

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

JUNE 30, 2009

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Albia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 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
Board of Education (After September 2008 Election)		
Robin Haselhuhn	President	2009
John Scieszinski	Vice President	2011
Mike Stocker	Board Member	2011
Jeff Liston	Board Member	2009
Donna Whisler	Board Member	2009
Tim Bates	Board Member (Resigned)	2010
Mary Wynn	Board Member (Appointed)	2011*
Denny Amoss	Board Member	2009*
School Officials		
Kevin Crall	Superintendent	2009
Peggy Newman	District Secretary/Treasurer And Business Manager	2009
Gruhn Law Firm	Attorney	2009

* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albia Community School District, Albia, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Albia Community School District at June 30, 2009, 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.

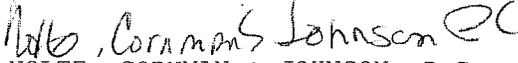
In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2010 on our consideration of the Albia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 13 and 38 through 39 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 five years ended June 30, 2008 (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 24, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,428,646 in fiscal 2008 to \$10,621,788 in fiscal 2009, while General Fund expenditures increased from \$10,501,966 in fiscal 2008 to \$10,745,160 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$1,635,688 in fiscal 2008 to a balance of \$1,487,747 in fiscal 2009, a 9.05% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax and federal source revenues. The increase in expenditures was due primarily to an increase in instruction expenditures. 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 2009.

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 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 governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

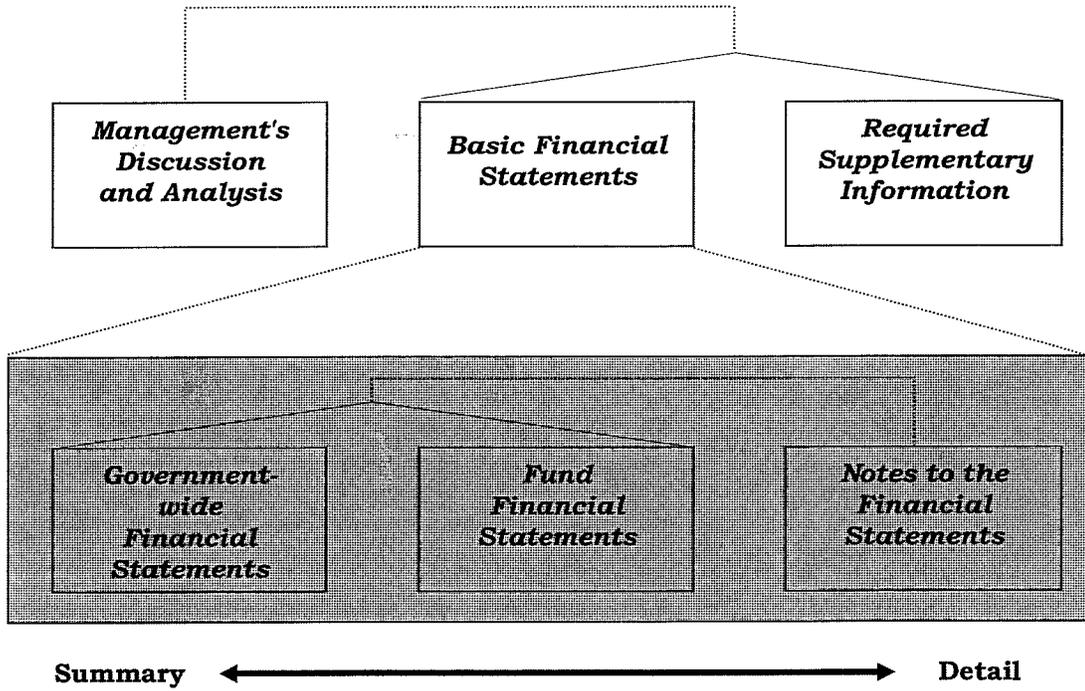


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 net assets • Statement of revenues, expenses and changes in fund 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, the Special Revenue Funds, the Capital Projects Fund, and the Debt Service Fund.

