

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

JUNE 30, 2008

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Albia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Mary Wynn	President	2007
Robin Haselhuhn	Vice President	2009
Mike Stocker	Board Member	2008
Jeff Liston	Board Member	2009
Tim Bates	Board Member (Resigned)	2009
Joyce Williams	Board Member	2007
John Scieszinski	Board Member	2008
Board of Education (After September 2007 Election)		
Robin Haselhuhn	President	2009
John Scieszinski	Vice President	2008
Mike Stocker	Board Member	2008
Jeff Liston	Board Member	2009
Donna Whisler	Board Member	2009
Tim Bates	Board Member	2010
Denny Amoss	Board Member	2010
School Officials		
Kevin Crall	Superintendent	2008
Peggy Newman	District Secretary/Treasurer And Business Manager	2008
Gruhn Law Firm	Attorney	2008

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(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, 2008, 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, 2008, 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.

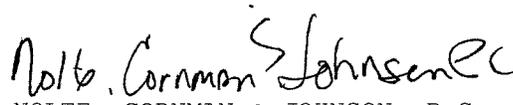
In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009 on our consideration of the Albia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 four 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 8, 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.

March 23, 2009

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,973,210 in fiscal 2007 to \$10,428,646 in fiscal 2008, while General Fund expenditures increased from \$10,014,072 in fiscal 2007 to \$10,501,966 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$1,709,008 in fiscal 2007 to a balance of \$1,635,688 in fiscal 2008, a 4.29% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax and state source revenues. The increase in expenditures was due primarily to an increase in instructional staff services and transportation services. 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 2008.

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 custodian 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

