

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-10
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	12
Statement of Activities	B	13-14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	20
Statement of Cash Flows	I	21
Notes to Financial Statements		22-29
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		31
Notes to Required Supplementary Information - Budgetary Reporting		32
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	34
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	35
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	36
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	37
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 <u>Government Auditing Standards</u>		38-39
Schedule of Findings and Responses		40-43

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District, Albert City, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 6, 2009, on our consideration of Albert City-Truesdale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Albert City-Truesdale Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

April 6, 2009

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

Albert City - Truesdale Community School District

Management Discussion and Analysis

This section of the Albert City – Truesdale Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- General Fund revenues increased from \$2,053,409 in fiscal year 2007 to \$2,103,353 in 2008. General Fund expenditures increased from \$2,025,482 in fiscal 2007 to \$2,405,954 in 2008. The District's General Fund balance decreased from \$977,880 in 2007 to \$676,778 in 2008, a 31% decrease.
- The decrease in General Fund balance was attributable to the increase in expenditures comparable to revenue. Invoices for expenditures equaling \$170,700, which should have properly been expended in Fiscal Year 2007, were not received until Fiscal Year 2008, account for 15% of the 31% decrease. Grant income related to the secondary Reading First Grant ended in 2008.
- The district's certified enrollment count taken on October 1, 2007, was 227.9. This count represents a decrease of 23.4 students from the September 2006 count.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent to finance the District's programs. The district currently has the following governmental funds: General Fund and Special Revenue Funds.
- *Proprietary funds* - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Fund, one type of proprietary fund, is 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. Table A-1 below provides a summary of the District's net assets as of June 30, 2008

Table A-1 Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2007 to 2008
	2008	2007	2008	2007	2008	2007	
Current & Other Assets	2,931,105	2,938,417	7,200	12,947	2,938,305	2,951,364	1%
Capital Assets net of Accumulated Depreciation	716,979	704,056	21,286	19,891	738,265	723,947	2%
Total Assets	3,648,084	3,642,473	28,486	32,838	3,676,570	3,675,311	0%
Long-term liabilities	6,781	-	-	-	6,781	-	100%
Other liabilities	1,471,510	1,317,329	3,987	3,342	1,475,497	1,320,671	12%
Total Liabilities	1,478,291	1,317,329	3,987	3,342	1,482,278	1,320,671	12%
Invested in Capital Assets net of related Debt	716,979	704,056	21,286	19,891	738,265	723,947	2%
Restricted for:							
State categorical aid	2,927	1,681	-	-	2,927	1,681	74%
Management Levy	107,081	97,975	-	-	107,081	97,975	9%
Physical Plant and Equipment Levy	149,466	142,680	-	-	149,466	142,680	5%
Other Special Revenue Purpose	16,758	17,297	-	-	16,758	17,297	-3%
Local Option Sales Tax	509,512	385,256	-	-	509,512	385,256	32%
Unrestricted	667,070	976,199	3,213	9,605	670,283	985,804	-32%
Total Net Assets as of June 30, 2008	2,169,793	2,325,144	24,499	29,496	2,194,292	2,354,640	-7%

The District's combined net assets decreased by 7%, or approximately \$160,348, over the prior year. A large percentage of the District's net assets are capital assets (e.g., land, infrastructure, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's increase in restricted net assets relating to Physical Plant and Equipment Levy and the Local Option Sales Tax reflect continued revenue to prepare for anticipated expenditures. Business-Type Activities (School Nutrition) benefited from a fund transfer of \$7,500.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$1,354,968 and related unearned revenue liability on the Statement of Net Assets (Exhibit A) result from this requirement. The unearned revenue liability of those taxes account for 92% of the total liabilities. The balance would relate principally to salaries, benefits, accounts payable, and liabilities related to retirement.