The required financial statements for 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 net assets, a statement of revenues, expenses and changes in fund 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 a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 7,690,913	6,189,641	30,476	4,866	7,721,389	6,194,507	24.65%
Capital assets	4,239,261	2,781,991	103,849	85,263	4,343,110	2,867,254	51.47%
Total assets	11,930,174	8,971,632	134,325	90,129	12,064,499	9,061,761	33.14%
Long-term liabilities	1,657,762	225,461	0	0	1,657,762	225,461	635.28%
Other liabilities	4,491,776	3,125,703	3,731	5,366	4,495,507	3,131,069	43.58%
Total liabilities	6,149,538	3,351,164	3,731	5,366	6,153,269	3,356,530	83.32%
Net assets:							
Invested in capital assets	2,745,261	2,781,991	103,849	85,263	2,849,110	2,867,254	-0.63%
Restricted	1,349,952	971,058	0	0	1,349,952	971,058	39.02%
Unrestricted	1,685,423	1,867,419	26,745	(500)	1,712,168	1,866,919	-8.29%
Total net assets	\$ 5,780,636	5,620,468	130,594	84,763	5,911,230	5,705,231	3.61%

The District's combined net assets increased by 3.61%, or \$205,999, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$378,894 or 39.02% from the prior year. The increase was primarily a result of the increase in the Capital Projects Fund balance.

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 \$154,751, or 8.29%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 397,223	443,392	344,659	304,418	741,882	747,810	-0.79%
Operating grants and contributions and restricted interest	1,995,602	1,491,275	242,092	218,032	2,237,694	1,709,307	30.91%
Capital grants and contributions and restricted interest	31,889	8,896	0	0	31,889	8,896	258.46%
General revenues:							
Property tax	3,061,775	2,885,371	0	0	3,061,775	2,885,371	6.11%
Income surtax	469,834	355,220	0	0	469,834	355,220	32.27%
Statewide sales and service tax	778,423	708,463	0	0	778,423	708,463	9.87%
Unrestricted state grants	4,986,033	5,492,526	0	0	4,986,033	5,492,526	-9.22%
Unrestricted investment earnings	47,552	135,522	310	340	47,862	135,862	-64.77%
Other	247,810	53,468	0	0	247,810	53,468	363.47%
Transfers	(30,614)	(56,311)	30,614	56,311	0	0	0.00%
Total revenues and transfers	11,985,527	11,517,822	617,675	579,101	12,603,202	12,096,923	4.19%
Program expenses:							
Governmental activities:							
Instruction	7,697,632	7,231,697	0	0	7,697,632	7,231,697	6.44%
Support services	3,097,688	3,407,178	1,169	99	3,098,857	3,407,277	-9.05%
Non-instructional programs	11,542	10,453	570,719	572,727	582,261	583,180	-0.16%
Other expenses	1,019,265	628,833	0	0	1,019,265	628,833	62.09%
Total expenses	11,826,127	11,278,161	571,888	572,826	12,398,015	11,850,987	4.62%
Changes in net assets before extraordinary items	159,400	239,661	45,787	6,275	205,187	245,936	-16.57%
Extraordinary items:							
Reorganization settlement	768	0	44	0	812	0	100.00%
Changes in net assets	160,168	239,661	45,831	6,275	205,999	245,936	-16.24%
Net assets beginning of year	5,620,468	5,380,807	84,763	78,488	5,705,231	5,459,295	4.50%
Net assets end of year	\$ 5,780,636	5,620,468	130,594	84,763	5,911,230	5,705,231	3.61%

In fiscal 2009, property tax, income surtax, statewide sales and service tax and unrestricted state grants account for 77.56% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 95% of the revenue from business type activities.

The District's total revenues were approximately \$12.6 million of which \$11.98 million was for governmental activities and approximately \$0.62 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.19% increase in revenues and a 4.62% increase in expenses. The increase in revenues was related to an increase in federal 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 \$11,985,527 and expenses were \$11,826,117 for the year ended June 30, 2009.

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 for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 7,697,632	7,231,697	6.44%	5,713,292	5,699,893	0.24%
Support services	3,097,688	3,407,178	-9.08%	3,096,892	3,406,513	-9.09%
Non-instructional	11,542	10,453	10.42%	11,542	10,453	10.42%
Other expenses	1,019,265	628,833	62.09%	579,687	217,739	166.23%
Totals	\$ 11,826,127	11,278,161	4.86%	9,401,413	9,334,598	0.72%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$397,223.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,027,491.
- The net cost of governmental activities was financed with \$3,061,775 in property tax, \$469,834 in income surtax, \$778,423 in statewide sales and service tax, \$4,986,033 in unrestricted state grants, and \$47,552 in interest income.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2009 were \$617,675 and expenses were \$571,888. 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 balances of \$2,808,631, above last year's ending fund balances of \$2,710,742.

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 2009. Increases in expenditures were related primarily to increases in

instruction expenditures during the year. The increase in revenues was not enough to offset the increase in expenditures, therefore ensuring the decline in General Fund balance.