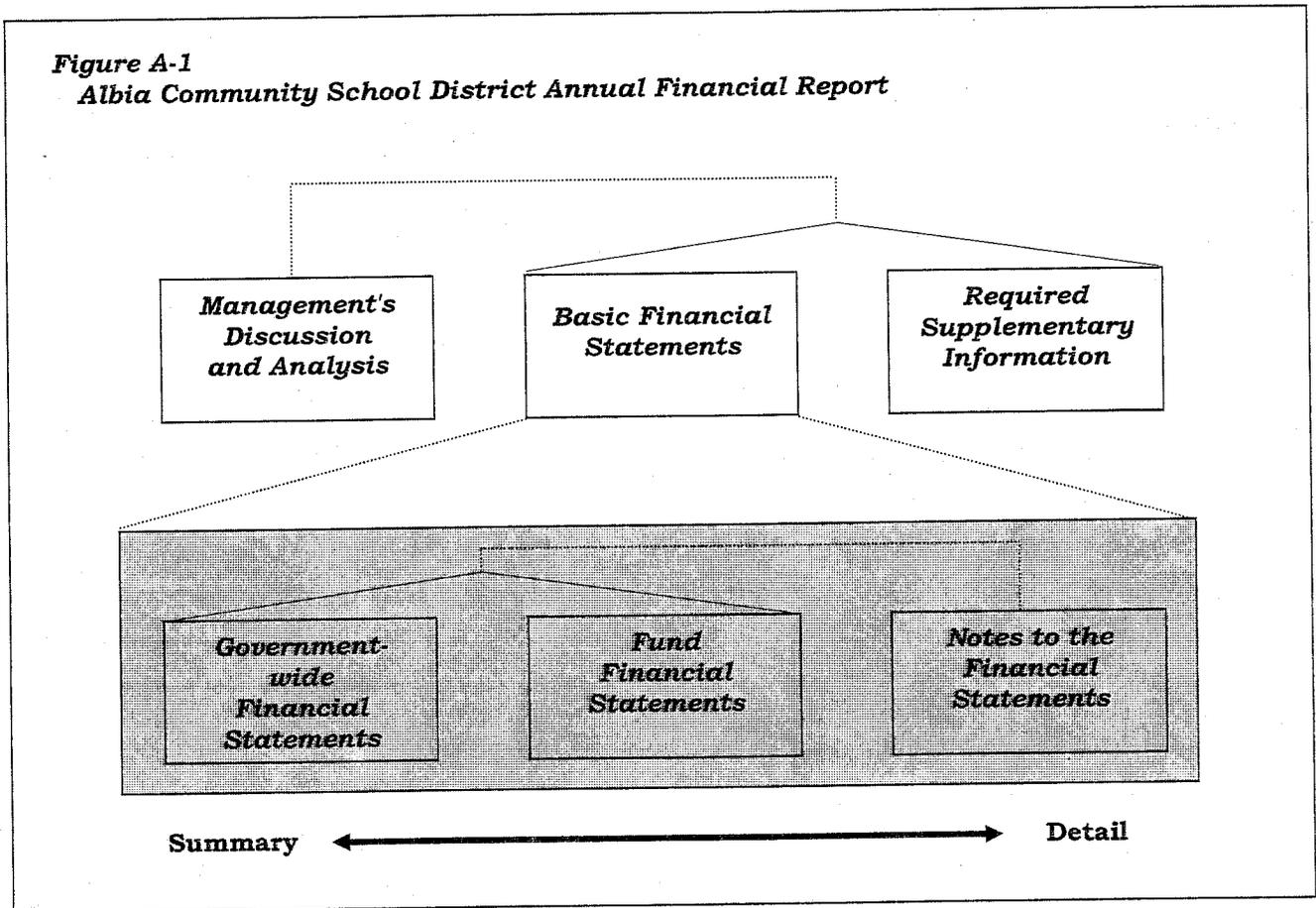


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 and Capital Projects 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, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 6,189,641	7,631,323	4,866	47,733	6,194,507	7,679,056	-19.33%
Capital assets	2,781,991	2,071,403	85,263	36,074	2,867,254	2,107,477	36.05%
Total assets	8,971,632	9,702,726	90,129	83,807	9,061,761	9,786,533	-7.41%
Long-term obligations	225,461	32,473	0	0	225,461	32,473	594.30%
Other liabilities	3,125,703	4,289,446	5,366	5,319	3,131,069	4,294,765	-27.10%
Total liabilities	3,351,164	4,321,919	5,366	5,319	3,356,530	4,327,238	-22.43%
Net assets:							
Invested in capital assets	2,781,991	2,071,403	85,263	36,074	2,867,254	2,107,477	36.05%
Restricted	971,058	1,275,367	0	0	971,058	1,275,367	-23.86%
Unrestricted	1,867,419	2,034,037	(500)	42,414	1,866,919	2,076,451	-10.09%
Total net assets	\$ 5,620,468	5,380,807	84,763	78,488	5,705,231	5,459,295	4.50%

The District's combined net assets increased by 4.50%, or \$245,936, 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).

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 decreased approximately \$304,309 or 23.86% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$209,532, or 10.09%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 443,392	417,574	304,418	302,082	747,810	719,656	3.91%
Operating grants and contributions and restricted interest	1,491,275	1,280,470	218,032	237,549	1,709,307	1,518,019	12.60%
Capital grants and contributions and restricted interest	8,896	74,441	0	0	8,896	74,441	-88.05%
General revenues:							
Property tax	2,885,371	2,820,417	0	0	2,885,371	2,820,417	2.30%
Income surtax	355,220	474,839	0	0	355,220	474,839	-25.19%
Local option sales and service tax	708,463	714,726	0	0	708,463	714,726	-0.88%
Unrestricted state grants	5,492,526	5,247,584	0	0	5,492,526	5,247,584	4.67%
Other	188,990	295,376	340	638	189,330	296,014	-36.04%
Transfers	(56,311)	(67,308)	56,311	0	0	(67,308)	100.00%
Total revenues and transfers	11,517,822	11,258,119	579,101	540,269	12,096,923	11,798,388	2.53%
Program expenses:							
Governmental activities:							
Instruction	7,231,697	7,056,936	0	0	7,231,697	7,056,936	2.48%
Support services	3,407,178	2,939,386	99	0	3,407,277	2,939,386	15.92%
Non-instructional programs	10,453	7,524	572,727	548,397	583,180	555,921	4.90%
Other expenses	628,833	554,756	0	0	628,833	554,756	13.35%
Total expenses	11,278,161	10,558,602	572,826	548,397	11,850,987	11,106,999	6.70%
Changes in net assets	239,661	699,517	6,275	(8,128)	245,936	691,389	-64.43%
Net assets beginning of year	5,380,807	4,681,290	78,488	86,616	5,459,295	4,767,906	14.50%
Net assets end of year	\$ 5,620,468	5,380,807	84,763	78,488	5,705,231	5,459,295	4.50%

In fiscal 2008, property tax, income surtax, local option sales and service tax and unrestricted state grants account for 81.97% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 90.22% of the revenue from business type activities.

The District's total revenues were approximately \$12.10 million of which \$11.52 million was for governmental activities and approximately \$0.58 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.53% increase in revenues and a 6.70% increase in expenses. The increase in revenues was related an increase in state revenues received by the District. The increase in expenses was related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$11,517,822 and expenses were \$11,278,161.

