has no early retirement liability.

(7) 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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$333,648, \$322,160, and \$296,335 respectively, equal to the required contributions for each year.

(8) 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.

(9) 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 \$379,098 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into general contracts for District building improvements as well as a track improvement project. As of June 30, 2007, costs of \$320,362 had been incurred against these contracts. At this time the total cost of these projects is unknown. Once the projects are completed, the total cost of these projects will be added to the District's fixed asset listing.

REQUIRED SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,669,662	302,720	4,972,382	5,189,987	5,189,987	(217,605)
State sources	6,094,941	5,707	6,100,648	6,180,631	6,180,631	(79,983)
Federal sources	468,729	231,842	700,571	765,000	765,000	(64,429)
Total revenues	<u>11,233,332</u>	<u>540,269</u>	<u>11,773,601</u>	<u>12,135,618</u>	<u>12,135,618</u>	<u>(362,017)</u>
Expenditures:						
Instruction	7,110,713	0	7,110,713	9,135,000	9,135,000	2,024,287
Support services	2,945,755	0	2,945,755	3,042,400	3,042,400	96,645
Non-instructional programs	7,524	547,670	555,194	766,000	766,000	210,806
Other expenditures	1,100,251	0	1,100,251	1,881,888	1,881,888	781,637
Total expenditures	<u>11,164,243</u>	<u>547,670</u>	<u>11,711,913</u>	<u>14,825,288</u>	<u>14,825,288</u>	<u>3,113,375</u>
Excess(deficiency) of revenues over(under) expenditures	69,089	(7,401)	61,688	(2,689,670)	(2,689,670)	2,751,358
Other financing sources, net	<u>(67,308)</u>	<u>(727)</u>	<u>(68,035)</u>	<u>40,000</u>	<u>40,000</u>	<u>(108,035)</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	1,781	(8,128)	(6,347)	(2,649,670)	(2,649,670)	2,643,323
Balance beginning of year	<u>2,947,656</u>	<u>86,616</u>	<u>3,034,272</u>	<u>3,228,698</u>	<u>3,228,698</u>	<u>(194,426)</u>
Balance end of year	<u>\$ 2,949,437</u>	<u>78,488</u>	<u>3,027,925</u>	<u>579,028</u>	<u>579,028</u>	<u>2,448,897</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

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

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

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

OTHER SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Other Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 116,534	208,258	(49,222)	275,570
Receivables:				
Property tax:				
Current year delinquent	3,609	0	0	3,609
Succeeding year	175,000	0	0	175,000
Due from other governments	0	0	74,440	74,440
TOTAL ASSETS	\$ 295,143	208,258	25,218	528,619
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 0	3,558	0	3,558
Deferred revenue:				
Succeeding year property tax	175,000	0	0	175,000
Total liabilities	175,000	3,558	0	178,558
Unreserved fund balances	120,143	204,700	25,218	350,061
TOTAL LIABILITIES AND FUND BALANCES	\$ 295,143	208,258	25,218	528,619

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, 2007

	Special Revenue						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 216,945	0	0	0	216,945	0	216,945
Other	18,991	199,147	0	0	218,138	252	218,390
State sources	216	0	0	0	216	0	216
Federal sources	0	0	74,441	0	74,441	0	74,441
TOTAL REVENUES	236,152	199,147	74,441	0	509,740	252	509,992
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	63,772	0	0	0	63,772	0	63,772
Special instruction	10,827	0	0	0	10,827	0	10,827
Other instruction	3,250	210,673	0	0	213,923	0	213,923
Support services:							
Student support services	850	0	0	0	850	0	850
Instructional staff	454	0	0	0	454	0	454
Administration services	42,629	0	0	0	42,629	0	42,629
Operation and maintenance of plant services	50,419	0	0	0	50,419	0	50,419
Student transportation	29,620	0	0	0	29,620	0	29,620
Non-instructional programs	7,524	0	0	0	7,524	0	7,524
Other expenditures:							
Facilities acquisitions	0	0	74,441	0	74,441	0	74,441
Long-term debt:							
Principal	0	0	0	0	0	45,000	45,000
Interest and fiscal charges	0	0	0	0	0	1,412	1,412
TOTAL EXPENDITURES	209,345	210,673	74,441	0	494,459	46,412	540,871
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	26,807	(11,526)	0	0	15,281	(46,160)	(30,879)
OTHER FINANCING SOURCES(USES):							
Transfers in	0	0	0	0	0	37,355	37,355
Transfers out	0	0	0	(67,308)	(67,308)	0	(67,308)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	0	(67,308)	(67,308)	37,355	(29,953)
NET CHANGE IN FUND BALANCE	26,807	(11,526)	0	(67,308)	(52,027)	(8,805)	(60,832)
FUND BALANCE BEGINNING OF YEAR	93,336	216,226	25,218	67,308	402,088	8,805	410,893
FUND BALANCE END OF YEAR	\$ 120,143	204,700	25,218	0	350,061	0	350,061