- The Special Revenue, Management Levy Fund and Special Revenue, Student Activity Fund combined balances decreased from \$344,295 in 2008, to \$297,682 in 2008, due primarily to the increase in instruction expenditures.
- The Capital Projects Fund decreased from \$705,541 in 2008 to \$932,094 in 2009 due to the issuance of revenue bonds during the year.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$84,763 at June 30, 2008 to \$130,594 at June 30, 2009, representing an increase of 54.07%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$89,855 less than budgeted revenues, a variance of 0.71%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due 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, 2009, the District had invested \$4.34 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 51.47% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$239,887.

The original cost of the District's capital assets was \$8,358,758. Governmental funds account for \$8,188,405 with the remainder of \$170,353 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 \$198,378 at June 30, 2008, compared to \$970,906 reported at June 30, 2009. This increase resulted from the completion of the track improvement project.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 249,786	249,786	0	0	249,786	249,786	0.00%
Construction in progress	0	630,610	0	0	0	630,610	-100.00%
Buildings	2,634,408	1,336,713	0	0	2,634,408	1,336,713	97.08%
Land improvements	970,906	198,378	0	0	970,906	198,378	389.42%
Machinery and equipment	384,161	366,504	103,849	85,263	488,010	451,767	8.02%
Total	\$ 4,239,261	2,781,991	103,849	85,263	4,343,110	2,867,254	51.47%

Long-Term Debt

At June 30, 2009, the District had \$1,657,762 in total long-term debt outstanding. This represents an increase of approximately 635.28% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-009
Revenue bonds	\$ 650,000	0	100.00%
Capital loan notes	844,000	0	100.00%
Early retirement	122,845	184,268	100.00%
Compensated absences	40,917	41,193	-0.67%
Total	\$ 1,657,762	225,461	635.28%

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:

- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- The District has been pleased with the one cent sales tax revenues that have been steadily growing since the tax was passed. A concerted plan has been put in place based on the one cent sales tax revenue to begin major infrastructure projects. The plan also provides flexibility to meet short term ongoing needs.
- 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.

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, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 1,266,745	0	1,266,745
Other	2,521,992	9,077	2,531,069
Receivables:			
Property tax:			
Delinquent	81,357	0	81,357
Succeeding year	3,120,745	0	3,120,745
Income surtax	393,578	0	393,578
Accounts	31,982	1,680	33,662
Accrued ISCAP interest	157	0	157
Due from other governments	274,357	4,031	278,388
Inventories	0	15,688	15,688
Capital assets, net of accumulated depreciation	4,239,261	103,849	4,343,110
TOTAL ASSETS	11,930,174	134,325	12,064,499
LIABILITIES			
Accounts payable	79,667	0	79,667
Interest payable	3,072	0	3,072
Salaries and benefits payable	16,725	1,305	18,030
ISCAP warrants payable	1,247,000	0	1,247,000
ISCAP accrued interest payable	427	0	427
ISCAP premiums payable	24,140	0	24,140
Deferred revenue:			
Succeeding year property tax	3,120,745	0	3,120,745
Unearned revenue	0	2,426	2,426
Long-term liabilities:			
Portion due within one year:			
Capital loan notes	43,000	0	43,000
Compensated absences	40,917	0	40,917
Early retirement	61,423	0	61,423
Portion due after one year:			
Revenue bonds	650,000	0	650,000
Capital loan notes	801,000	0	801,000
Early retirement	61,422	0	61,422
TOTAL LIABILITIES	6,149,538	3,731	6,153,269
NET ASSETS			
Invested in capital assets	2,745,261	103,849	2,849,110
Restricted for:			
Categorical funding	151,913	0	151,913
Management levy	73,466	0	73,466
Debt service	65,097	0	65,097
Physical plant and equipment levy	26,011	0	26,011
Capital projects	932,094	0	932,094
Other special revenue purposes	101,371	0	101,371
Unrestricted	1,685,423	26,745	1,712,168
TOTAL NET ASSETS	\$ 5,780,636	130,594	5,911,230