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		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 7,231,697	7,056,936	2.48%	5,699,893	5,738,835	-0.68%
Support services	3,407,178	2,939,386	15.91%	3,406,513	2,938,541	15.93%
Non-instructional	10,453	7,524	38.93%	10,453	7,524	38.93%
Other expenses	628,833	554,756	13.35%	217,739	101,217	115.12%
Totals	\$ 11,278,161	10,558,602	6.81%	9,334,598	8,786,117	6.24%

- The cost financed by users of the District's programs was \$443,392.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,500,171.
- The net cost of governmental activities was financed with \$2,885,371 in local tax, \$355,220 in income surtax, \$708,463 in local option sales and service tax, \$5,492,526 in unrestricted state grants, and \$135,522 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$579,101 and expenses were \$572,826. 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 \$2,710,742, below last year's ending fund balances of \$2,949,437.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. Increases in local tax and state source revenues caused the increase in District revenues for fiscal 2008. Increases in expenditures related to primarily to increases in instructional staff services and transportation services. 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 \$324,843 in 2007, to \$344,295 in 2008, due to the variance of the level of activity in these funds from year to year.
- The Capital Projects Fund decreased from \$890,368 in 2007 to \$705,541 in 2008 due to increased facilities acquisitions expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$78,488 at June 30, 2007 to \$84,763 at June 30, 2008, representing an increase of 7.99%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$826,608 less than budgeted revenues, a variance of 6.38%. The most significant variance resulted from the District receiving less in state 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, 2008, the District had invested \$2.87 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 36.05% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$187,344.

The original cost of the District's capital assets was \$6,865,077. Governmental funds account for \$6,726,173 with the remainder of \$138,904 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$41,549 at June 30, 2007, compared to \$198,378 reported at June 30, 2008. This increase resulted from the addition of the Lincoln Center Playground and Junior High Parking Lot during the 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,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 249,786	224,786	0	0	249,786	224,786	11.12%
Construction in progress	630,610	320,362	0	0	630,610	320,362	96.84%
Buildings	1,336,713	1,239,548	0	0	1,336,713	1,239,548	7.84%
Land improvements	198,378	41,549	0	0	198,378	41,549	377.46%
Machinery and equipment	366,504	245,158	85,263	36,074	451,767	281,232	60.64%
Total	\$ 2,781,991	2,071,403	85,263	36,074	2,867,254	2,107,477	36.05%

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$225,461 in early retirement and compensated absences. This represents an increase of approximately 594.30% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Early retirement	\$ 184,268	0	100.00%
Compensated absences	41,193	32,473	26.85%
Total	\$ 225,461	32,473	594.30%

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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,239,652	(11,700)	2,227,952
Receivables:			
Property tax:			
Delinquent	74,650	0	74,650
Succeeding year	3,095,546	0	3,095,546
Income surtax	353,196	0	353,196
Accounts	10,145	1,958	12,103
Due from other governments	416,452	236	416,688
Inventories	0	14,372	14,372
Capital assets, net of accumulated depreciation(Note 3)	2,781,991	85,263	2,867,254
TOTAL ASSETS	8,971,632	90,129	9,061,761
LIABILITIES			
Accounts payable	8,965	0	8,965
Salaries and benefits payable	21,192	0	21,192
Deferred revenue:			
Succeeding year property tax	3,095,546	0	3,095,546
Unearned revenue	0	5,366	5,366
Long-term liabilities(Note 4):			
Portion due within one year:			
Compensated absences	41,193	0	41,193
Early retirement	61,423	0	61,423
Portion due after one year:			
Early retirement	122,845	0	122,845
TOTAL LIABILITIES	3,351,164	5,366	3,356,530
NET ASSETS			
Invested in capital assets	2,781,991	85,263	2,867,254
Restricted for:			
Talented and gifted	23,605	0	23,605
Administrator mentoring	12	0	12
Professional development	15,502	0	15,502
Market factor	7,396	0	7,396
Market factor incentives	8,582	0	8,582
Physical plant and equipment levy	25,218	0	25,218
Capital projects	705,541	0	705,541
Other special revenue purposes	185,202	0	185,202
Unrestricted	1,867,419	(500)	1,866,919
TOTAL NET ASSETS	\$ 5,620,468	84,763	5,705,231