Table A-2 Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School	District	Percentage Change 2007 to 2008
	2008	2007	2008	2007	2008	2007	
Revenues:							
Program Revenues:							
Charges for Services	76,917	61,621	23,610	21,558	100,527	83,179	21%
Operating grants, Contributions & Restricted Interest	299,594	261,104	21,778	19,773	321,372	280,877	14%
Capital grants, Contributions & Restricted Interest	0	0	0	0	0	0	0
General Revenue:							
Property taxes	1,084,017	1,155,764	0	0	1,084,017	1,155,764	-6%
Income Surtax	0	0	0	0	0	0	0
Local Option Sales Tax	146,293	149,513	0	0	146,293	149,513	-2%
Unrestricted State Grants	811,988	714,380	0	0	811,988	714,380	14%
Unrestricted Investment Earnings	64,625	84,133	273	293	64,898	84,426	-23%
Other Revenue	15,939	5,317	3,920	0	19,859	5,317	274%
Total Revenue	2,499,373	2,431,832	49,581	41,624	2,548,954	2,473,456	3%
Expenses:							
Instruction	1,753,067	1,398,376	0	0	1,753,067	1,398,376	25%
Support Services	658,821	651,546	0	0	658,821	651,546	1%
Non-instructional Programs	0	0	62,078	69,041	62,078	69,041	-10%
Other expenditures	235,336	157,043	0	0	235,336	157,043	50%
Total Expenses	2,647,224	2,206,965	62,078	69,041	2,709,302	2,276,006	19%
Change in net assets before transfer	-147,851	224,867	-12,497	-27,417	-160,348	197,450	-181%
Transfers	-7,500	-22,836	7,500	22,836	0	0	0.00
Change in Net Assets	-155,351	202,031	-4,997	-4,581	-160,348	197,450	-181%
Net assets beginning of year	2,325,144	2,123,113	29,496	34,077	2,354,640	2,157,190	9%
Net assets end of year	2,169,793	2,325,144	24,499	29,496	2,194,292	2,354,640	-7%

Table A-2 recasts the Statement of Activities (Exhibit B) into a traditional revenue and expenses format. Unrestricted state grants accounts for 32 percent of total revenue and property tax accounts for 43 percent. The balance of funding is received as categorical grants and contributions from state, federal and private sources and charges for services (mainly tuition), for a net increase of \$75,498 over the previous year.

The District's expenses are predominately related to the instruction of students (65 percent). Support services, non-instructional programs, and unallocated depreciation categories account for the balance. These categories contain many line items directly supporting students and instruction such as: guidance, health, media, technology, improvement of instruction, and student transportation, food service program costs, and depreciation expense not directly allocated to any functional area.

Operations, maintenance, and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency. These AEA support dollars equate to \$89,973 of other expenditures.

Governmental Activities

Table A -3 presents the cost of six major District activities: instruction, support services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table A-3
Net Cost of District's Governmental Activities**

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007	Percentage Change 2008-2007
Instruction	1,753,067	1,398,376	1,525,981	1,215,206	26%
Support Services	43,068	98,335	28,218	45,925	-39%
Administration and Business	240,112	208,751	205,587	208,751	-2%
Maintenance and Operations	214,768	179,331	214,718	179,294	20%
Transportation	160,873	165,129	160,121	164,381	-3%
Other	<u>235,336</u>	<u>157,043</u>	<u>136,088</u>	<u>70,683</u>	93%
	2,647,224	2,206,965	2,270,713	1,884,240	21%

- The cost of all governmental activities for the year 2008 was \$2,647,224.
- Users of the District's programs financed some of the cost, \$76,917.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$299,594.
- Taxpayers of the District and the state financed \$2,122,862.
- The District's net assets decreased by \$155,351.

Business - Type Activities

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

- Business-type activity expenses exceeded revenues by \$12,497 in 2008. \$7,500 was transferred to the food service program to offset this loss.

Financial Analysis of the District's Funds

(Refer to the Governmental Funds Balance Sheet (Exhibit C) and Statement of Revenue, Expenditures and Changes in Fund Balances (Exhibit E))

The General Fund ended the year with \$250,000 in reserved fund balances. This represents operating capital for the district during July, August and the first two weeks of September when salary and benefits payable as well as accounts payable are due but state funds are not received and tax receipts are at a minimum. The district held \$423,851 in unreserved fund balances in the General fund, \$149,466 for Special Revenue funds of the Physical Plant and Equipment Levy, \$509,512 for Capital Projects for the Local Options Sales Tax Levy and \$123,839 in Nonmajor Governmental Funds. Physical Plant and Equipment, Local Options Sales Tax, and Nonmajor Governmental funds are restricted in use and cannot be used for General Fund expenses.

The District's School Nutrition Fund operates at a net loss and funds in the amount of \$7,500 were transferred from the General Fund to the Nutrition Fund to offset the deficiency of revenue.