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Beginning Balance	Revenues	Expendi- tures	Balance End of Year
High school co-curricular	\$ 50,311	77,774	75,210	52,875
High school athletics	71,523	76,199	85,716	62,006
7th/8th grade co-curricular	13,276	598	4,681	9,193
7th/8th grade athletics	20,043	6,813	7,073	19,783
High school clubs	45,913	34,745	35,606	45,052
7th/8th grade clubs	13,656	2,659	2,386	13,929
Lincoln center clubs	1,503	359	0	1,862
Total	<u>\$ 216,226</u>	<u>199,147</u>	<u>210,673</u>	<u>204,700</u>

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, 2007

	Coca Cola Middle School	Lizzie Alexander Trust	Shalley Scholarship	Currie Scholarship	AA Webb Scholarship
REVENUES:	\$ 0	0	0	0	0
EXPENDITURES:	0	0	0	0	0
Change in net assets before other financing uses	0	0	0	0	0
Other financing uses: Transfers out	(750)	(371)	(71)	(224)	(522)
Change in net assets	(750)	(371)	(71)	(224)	(522)
Balance beginning of year	750	371	71	224	522
Balance end of year	\$ 0	0	0	0	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

O'Neil Sisters Scholarship	Hope Scholarship	Mick Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Total
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(300)	(2,378)	(7,800)	(18,426)	(36,466)	(67,308)
(300)	(2,378)	(7,800)	(18,426)	(36,466)	(67,308)
300	2,378	7,800	18,426	36,466	67,308
0	0	0	0	0	0

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2007

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Coca Cola Middle School
ASSETS					
Cash and pooled investments	\$ 19,069	7,777	3,414	26,183	375
LIABILITIES					
	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	\$ 18,159	7,500	3,311	25,765	0
Unreserved	910	277	103	418	375
TOTAL NET ASSETS	\$ 19,069	7,777	3,414	26,183	375

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Hope Scholarship	Mick Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Sylvia Rosenthal Scholarship	Class of 1933 Scholarship	Total
1,978	300	17,427	33,340	2,000	400	112,263
0	0	0	0	0	0	0
0	0	0	0	0	0	54,735
1,978	300	17,427	33,340	2,000	400	57,528
1,978	300	17,427	33,340	2,000	400	112,263

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2007

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Coca Cola Middle School
REVENUES:					
Local sources:					
Interest on investment	\$ 639	253	32	794	0
Donations	0	0	0	0	400
Other	0	0	0	0	0
TOTAL REVENUES	639	253	32	794	400
EXPENDITURES:					
Instruction:					
Regular instruction	251	200	0	747	775
Excess(deficiency) of revenues over(under) expenditures before other financing sources(uses)	388	53	32	47	(375)
Other financing sources(uses):					
Transfers in	522	224	71	371	750
Transfer out	0	0	0	0	0
Total other financing sources(uses)	522	224	71	371	750
Change in net assets	910	277	103	418	375
Net assets beginning of year	18,159	7,500	3,311	25,765	0
Net assets end of year	\$ 19,069	7,777	3,414	26,183	375