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Operating Grants, Capital Grants, Charges for Services		Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Governmental activities:								
Instruction:								
Regular instruction	\$ 4,446,990	203,338	974,574	0	(3,269,078)	0	(3,269,078)	
Special instruction	1,268,753	60,379	64,592	0	(1,143,782)	0	(1,143,782)	
Other instruction	1,515,954	179,386	49,535	0	(1,287,033)	0	(1,287,033)	
	<u>7,231,697</u>	<u>443,103</u>	<u>1,088,701</u>	<u>0</u>	<u>(5,699,893)</u>	<u>0</u>	<u>(5,699,893)</u>	
Support services:								
Student services	353,706	0	0	0	(353,706)	0	(353,706)	
Instructional staff services	349,346	0	0	0	(349,346)	0	(349,346)	
Administration services	1,143,151	0	0	0	(1,143,151)	0	(1,143,151)	
Operation and maintenance of plant services	975,988	0	0	0	(975,988)	0	(975,988)	
Transportation services	584,987	289	376	0	(584,322)	0	(584,322)	
	<u>3,407,178</u>	<u>289</u>	<u>376</u>	<u>0</u>	<u>(3,406,513)</u>	<u>0</u>	<u>(3,406,513)</u>	
Non-instructional programs:								
Food service program	10,453	0	0	0	(10,453)	0	(10,453)	
Other expenditures:								
Facilities acquisitions	170,697	0	0	8,896	(161,801)	0	(161,801)	
AEA flowthrough	402,198	0	402,198	0	0	0	0	
Depreciation (unallocated)*	55,938	0	0	0	(55,938)	0	(55,938)	
	<u>628,833</u>	<u>0</u>	<u>402,198</u>	<u>8,896</u>	<u>(217,739)</u>	<u>0</u>	<u>(217,739)</u>	
Total governmental activities	11,278,161	443,392	1,491,275	8,896	(9,334,598)	0	(9,334,598)	
Business-Type activities:								
Support services:								
Administration	99	0	0	0	0	(99)	(99)	
Non-instructional programs:								
Nutrition services	572,727	304,418	218,032	0	0	(50,277)	(50,277)	
Total business-type activities	<u>572,826</u>	<u>304,418</u>	<u>218,032</u>	<u>0</u>	<u>0</u>	<u>(50,376)</u>	<u>(50,376)</u>	
Total	<u>\$ 11,850,987</u>	<u>747,810</u>	<u>1,709,307</u>	<u>8,896</u>	<u>(9,334,598)</u>	<u>(50,376)</u>	<u>(9,384,974)</u>	
General Revenues & Transfers:								
General Revenues:								
Local tax for:								
General purposes					\$ 2,885,371	0	2,885,371	
Income surtax					355,220	0	355,220	
Local option sales and services tax					708,463	0	708,463	
Unrestricted state grants					5,492,526	0	5,492,526	
Unrestricted investment earnings					135,522	340	135,862	
Other general revenues					53,468	0	53,468	
Transfers					(56,311)	56,311	0	
Total general revenues and transfers					<u>9,574,259</u>	<u>56,651</u>	<u>9,630,910</u>	
Changes in net assets					239,661	6,275	245,936	
Net assets beginning of year					<u>5,380,807</u>	<u>78,488</u>	<u>5,459,295</u>	
Net assets end of year					<u>\$ 5,620,468</u>	<u>84,763</u>	<u>5,705,231</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, 2008

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,295,606	578,351	365,695	2,239,652
Receivables:				
Property tax:				
Delinquent	70,130	0	4,520	74,650
Succeeding year	2,859,046	0	236,500	3,095,546
Income surtax	353,196	0	0	353,196
Accounts	10,145	0	0	10,145
Due from other governments	289,262	127,190	0	416,452
TOTAL ASSETS	\$ 4,877,385	705,541	606,715	6,189,641
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	8,263	0	702	8,965
Salaries and benefits payable	21,192	0	0	21,192
Deferred revenue:				
Succeeding year property tax	2,859,046	0	236,500	3,095,546
Income surtax	353,196	0	0	353,196
Total liabilities	3,241,697	0	237,202	3,478,899
Fund balances:				
Reserved for:				
Talanted and gifted	23,605	0	0	23,605
Administrator mentoring	12	0	0	12
Professional development	15,502	0	0	15,502
Market factor	7,396	0	0	7,396
Market factor incentives	8,582	0	0	8,582
Unreserved:				
Designated for cashflow	790,296	0	0	790,296
Undesignated	790,295	705,541	369,513	1,865,349
Total fund balances	1,635,688	705,541	369,513	2,710,742
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,877,385	705,541	606,715	6,189,641

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, 2008

Total fund balances of governmental funds(page 15)	\$ 2,710,742
 <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.	2,781,991
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	353,196
Long-term liabilities, including early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(225,461)
Net assets of governmental activities(page 13)	<u><u>\$ 5,620,468</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, 2008

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,105,113	708,463	174,722	3,988,298
Tuition	232,280	0	0	232,280
Other	173,270	28,652	263,828	465,750
State sources	6,537,034	0	170	6,537,204
Federal sources	380,949	0	8,896	389,845
Total revenues	<u>10,428,646</u>	<u>737,115</u>	<u>447,616</u>	<u>11,613,377</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	4,388,962	0	13,382	4,402,344
Special instruction	1,232,663	0	9,177	1,241,840
Other instruction	1,265,271	0	267,885	1,533,156
	<u>6,886,896</u>	<u>0</u>	<u>290,444</u>	<u>7,177,340</u>
Support services:				
Student services	326,116	0	677	326,793
Instructional staff services	312,296	0	222	312,518
Administration services	1,084,965	0	28,814	1,113,779
Operation and maintenance of plant services	881,386	0	55,565	936,951
Transportation services	608,109	11,400	33,093	652,602
	<u>3,212,872</u>	<u>11,400</u>	<u>118,371</u>	<u>3,342,643</u>
Non-instructional programs:				
Food service operations	0	0	10,453	10,453
Other expenditures:				
Facilities acquisitions	0	910,542	8,896	919,438
AEA flowthrough	402,198	0	0	402,198
	<u>402,198</u>	<u>910,542</u>	<u>8,896</u>	<u>1,321,636</u>
Total expenditures	<u>10,501,966</u>	<u>921,942</u>	<u>428,164</u>	<u>11,852,072</u>
Net change in fund balances	(73,320)	(184,827)	19,452	(238,695)
Fund balance beginning of year	1,709,008	890,368	350,061	2,949,437
Fund balance end of year	<u>\$ 1,635,688</u>	<u>705,541</u>	<u>369,513</u>	<u>2,710,742</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, 2008