Budgetary Highlights

- The District continues to budget on a GAAP basis.
- The District had levied an additional \$80,580 in cash reserves to support unfunded open enrollment expenditures and cash reserves. These are property tax only dollars.
- Over the course of the 2008 budget year, the District managed and revised its operating budget in that informal budget revisions were made when changes in programs became apparent. These amounts would add to the revenues and/or the expenditures.
- The District's budget versus actual results was within acceptable management planning parameters. It is district policy to budget for worst-case scenario to preserve fund balances for unforeseen events.

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

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the District had invested more than \$716,979 (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. (Detailed information about capital assets can be found in Note 4 to the financial statements).

During fiscal year 2008, the District made major purchases including purchasing a portable stage and choir risers, a copier, office renovation, air conditioning the kitchen as well as installing fire proof doors, purchased a new oven, blacktopping, enlarging concession areas for the football field, replacing gutters and ice guards on roof, restroom renovation, security rekeying and installing panic bars, and changing the site of the playground which included moving old equipment as well as purchasing and installation of new.

Long – Term Debt

The District's only long term debt is in its early retirement program. The District has no current plans to issue new debt in 2009. (Detailed information about long-term debt can be found in Note 5 to the financial statements).

Bond Ratings

The District does not have a General Obligation Bond Rating from Moody's for fiscal year 2008 as the District does not have any general obligation bonds outstanding. If the District were to issue general obligation bonds, it would at that time obtain a Moody's rating.

Factors Bearing on the District's Future

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

- The district continues to whole grade students grades 7 – 12 Sioux Central School District.
- The September 2007 certified enrollment showed a 23.4 decrease from the prior year.
- The District's primary source of revenue is the State of Iowa's school aid formula. The allowable growth increased 4% for fiscal year 2009. Costs of providing a quality educational program continue to rise. Funding increases adequate to meet increased district expenses will be needed to continue to support our high quality education program.
- The District will continue to use the Local Option Sales Tax Levy. These dollars give the District additional funding for the same items as the Physical Plant and Equipment Levy.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,514,193	4,908	1,519,101
Receivables:			
Property tax:			
Delinquent	17,134	-	17,134
Succeeding year	1,354,968	-	1,354,968
Accounts	789	87	876
Due from other governments	44,021	-	44,021
Inventories	-	2,205	2,205
Capital assets, net of accumulated depreciation	716,979	21,286	738,265
	<u>3,648,084</u>	<u>28,486</u>	<u>3,676,570</u>
Total assets			
Liabilities			
Accounts payable	4,375	-	4,375
Salaries and benefits payable	112,167	3,556	115,723
Deferred revenue:			
Succeeding year property tax	1,354,968	-	1,354,968
Other	-	431	431
Long-term liabilities:			
Portion due within one year:			
Compensated absences	2,260	-	2,260
Portion due after one year:			
Compensated absences	4,521	-	4,521
	<u>1,478,291</u>	<u>3,987</u>	<u>1,482,278</u>
Total liabilities			
Net assets			
Invested in capital assets, net of related debt	716,979	21,286	738,265
Restricted for:			
State categorical aid	2,927	-	2,927
Management levy	107,081	-	107,081
Physical plant and equipment levy	149,466	-	149,466
Other special revenue purposes	16,758	-	16,758
Local option sales tax capital projects	509,512	-	509,512
Unrestricted	667,070	3,213	670,283
	<u>2,169,793</u>	<u>24,499</u>	<u>2,194,292</u>
Total net assets			

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue</u>
			<u>Operating Grants, Contributions and Restricted Interest</u>
	\$	\$	\$
Governmental activities:			
Instruction:			
Regular	1,431,686	37,711	129,662
Special	257,361	-	11,716
Other	64,020	4,631	43,366
	<u>1,753,067</u>	<u>42,342</u>	<u>184,744</u>
Support services:			
Student	20,243	-	-
Instructional staff	22,825	-	14,850
Administration	240,112	34,525	-
Operation and maintenance of plant	214,768	50	-
Transportation	160,873	-	752
	<u>658,821</u>	<u>34,575</u>	<u>15,602</u>
Other expenditures:			
Facilities acquisition	113,822	-	9,275
AEA flowthrough	89,973	-	89,973
Depreciation (unallocated)*	31,541	-	-
	<u>235,336</u>	<u>-</u>	<u>99,248</u>
Total governmental activities	2,647,224	76,917	299,594
Business type activities:			
Non-instructional programs:			
Food service operations	62,078	23,610	21,778
Total	<u>2,709,302</u>	<u>100,527</u>	<u>321,372</u>
General Revenues:			
Property taxes levied for:			
General purposes			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