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Capital Grants, Contributions and Restricted		Govern- mental Activities	Business Type Activities	Total
			Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,065,783	76,553	1,464,401	0	(3,524,829)	0	(3,524,829)
Special	1,542,989	141,042	60,679	0	(1,341,268)	0	(1,341,268)
Other	1,088,860	178,832	62,833	0	(847,195)	0	(847,195)
	<u>7,697,632</u>	<u>396,427</u>	<u>1,587,913</u>	<u>0</u>	<u>(5,713,292)</u>	<u>0</u>	<u>(5,713,292)</u>
Support services:							
Student	320,290	0	0	0	(320,290)	0	(320,290)
Instructional staff	264,598	0	0	0	(264,598)	0	(264,598)
Administration	1,070,961	0	0	0	(1,070,961)	0	(1,070,961)
Operation and maintenance of plant	868,067	0	0	0	(868,067)	0	(868,067)
Transportation	573,772	796	0	0	(572,976)	0	(572,976)
	<u>3,097,688</u>	<u>796</u>	<u>0</u>	<u>0</u>	<u>(3,096,892)</u>	<u>0</u>	<u>(3,096,892)</u>
Non-instructional programs:							
Food service program	11,542	0	0	0	(11,542)	0	(11,542)
Other expenditures:							
Facilities acquisitions	464,108	0	0	31,889	(432,219)	0	(432,219)
Long-term debt interest	27,651	0	0	0	(27,651)	0	(27,651)
AEA flowthrough	407,689	0	407,689	0	0	0	0
Depreciation(unallocated)*	119,817	0	0	0	(119,817)	0	(119,817)
	<u>1,019,265</u>	<u>0</u>	<u>407,689</u>	<u>31,889</u>	<u>(579,687)</u>	<u>0</u>	<u>(579,687)</u>
Total governmental activities	11,826,127	397,223	1,995,602	31,889	(9,401,413)	0	(9,401,413)
Business type activities:							
Support services:							
Administration	1,169	0	0	0	0	(1,169)	(1,169)
Non-instructional programs:							
Food service operations	570,719	344,659	242,092	0	0	16,032	16,032
Total business type activities	<u>571,888</u>	<u>344,659</u>	<u>242,092</u>	<u>0</u>	<u>0</u>	<u>14,863</u>	<u>14,863</u>
Total	<u>\$ 12,398,015</u>	<u>741,882</u>	<u>2,237,694</u>	<u>31,889</u>	<u>(9,401,413)</u>	<u>14,863</u>	<u>(9,386,550)</u>
General Revenues and Transfers:							
General Revenues:							
Local tax for:							
General purposes					\$ 3,061,775	0	3,061,775
Income surtax					469,834	0	469,834
Statewide sales and services tax					778,423	0	778,423
Unrestricted state grants					4,986,033	0	4,986,033
Unrestricted investment earnings					47,552	310	47,862
Other general revenues					247,810	0	247,810
Transfers					(30,614)	30,614	0
Total general revenues and transfers					<u>9,560,813</u>	<u>30,924</u>	<u>9,591,737</u>
Changes in net assets before extraordinary items					159,400	45,787	205,187
Extraordinary items:							
Reorganization settlement					768	44	812
Changes in net assets					160,168	45,831	205,999
Net assets beginning of year					5,620,468	84,763	5,705,231
Net assets end of year					<u>\$ 5,780,636</u>	<u>130,594</u>	<u>5,911,230</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, 2009

	General	Capital Projects	Nonmajor Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 1,266,745	0	0	1,266,745
Other	1,368,564	800,049	353,379	2,521,992
Receivables:				
Property tax:				
Delinquent	75,072	0	6,285	81,357
Succeeding year	2,870,745	0	250,000	3,120,745
Income surtax	393,578	0	0	393,578
Interfund	0	0	22	22
Accounts	1,684	0	30,298	31,982
Accrued ISCAP interest	157	0	0	157
Due from other governments	142,312	132,045	0	274,357
TOTAL ASSETS	\$ 6,118,857	932,094	639,984	7,690,935
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 22	0	0	22
Accounts payable	78,473	0	1,194	79,667
Salaries and benefits payable	16,725	0	0	16,725
ISCAP warrants payable	1,247,000	0	0	1,247,000
ISCAP accrued interest payable	427	0	0	427
ISCAP premiums payable	24,140	0	0	24,140
Deferred revenue:				
Succeeding year property tax	2,870,745	0	250,000	3,120,745
Income surtax	393,578	0	0	393,578
Total liabilities	4,631,110	0	251,194	4,882,304
Fund balances:				
Reserved for:				
Debt service	0	0	65,097	65,097
Categorical funding	151,913	0	0	151,913
Unreserved:				
Designated for cashflow	667,917	0	0	667,917
Undesignated	667,917	932,094	323,693	1,923,704
Total fund balances	1,487,747	932,094	388,790	2,808,631
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,118,857	932,094	639,984	7,690,935