Net change in fund balances - total governmental funds (page 17)		\$ (238,695)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 886,357	
Depreciation expense	<u>(175,769)</u>	710,588
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(39,244)
 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	\$ (8,720)	
Early Retirement	<u>(184,268)</u>	<u>(192,988)</u>
 Changes in net assets of governmental activities (page 14)		 <u>\$ 239,661</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Accounts receivable	\$ 1,958
Due from other governments	236
Inventories	14,372
Capital assets, net of accumulated depreciation(Note 3)	<u>85,263</u>
TOTAL ASSETS	<u>101,829</u>
LIABILITIES	
Excess of warrants over bank balance	11,700
Unearned revenue	<u>5,366</u>
TOTAL LIABILITES	<u>17,066</u>
NET ASSETS	
Invested in capital assets	85,263
Unrestricted	<u>(500)</u>
TOTAL NET ASSETS	<u>\$ 84,763</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, 2008

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 304,418
OPERATING EXPENSES:	
Support services:	
Administration services:	
Salaries	87
Benefits	12
	99
Non-instructional programs:	
Food service operations:	
Salaries	191,647
Benefits	54,797
Services	14,664
Supplies	300,044
Depreciation	11,575
	572,727
TOTAL OPERATING EXPENSES	572,826
OPERATING LOSS	(268,408)
NON-OPERATING REVENUES:	
Interest	340
State sources	5,492
Federal sources	212,540
TOTAL NON-OPERATING REVENUES	218,372
Change in net assets before capital contributions	(50,036)
Capital contributions	56,311
Change in net assets	6,275
Net assets beginning of year	78,488
Net assets end of year	\$ 84,763

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 305,294
Cash received from miscellaneous operating activities	446
Cash payments to employees for services	(246,557)
Cash payments to suppliers for goods or services	(286,993)
Net cash used in operating activities	(227,810)
Cash flows from non-capital financing activities:	
State grants received	5,492
Federal grants received	184,865
Net cash provided by non-capital financing activities	190,357
Cash flows from investing activities:	
Interest on investments	340
Cash flow from capital and related financing activities:	
Acquisition of capital assets	(4,453)
Net decrease in cash and cash equivalents	(41,566)
Cash and cash equivalents at beginning of year	29,866
Cash and cash equivalents at end of year	\$ (11,700)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (268,408)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	27,439
Depreciation	11,575
Decrease in inventories	276
Decrease in accounts receivable	1,261
Decrease in salaries and benefits payable	(14)
Increase in unearned revenue	61
Net cash used in operating activities	\$ (227,810)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ (11,700)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$27,439.

During the year ended June 30, 2008, the District received capital contributions from the Capital Projects Fund of \$56,311.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 100,047	5,896
Due from other governments	0	57,940
	<u>100,047</u>	<u>63,836</u>
LIABILITIES		
Accounts payable	0	41,558
Due to other groups	0	22,278
	<u>0</u>	<u>63,836</u>
NET ASSETS		
Reserved for scholarships	54,735	0
Unreserved	45,312	0
	<u>45,312</u>	<u>0</u>
TOTAL NET ASSETS	<u><u>\$ 100,047</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, 2008

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 3,578
Donations	1,500
TOTAL ADDITIONS	<u>5,078</u>
DEDUCTIONS:	
Instruction:	
Regular instruction	<u>17,294</u>
Changes in net assets	(12,216)
Net assets beginning of year	<u>112,263</u>
Net assets end of year	<u>\$ 100,047</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

(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 consists of capital assets, net of accumulated depreciation.

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, 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 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, 2008. 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 \$790,296.

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, 2008, disbursements did not exceed budgeted amounts.

(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.