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

s <u>Net (Expense) Revenue and Changes in Net Assets</u>			
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
\$	\$	\$	\$
-	(1,264,313)	-	(1,264,313)
-	(245,645)	-	(245,645)
-	(16,023)	-	(16,023)
-	(1,525,981)	-	(1,525,981)
-	(20,243)	-	(20,243)
-	(7,975)	-	(7,975)
-	(205,587)	-	(205,587)
-	(214,718)	-	(214,718)
-	(160,121)	-	(160,121)
-	(608,644)	-	(608,644)
-	(104,547)	-	(104,547)
-	-	-	-
-	(31,541)	-	(31,541)
-	(136,088)	-	(136,088)
-	(2,270,713)	-	(2,270,713)
-	-	(16,690)	(16,690)
-	(2,270,713)	(16,690)	(2,287,403)
	937,749	-	937,749
	146,268	-	146,268
	146,293	-	146,293
	811,988	-	811,988
	64,625	273	64,898
	15,939	3,920	19,859
	2,122,862	4,193	2,127,055
	(7,500)	7,500	-
	2,115,362	11,693	2,127,055
	(155,351)	(4,997)	(160,348)
	2,325,144	29,496	2,354,640
	2,169,793	24,499	2,194,292

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Physical Plant and Equipment Levy Fund	Local Option Sales and Service Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	756,750	147,929	486,464	123,050	1,514,193
Receivables:					
Property tax:					
Delinquent	14,033	2,312	-	789	17,134
Succeeding year	1,130,538	174,430	-	50,000	1,354,968
Accounts	789	-	-	-	789
Due from other governments	20,973	-	23,048	-	44,021
Total assets	<u>1,923,083</u>	<u>324,671</u>	<u>509,512</u>	<u>173,839</u>	<u>2,931,105</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	3,600	775	-	-	4,375
Salaries and benefits payable	112,167	-	-	-	112,167
Deferred revenue:					
Succeeding year property tax	1,130,538	174,430	-	50,000	1,354,968
Total liabilities	<u>1,246,305</u>	<u>175,205</u>	<u>-</u>	<u>50,000</u>	<u>1,471,510</u>
Fund balances:					
Reserved for:					
State categorical aid	2,927	-	-	-	2,927
Unreserved, undesignated reported in:					
General fund	423,851	-	-	-	423,851
Special revenue funds	-	149,466	-	123,839	273,305
Capital project funds	-	-	509,512	-	509,512
Unreserved, designated for:					
Cash flow	250,000	-	-	-	250,000
Total fund balances	<u>676,778</u>	<u>149,466</u>	<u>509,512</u>	<u>123,839</u>	<u>1,459,595</u>
Total liabilities and fund balances	<u>1,923,083</u>	<u>324,671</u>	<u>509,512</u>	<u>173,839</u>	<u>2,931,105</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	1,459,595
<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 the governmental funds.	716,979
Long-term liabilities, including termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(6,781)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,169,793</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Physical Plant and Equipment Levy Fund	Local Option Sales and Service Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	887,824	146,268	146,293	49,925	1,230,310
Tuition	30,768	-	-	-	30,768
Other	82,454	11,703	18,014	14,818	126,989
State sources	1,023,371	-	-	-	1,023,371
Federal sources	78,936	-	-	-	78,936
Total revenues	<u>2,103,353</u>	<u>157,971</u>	<u>164,307</u>	<u>64,743</u>	<u>2,490,374</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,435,991	-	-	11,214	1,447,205
Special	257,361	-	-	-	257,361
Other	55,922	-	-	5,748	61,670
	<u>1,749,274</u>	<u>-</u>	<u>-</u>	<u>16,962</u>	<u>1,766,236</u>
Support services:					
Student	20,243	-	-	-	20,243
Instructional staff	22,825	-	-	-	22,825
Administration	215,957	8,738	-	15,650	240,345
Operation and maintenance of plant	179,765	-	-	25,534	205,299
Transportation	127,917	-	-	5,100	133,017
	<u>566,707</u>	<u>8,738</u>	<u>-</u>	<u>46,284</u>	<u>621,729</u>
Other expenditures:					
Facilities acquisition	-	142,447	40,051	-	182,498
AEA flowthrough	89,973	-	-	-	89,973
	<u>89,973</u>	<u>142,447</u>	<u>40,051</u>	<u>-</u>	<u>272,471</u>
Total expenditures	<u>2,405,954</u>	<u>151,185</u>	<u>40,051</u>	<u>63,246</u>	<u>2,660,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(302,601)</u>	<u>6,786</u>	<u>124,256</u>	<u>1,497</u>	<u>(170,062)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	8,999	-	-	-	8,999
Operating transfers out	(7,500)	-	-	-	(7,500)
Total other financing sources (uses)	<u>1,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,499</u>
Net change in fund balances	<u>(301,102)</u>	<u>6,786</u>	<u>124,256</u>	<u>1,497</u>	<u>(168,563)</u>
Fund balances beginning of year	<u>977,880</u>	<u>142,680</u>	<u>385,256</u>	<u>122,342</u>	<u>1,628,158</u>
Fund balances end of year	<u><u>676,778</u></u>	<u><u>149,466</u></u>	<u><u>509,512</u></u>	<u><u>123,839</u></u>	<u><u>1,459,595</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(168,563)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	93,675	
Depreciation expense	<u>(80,752)</u>	12,923
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	7,070	
Compensated absences	<u>(6,781)</u>	<u>289</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(155,351)</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	4,908
Accounts receivable	87
Inventories	2,205
Capital assets, net of accumulated depreciation	<u>21,286</u>
Total assets	<u>28,486</u>
Liabilities	
Salaries and benefits payable	3,556
Deferred revenue	<u>431</u>
Total liabilities	<u>3,987</u>
Net assets	
Invested in capital assets, net of related debt	21,286
Unrestricted	<u>3,213</u>
Total net assets	<u><u>24,499</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2008