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

O'Neill Sisters Scholarship	Hope Scholarship	Mick Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Sylvia Rosenthal Scholarship	Pepsi Scholarship	Class of 1933 Scholarship	Total
0	0	0	0	1,874	0	0	0	3,592
0	0	0	0	0	2,000	500	0	2,900
0	0	300	0	0	0	0	0	300
0	0	300	0	1,874	2,000	500	0	6,792
300	0	7,800	999	5,000	0	500	0	16,572
(300)	0	(7,500)	(999)	(3,126)	2,000	0	0	(9,780)
300	2,378	7,800	18,426	36,466	0	0	400	67,708
0	(400)	0	0	0	0	0	0	(400)
300	1,978	7,800	18,426	36,466	0	0	400	67,308
0	1,978	300	17,427	33,340	2,000	0	400	57,528
0	0	0	0	0	0	0	0	54,735
0	1,978	300	17,427	33,340	2,000	0	400	112,263

ALBIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN NET ASSETS AND
 LIABILITIES - AGENCY FUND
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ (46,900)	106,490	88,990	(29,400)
Due from other governments	114,255	42,161	114,255	42,161
	<u>\$ 67,355</u>	<u>148,651</u>	<u>203,245</u>	<u>12,761</u>
LIABILITIES				
Due to other groups	\$ 67,355	148,651	203,245	12,761

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,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 3,917,887	3,951,152	4,118,763	3,365,343
Tuition	204,936	210,231	177,593	139,703
Other	546,839	587,492	395,416	346,660
State sources	6,094,941	6,079,697	5,891,353	5,558,973
Federal sources	468,729	323,229	521,793	472,809
Total	\$ 11,233,332	11,151,801	11,104,918	9,883,488
Expenditures:				
Instruction:				
Regular instruction	\$ 4,303,385	4,003,087	4,284,697	3,927,269
Special instruction	1,413,475	1,455,258	1,340,465	1,735,912
Other instruction	1,393,853	1,391,063	921,826	786,473
Support services:				
Student services	293,144	266,405	261,066	239,758
Instructional staff services	128,962	140,091	213,495	209,105
Administration services	1,103,978	1,055,302	923,136	890,723
Operation and maintenance of plant services	891,349	811,743	756,098	748,446
Transportation services	528,322	508,069	428,711	369,071
Other support services	0	7,720	6,677	4,163
Non-instructional:				
Food service operations	7,524	0	0	6,475
Community service and education operations	0	0	0	71
Other expenditures:				
Facilities acquisitions	674,741	301,292	214,162	107,065
Long Term Debt:				
Principal	45,000	380,000	370,000	365,000
Interest	1,412	8,253	13,803	21,472
AEA flow-through	379,098	369,055	360,731	355,216
Total	\$ 11,164,243	10,697,338	10,094,867	9,766,219

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 07	\$ <u>25,566</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	32,307
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	<u>158,237</u>
			<u>190,544</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 07	<u>15,732</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-G	<u>181,859</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	<u>5,454</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANT)	84.215	FY 07	<u>74,441</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 07	<u>1,945</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 07	<u>68,403</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 07	<u>8,204</u>

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED)			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 07	65,158
SPECIAL EDUCATION - GRANTS TO STATES (SENIOR EXIT SURVEY PROJECT)			
	84.027	FY 07	800
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 07	18,441
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)			
	84.318	FY 07	10,270
TOTAL			\$ 666,817

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Albia, Iowa 50208-3050
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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 23, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Albia Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Albia Community School District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We identified no deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

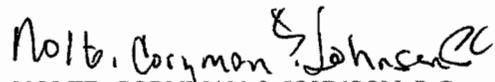
Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not 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.

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Albia Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Albia Community School District's responses and, accordingly, we express no opinion on them.

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.

May 23, 2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Albia, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Albia Community School District

Compliance

We have audited the compliance of Albia Community School District with the types of compliance requirements described in 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, 2007. 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 non-compliance 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, 2007.

Internal Control Over Compliance

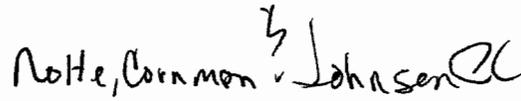
The management of Albia Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Albia 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Albia Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

May 23, 2008

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No significant deficiencies 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 significant deficiencies 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 programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Albia Community School District qualified as a low-risk auditee.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.

IV-B-07 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-07 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-07 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	\$130

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

IV-E-07 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-07 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-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-07 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. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.

Recommendation - The District should contact the appropriate bank and request the proper rate on certificates of deposit.

Response - We will contact the bank and request the District receive proper rates on Certificates of Deposit.

Conclusion - Response accepted.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.