Government Accounting Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investments and risk categorization:

	Risk Category	Fair Value
American Express Investments	2	\$ 42,292

The District's investment in the annuity is stated at fair value and is classified as risk category 2, which are investments that are uninsured and unregistered and held by the District or its agent in the District's name.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 224,786	25,000	0	249,786
Construction in progress	320,362	498,954	188,706	630,610
Total capital assets not being depreciated	545,148	523,954	188,706	880,396
Capital assets being depreciated:				
Buildings	4,037,626	188,706	0	4,226,332
Land improvements	180,900	168,477	0	349,377
Machinery and equipment	1,156,751	193,926	80,609	1,270,068
Total capital assets being depreciated	5,375,277	551,109	80,609	5,845,777
Less accumulated depreciation for:				
Buildings	2,798,078	91,541	0	2,889,619
Land improvements	139,351	11,648	0	150,999
Machinery and equipment	911,593	72,580	80,609	903,564
Total accumulated depreciation	3,849,022	175,769	80,609	3,944,182
Total capital assets being depreciated, net	1,526,255	375,340	0	1,901,595
Governmental activities capital assets, net	\$ 2,071,403	899,294	188,706	2,781,991

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 88,815	60,764	10,675	138,904
Less accumulated depreciation	52,741	11,575	10,675	53,641
Business-type activities capital assets, net	\$ 36,074	49,189	0	85,263

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,182
Other		2,867
Support services:		
Operation and maintenance of plant services		19,380
Transportation		95,402
		<u>119,831</u>
Unallocated depreciation		<u>55,938</u>
		<u>\$ 175,769</u>
Business-type activities:		
Food services		<u>\$ 11,575</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 0	184,268	0	184,268	61,423
Compensated absences	32,473	41,193	32,473	41,193	41,193
Total	\$ 32,473	225,461	32,473	225,461	102,616

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. No early retirement benefits were paid during the year ended June 30, 2008. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(5) 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 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 contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$371,900, \$333,648, and \$322,160 respectively, equal to the required contributions for each year.

(6) 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.

(7) 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 \$402,198 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.

(8) Construction Commitment

The District has entered into general contracts for District building improvements as well as a track improvement project. As of June 30, 2008, costs of \$630,610 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.

(9) Deficit Unrestricted Net Assets

The Enterprise, School Nutrition Fund had deficit unrestricted net assets of \$500 at June 30, 2008.

(10) Subsequent Events

Effective, July 1, 2008 the Russell Community School District was closed. Due to the involuntary merger, the property of the District was divided between Albia, Chariton and Wayne Community School Districts.

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, 2008

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,686,328	304,758	4,991,086	5,293,044	5,293,044	(301,958)
State sources	6,537,204	5,492	6,542,696	6,959,731	6,959,731	(417,035)
Federal sources	389,845	212,540	602,385	710,000	710,000	(107,615)
Total revenues	11,613,377	522,790	12,136,167	12,962,775	12,962,775	(826,608)
Expenditures:						
Instruction	7,177,340	0	7,177,340	9,390,849	9,390,849	2,213,509
Support services	3,342,643	99	3,342,742	3,474,500	3,474,500	131,758
Non-instructional programs	10,453	572,727	583,180	880,000	880,000	296,820
Other expenditures	1,321,636	0	1,321,636	1,980,432	1,980,432	658,796
Total expenditures	11,852,072	572,826	12,424,898	15,725,781	15,725,781	3,300,883
Excess(deficiency) of revenues over(under) expenditures	(238,695)	(50,036)	(288,731)	(2,763,006)	(2,763,006)	2,474,275
Other financing sources, net	0	56,311	56,311	2,500	2,500	53,811
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(238,695)	6,275	(232,420)	(2,760,506)	(2,760,506)	2,528,086
Balance beginning of year	2,949,437	78,488	3,027,925	3,689,015	3,689,015	(661,090)
Balance end of year	\$ 2,710,742	84,763	2,795,505	928,509	928,509	1,866,996

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ALBIA 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 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 SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 154,573	185,904	25,218	365,695
Receivables:				
Property tax:				
Current year delinquent	4,520	0	0	4,520
Succeeding year	236,500	0	0	236,500
TOTAL ASSETS	\$ 395,593	185,904	25,218	606,715
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 0	702	0	702
Deferred revenue:				
Succeeding year property tax	236,500	0	0	236,500
Total liabilities	236,500	702	0	237,202
Unreserved fund balances	159,093	185,202	25,218	369,513
TOTAL LIABILITIES AND FUND BALANCES	\$ 395,593	185,904	25,218	606,715

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 174,722	0	0	174,722
Other	18,852	244,976	0	263,828
State sources	170	0	0	170
Federal sources	0	0	8,896	8,896
TOTAL REVENUES	193,744	244,976	8,896	447,616
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	13,382	0	0	13,382
Special instruction	9,177	0	0	9,177
Other instruction	3,411	264,474	0	267,885
Support services:				
Student support services	677	0	0	677
Instructional staff	222	0	0	222
Administration services	28,814	0	0	28,814
Operation and maintenance of plant services	55,565	0	0	55,565
Student transportation	33,093	0	0	33,093
Non-instructional programs:				
Food service operations	10,453	0	0	10,453
Other expenditures:				
Facilities acquisitions	0	0	8,896	8,896
TOTAL EXPENDITURES	154,794	264,474	8,896	428,164
NET CHANGE IN FUND BALANCE	38,950	(19,498)	0	19,452
FUND BALANCE BEGINNING OF YEAR	120,143	204,700	25,218	350,061
FUND BALANCE END OF YEAR	\$ 159,093	185,202	25,218	369,513