	Nonmajor School Nutrition <u> </u> \$
Operating revenues:	
Local sources:	
Charges for service	<u>23,610</u>
Operating expenses:	
Non-instructional programs:	
Salaries	24,856
Benefits	3,522
Purchased services	821
Supplies	30,354
Depreciation	<u>2,525</u>
Total operating expenses	<u>62,078</u>
Operating gain (loss)	<u>(38,468)</u>
Non-operating revenues:	
State sources	632
Federal sources	21,145
Interest income	<u>274</u>
Total non-operating revenues	<u>22,051</u>
Gain (loss) before transfers	(16,417)
Capital contributions	3,920
Transfers in	<u>7,500</u>
Change in net assets	(4,997)
Net assets beginning of year	<u>29,496</u>
Net assets end of year	<u><u>24,499</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	23,954
Cash payments to employees for services	(28,164)
Cash payments to suppliers for goods or services	(26,723)
Net cash used by operating activities	<u>(30,933)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	7,500
State grants received	632
Federal grants received	16,600
Net cash provided by non-capital financing activities	<u>24,732</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>274</u>
Net increase (decrease) in cash and cash equivalents	(5,927)
Cash and cash equivalents at beginning of year	<u>10,835</u>
Cash and cash equivalents at end of year	<u><u>4,908</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(38,468)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	4,545
Depreciation	2,525
Decrease (increase) in inventories	(93)
Decrease (increase) in accounts receivable	(87)
(Decrease) increase in salaries and benefits payable	214
(Decrease) increase in deferred revenue	431
Net cash used by operating activities	<u><u>(30,933)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$4,545 of federal commodities.

The School Nutrition Fund also received \$3,920 of equipment that was purchased by other funds.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2008

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's non-fiduciary 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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Capital Projects Local Option Sales and Service Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use 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 in the 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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are 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, 2008, expenditures did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	113,254

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

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Enterprise School Nutrition Fund	General Fund	7,500

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	14,257	-	14,257
Land	31,066	-	-	31,066
Total capital assets not being deprec.	<u>31,066</u>	<u>14,257</u>	<u>-</u>	<u>45,323</u>
Capital assets being depreciated:				
Buildings	1,217,584	21,644	-	1,239,228
Improvements other than buildings	139,976	32,775	-	172,751
Furniture and equipment	1,027,887	24,999	27,415	1,025,471
Total capital assets being deprec.	<u>2,385,447</u>	<u>79,418</u>	<u>27,415</u>	<u>2,437,450</u>
Less accumulated depreciation for:				
Buildings	878,140	19,839	-	897,979
Improvements other than buildings	119,533	3,782	-	123,315
Furniture and equipment	714,784	57,131	27,415	744,500
Total accumulated depreciation	<u>1,712,457</u>	<u>80,752</u>	<u>27,415</u>	<u>1,765,794</u>
Total capital assets being depreciated, net	<u>672,990</u>	<u>(1,334)</u>	<u>-</u>	<u>671,656</u>
Governmental activities capital assets, net	<u>704,056</u>	<u>12,923</u>	<u>-</u>	<u>716,979</u>

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	78,947	3,920	-	82,867
Less accumulated depreciation	<u>59,056</u>	<u>2,525</u>	<u>-</u>	<u>61,581</u>
Business type activities capital assets, net	<u>19,891</u>	<u>1,395</u>	<u>-</u>	<u>21,286</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	7,813
Special	2,350
Support services:	
Administration	1,723
Operation and maintenance of plant	9,469
Transportation	<u>27,856</u>
	49,211
Unallocated depreciation	<u>31,541</u>
Total governmental activities depreciation expense	<u>80,752</u>
Business type activities:	
Food service operations	<u>2,525</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Compensated absences	-	6,781	-	6,781	2,260
Termination benefits	<u>7,070</u>	<u>-</u>	<u>7,070</u>	<u>-</u>	<u>-</u>
Totals	<u>7,070</u>	<u>6,781</u>	<u>7,070</u>	<u>6,781</u>	<u>2,260</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to the difference between the employee's regular contractual salary in effect during the employee's last year of employment and the salary schedule base.

At June 30, 2008, the District has no obligations for termination benefits. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$7,070.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$53,795, \$48,496, and \$46,128 respectively, equal to the required contributions for each year.

7. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$89,973 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,388,067	23,884	1,411,951	1,478,191	1,478,191	(66,240)
State sources	1,023,371	632	1,024,003	1,083,043	1,083,043	(59,040)
Federal sources	78,936	21,145	100,081	200,000	200,000	(99,919)
Total revenues	<u>2,490,374</u>	<u>45,661</u>	<u>2,536,035</u>	<u>2,761,234</u>	<u>2,761,234</u>	<u>(225,199)</u>
Expenditures/Expenses:						
Instruction	1,766,236	-	1,766,236	2,117,807	2,117,807	351,571
Support services	621,729	-	621,729	1,267,881	1,267,881	646,152
Non-instructional programs	-	62,078	62,078	80,777	80,777	18,699
Other expenditures	272,471	-	272,471	674,281	674,281	401,810
Total expenditures/expenses	<u>2,660,436</u>	<u>62,078</u>	<u>2,722,514</u>	<u>4,140,746</u>	<u>4,140,746</u>	<u>1,418,232</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(170,062)	(16,417)	(186,479)	(1,379,512)	(1,379,512)	1,193,033
Other financing sources (uses) net	<u>1,499</u>	<u>11,420</u>	<u>12,919</u>	<u>-</u>	<u>-</u>	<u>12,919</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(168,563)	(4,997)	(173,560)	(1,379,512)	(1,379,512)	1,205,952
Balance beginning of year	<u>1,628,158</u>	<u>29,496</u>	<u>1,657,654</u>	<u>1,429,512</u>	<u>1,429,512</u>	<u>228,142</u>
Balance end of year	<u>1,459,595</u>	<u>24,499</u>	<u>1,484,094</u>	<u>50,000</u>	<u>50,000</u>	<u>1,434,094</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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

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

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

During the year ended June 30, 2008, expenditures did not exceed the amounts of its published budget.