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High school co-curricular	\$ 52,875	69,185	76,277	45,783
High school athletics	62,006	119,278	134,888	46,396
7th/8th grade co-curricular	9,193	8,695	5,447	12,441
7th/8th grade athletics	19,783	6,378	7,094	19,067
High school clubs	45,052	38,995	35,930	48,117
7th/8th grade clubs	13,929	2,161	4,838	11,252
Lincoln center clubs	1,862	284	0	2,146
Total	<u>\$ 204,700</u>	<u>244,976</u>	<u>264,474</u>	<u>185,202</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2008

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Pepsi Scholarship
ASSETS					
Cash and pooled investments	\$ 19,176	8,083	3,440	26,518	500
LIABILITIES					
	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	18,159	7,500	3,311	25,765	0
Unreserved	1,017	583	129	753	500
TOTAL NET ASSETS	\$ 19,176	8,083	3,440	26,518	500

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

Hope Scholarship	Mick Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Sylvia Rosenthal Scholarship	Class of 1933 Scholarship	Elaine Chelar Nursing Scholarship	Total
1,878	(7,800)	16,427	30,025	1,000	300	500	100,047
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	54,735
1,878	(7,800)	16,427	30,025	1,000	300	500	45,312
1,878	(7,800)	16,427	30,025	1,000	300	500	100,047

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2008

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Coca Cola Middle School	Pepsi Scholarship
ADDITIONS:						
Local sources:						
Interest on investment	\$ 692	306	26	869	0	0
Donations	0	0	0	0	0	1,000
TOTAL ADDITIONS	692	306	26	869	0	1,000
DEDUCTIONS:						
Instruction:						
Regular instruction	585	0	0	534	375	500
Change in net assets	107	306	26	335	(375)	500
Net assets beginning of year	19,069	7,777	3,414	26,183	375	0
Net assets end of year	\$ 19,176	8,083	3,440	26,518	0	500

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Hope Scholarship	Mick Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Sylvia Rosenthal Scholarship	Class of 1933 Scholarship	Elaine Chelar Nursing Scholarship	Total
0	0	0	1,685	0	0	0	3,578
0	0	0	0	0	0	500	1,500
0	0	0	1,685	0	0	500	5,078
100	8,100	1,000	5,000	1,000	100	0	17,294
(100)	(8,100)	(1,000)	(3,315)	(1,000)	(100)	500	(12,216)
1,978	300	17,427	33,340	2,000	400	0	112,263
1,878	(7,800)	16,427	30,025	1,000	300	500	100,047

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS AND
LIABILITIES - AGENCY FUND
YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ (29,400)	98,557	63,261	5,896
Due from other governments	42,161	57,940	42,161	57,940
	<u>\$ 12,761</u>	<u>156,497</u>	<u>105,422</u>	<u>63,836</u>
LIABILITIES				
Accounts payable	\$ 0	41,558	0	41,558
Due to other groups	12,761	114,939	105,422	22,278
	<u>\$ 12,761</u>	<u>156,497</u>	<u>105,422</u>	<u>63,836</u>

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 FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 3,988,298	3,917,887	3,951,152	4,118,763	3,365,343
Tuition	232,280	204,936	210,231	177,593	139,703
Other	465,750	546,839	587,492	395,416	346,660
State sources	6,537,204	6,094,941	6,079,697	5,891,353	5,558,973
Federal sources	389,845	468,729	323,229	521,793	472,809
Total	<u>\$ 11,613,377</u>	<u>11,233,332</u>	<u>11,151,801</u>	<u>11,104,918</u>	<u>9,883,488</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 4,402,344	4,303,385	4,003,087	4,284,697	3,927,269
Special instruction	1,241,840	1,413,475	1,455,258	1,340,465	1,735,912
Other instruction	1,533,156	1,393,853	1,391,063	921,826	786,473
Support services:					
Student services	326,793	293,144	266,405	261,066	239,758
Instructional staff services	312,518	128,962	140,091	213,495	209,105
Administration services	1,113,779	1,103,978	1,055,302	923,136	890,723
Operation and maintenance of plant services	936,951	891,349	811,743	756,098	748,446
Transportation services	652,602	528,322	508,069	428,711	369,071
Other support services	0	0	7,720	6,677	4,163
Non-instructional:					
Food service operations	10,453	7,524	0	0	6,475
Community service and education operations	0	0	0	0	71
Other expenditures:					
Facilities acquisitions	919,438	674,741	301,292	214,162	107,065
Long Term Debt:					
Principal	0	45,000	380,000	370,000	365,000
Interest	0	1,412	8,253	13,803	21,472
AEA flow-through	402,198	379,098	369,055	360,731	355,216
Total	<u>\$ 11,852,072</u>	<u>11,164,243</u>	<u>10,697,338</u>	<u>10,094,867</u>	<u>9,766,219</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	\$ 31,474
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	180,830 *
			<u>212,304</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0081-G	<u>171,916</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>4,620</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANT)	84.215	FY 08	<u>8,896</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 08	<u>2,037</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 08	<u>68,973</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 08	<u>8,148</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>64,592</u>
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 08	<u>500</u>