OTHER SUPPLEMENTARY INFORMATION

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds		Total
	Management	Student	
	Levy	Activity Fund	
	\$	\$	\$
Cash and pooled investments	106,292	16,758	123,050
Receivables:			
Property tax:			
Delinquent	789	-	789
Succeeding year	50,000	-	50,000
	<u>157,081</u>	<u>16,758</u>	<u>173,839</u>
Total assets	<u>157,081</u>	<u>16,758</u>	<u>173,839</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	50,000	-	50,000
Fund balances:			
Unreserved fund balance reported in:			
Special revenue funds	107,081	16,758	123,839
	<u>157,081</u>	<u>16,758</u>	<u>173,839</u>
Total liabilities and fund balances	<u>157,081</u>	<u>16,758</u>	<u>173,839</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds		Total
	Management	Student	
	Levy	Activity Fund	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	49,925	-	49,925
Other	9,609	5,209	14,818
Total revenues	<u>59,534</u>	<u>5,209</u>	<u>64,743</u>
Expenditures:			
Current:			
Instruction:			
Regular	11,214	-	11,214
Other	-	5,748	5,748
Support services:			
Administration	15,650	-	15,650
Operation and maintenance of plant	25,534	-	25,534
Transportation	5,100	-	5,100
Total expenditures	<u>57,498</u>	<u>5,748</u>	<u>63,246</u>
Excess (deficiency) of revenues over (under) expenditures	2,036	(539)	1,497
Fund balances beginning of year	<u>105,045</u>	<u>17,297</u>	<u>122,342</u>
Fund balances end of year	<u><u>107,081</u></u>	<u><u>16,758</u></u>	<u><u>123,839</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Commerce club	14,361	3,674	4,853	13,182
Tag club	900	25	50	875
Student council	2,036	1,510	845	2,701
	<u>17,297</u>	<u>5,209</u>	<u>5,748</u>	<u>16,758</u>
Total	<u><u>17,297</u></u>	<u><u>5,209</u></u>	<u><u>5,748</u></u>	<u><u>16,758</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,230,310	1,305,277	1,396,406	1,473,703
Tuition	30,768	34,517	28,717	38,946
Other	126,989	116,555	89,256	94,918
State sources	1,023,371	893,327	962,707	1,082,874
Federal sources	78,936	82,156	174,935	156,744
	<u>2,490,374</u>	<u>2,431,832</u>	<u>2,652,021</u>	<u>2,847,185</u>
Total revenues				
Expenditures:				
Instruction:				
Regular	1,447,205	1,005,780	1,161,357	1,220,301
Special	257,361	336,269	345,814	368,136
Other	61,670	48,227	44,927	16,314
Support services:				
Student	20,243	70,828	59,567	59,620
Instructional staff	22,825	27,507	30,611	52,441
Administration	240,344	217,774	189,727	222,877
Operation and maintenance of plant	205,299	169,862	166,508	180,753
Transportation	133,017	137,272	180,028	165,875
Other expenditures:				
Facilities acquisition	182,499	103,279	66,033	51,174
Long-term debt:				
AEA flowthrough	89,973	86,360	84,489	86,066
	<u>2,660,436</u>	<u>2,203,158</u>	<u>2,329,061</u>	<u>2,423,557</u>
Total expenditures				

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 6, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Albert City-Truesdale Community School District's internal control over financial reporting 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 Albert City-Truesdale Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Albert City-Truesdale Community School District's internal control over financial reporting.

Our consideration of 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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Albert City-Truesdale Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Albert City-Truesdale Community School District's financial statements that is more than inconsequential will not be prevented or detected by Albert City-Truesdale Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Albert City-Truesdale Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-I-A, 08-I-B and 08-I-C are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

Albert City-Truesdale Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Albert City-Truesdale 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 Albert City-Truesdale Community School District and other parties to whom Albert City-Truesdale Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Albert City-Truesdale Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

April 6, 2009

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

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

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements (continued):

08-I-C Signature Stamp: We noted that a stamp bearing the signatures of the Board President and Board Secretary is used to sign checks. The Board Secretary prints the checks and uses the stamp to sign the checks.

Recommendation: This practice negates the control established by requiring two signatures on the checks. The board secretary should not have access to or use a stamp with the Board President's signature.

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

- 08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- 08-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 08-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 08-II-D Business Transactions: We noted that the District did business with Clausen Hardware in which the spouse of board member Deb Clausen appears to have an ownership interest. However, business with the spouse of a board member is not a conflict of interest.
- 08-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 08-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 08-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 08-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 08-II-J Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with a unit cost exceeding \$500. We noted that expenditures from this fund included approximately \$1,234 for individual items of equipment with a unit cost of less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

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

08-II-K Parent Teacher Organization: We noted the parent teacher organization was using the District's federal identification number but the District does not keep the organizations financial records.

Recommendation: The parent teacher organization should cease using the District's identification numbers.

District Response: We have talked to them about this issue.

Conclusion: Response accepted.