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 08	18,800
ENHANCING EDUCATION THROUGH			
TECHNOLOGY (E2T2)	84.318	FY 08	6,309
TOTAL			\$ 567,095

*Includes \$27,439 of non-cash awards.

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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 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 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 did not identify deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Albia 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 Albia Community School District's financial statements that is more than inconsequential will not be prevented or detected by Albia Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Albia Community School District's internal control.

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, 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.

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.

March 23, 2009

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

To the Board of Education of
Albia Community School District

Compliance

We have audited the compliance of Albia Community School District with the types of compliance requirements described in 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, 2008. 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, 2008.

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 above. 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.


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March 23, 2009

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) 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 material weaknesses in internal control over the major programs were noted.
- (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, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Purchase Orders - We noted during our audit that the District currently uses payment vouchers in the Student Activity Fund in place of purchase orders in the purchase process. If they are to be treated as purchase orders, the payment vouchers should be approved before the purchase is actually made. We noted however many of the payment vouchers are actually completed after the product has been ordered and at times may be completed after the receipt of the products.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before the ordering of the supplies takes place.

Response - Due to the hiring of new staff members at the High School level, purchasing protocols already in place may not have always been followed. The District will continue to train the Athletic Director and Secretary to make sure they are following proper protocols to obtain administrative approval prior to the ordering for materials.

Conclusion - Response accepted.

II-B-08 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The Board of Education will review Board policies and update them in a timely manner.

Conclusion - Response accepted.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- IV-B-08 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-08 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.

The District policy 401.15 in effect states that meal expenses incurred by employees during regular work hours will not be reimbursed unless approved in advance by the employee's supervisor. Policy 705.9 states that when an employee uses the District-issued credit cards that detailed receipts must be turned into the Central Office or the expense becomes that of the employee and not the District.

However, we noted that neither of these policies addresses employees seeking reimbursement of meal expenses charged to their personal credit cards when the expense is that of the District. Also, we noted during our audit that reimbursements to employees for meal expenses did not always have detailed receipts for the District's supporting documentation.

Recommendation - The District should model a new policy addressing reimbursement of meal expenses by employees that charge the expense on personal credit cards. The policy should at a minimum require employees submit detailed documentation of the meal expense to be reimbursed otherwise the expense will be that of the employee and not the District. In this way, District accounting staff can ensure that the meal expenditures are allowable. The District should follow their current policy and require detailed receipts before expenses are reimbursed.

Response - We will require detailed receipts before travel expenses are reimbursed.

Conclusion - Response accepted.

- IV-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie McGee, Teacher Spouse owns McGee Sanitation, LLC	Services	\$6,500

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

- IV-E-08 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-08 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 - The District will provide the minutes within two weeks following Board meetings as required by the Code of Iowa.

Conclusion - Response accepted.

IV-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of open enrolled out students reported on Line 2 was overstated by 0.6 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will contact the Department of Education and the Department of Management as recommended.

Conclusion - Response accepted.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 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.

IV-J-08 Physical Plant and Equipment Levy (PPEL) and Local Option Sales and Service Tax Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for purchasing a single unit of equipment exceeding \$500 per unit. According to the District's revenue purpose statement, local option sales and service tax money can be spent for PPEL type expenditures, thus falling within the same \$500 per unit of equipment restriction. We noted during our audit that the District had purchases consisting of bulletin boards, window shades, desks, chairs, and tables in the Capital Projects Fund for equipment less than the \$500 threshold.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 298.3 of the Code of Iowa. A corrective transfer of \$15,235.44 should be made from the General Fund to Capital Projects Fund to cover these expenditures.

Response - The District will make the corrective transfer of \$15,235.44 from the General Fund to the Capital Projects Fund. The District will also ensure that purchases made from these funds are in compliance with Chapter 298.3 of the Code of Iowa.

Conclusion - Response accepted.

IV-K-08 Financial Condition - The District had a deficit unrestricted net assets of \$500 in the Enterprise - School Nutrition fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will monitor this fund more closely.

Conclusion - Response accepted.