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, 2009

Total fund balances of governmental funds (page 16)	\$ 2,808,631
<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.	4,239,261
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,072)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	393,578
Long-term liabilities, including bonds and notes payable, early retirement payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,657,762)</u>
Net assets of governmental activities (page 14)	<u>\$ 5,780,636</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, 2009

	General	Capital Projects	Nonmajor Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,254,885	778,423	236,342	4,269,650
Tuition	195,003	0	0	195,003
Other	269,973	64,086	274,907	608,966
State sources	6,334,427	0	213	6,334,640
Federal sources	567,500	0	0	567,500
Total revenues	<u>10,621,788</u>	<u>842,509</u>	<u>511,462</u>	<u>11,975,759</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,044,517	0	36,876	5,081,393
Special	1,537,874	0	14,086	1,551,960
Other	745,556	0	339,290	1,084,846
	<u>7,327,947</u>	<u>0</u>	<u>390,252</u>	<u>7,718,199</u>
Support services:				
Student	319,351	0	9,910	329,261
Instructional staff	263,843	0	13,031	276,874
Administration	1,046,581	0	37,058	1,083,639
Operation and maintenance of plant	809,975	0	63,383	873,358
Transportation	569,774	0	32,378	602,152
	<u>3,009,524</u>	<u>0</u>	<u>155,760</u>	<u>3,165,284</u>
Non-instructional programs:				
Food service operations	0	0	11,542	11,542
Other expenditures:				
Facilities acquisitions	0	2,046,905	0	2,046,905
Long-term debt:				
Interest and fiscal charges	0	0	24,579	24,579
AEA flowthrough	407,689	0	0	407,689
	<u>407,689</u>	<u>2,046,905</u>	<u>24,579</u>	<u>2,479,173</u>
Total expenditures	<u>10,745,160</u>	<u>2,046,905</u>	<u>582,133</u>	<u>13,374,198</u>
Deficiency of revenues under expenditures	(123,372)	(1,204,396)	(70,671)	(1,398,439)
Other financing sources(uses):				
Reorganization settlement	(1,550)	1,949	369	768
Transfer in	0	844,000	89,579	933,579
Transfer out	(868,579)	(65,000)	0	(933,579)
Issuance of bonds	0	650,000	0	650,000
Proceeds from loans	844,000	0	0	844,000
Proceeds from disposal of equipment	1,560	0	0	1,560
Total other financing sources(uses)	<u>(24,569)</u>	<u>1,430,949</u>	<u>89,948</u>	<u>1,496,328</u>
Net change in fund balances	(147,941)	226,553	19,277	97,889
Fund balance beginning of year	1,635,688	705,541	369,513	2,710,742
Fund balance end of year	<u>\$ 1,487,747</u>	<u>932,094</u>	<u>388,790</u>	<u>2,808,631</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, 2009

Net change in fund balances - total governmental funds (page 18) \$ 97,889

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,674,151	
Loss on disposal	8,807	
Depreciation expense	<u>(225,688)</u>	1,457,270

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued (1,494,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(3,072)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

40,382

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	\$ 276	
Early Retirement	<u>61,423</u>	<u>61,699</u>

Changes in net assets of governmental activities (page 15) \$ 160,168

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 9,077
Accounts receivable	1,680
Due from other governments	4,031
Inventories	15,688
Capital assets, net of accumulated depreciation	103,849
TOTAL ASSETS	134,325
 LIABILITIES	
Salaries and benefits payable	1,305
Unearned revenue	2,426
TOTAL LIABILITES	3,731
 NET ASSETS	
Invested in capital assets	103,849
Unrestricted	26,745
TOTAL NET ASSETS	\$ 130,594

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, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 344,659
OPERATING EXPENSES:	
Support services:	
Administration services:	
Other	1,169
Non-instructional programs:	
Food service operations:	
Salaries	196,098
Benefits	54,749
Services	7,271
Supplies	298,402
Depreciation	14,199
	570,719
TOTAL OPERATING EXPENSES	571,888
OPERATING LOSS	(227,229)
NON-OPERATING REVENUES:	
Interest	310
State sources	5,427
Federal sources	236,665
TOTAL NON-OPERATING REVENUES	242,402
Change in net assets before other financing sources	15,173
OTHER FINANCING SOURCES:	
Reorganization settlement	44
Capital contributions	30,614
TOTAL OTHER FINANCING SOURCES	30,658
Change in net assets	45,831
Net assets beginning of year	84,763
Net assets end of year	\$ 130,594

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 341,290
Cash received from miscellaneous operating activities	707
Cash payments to employees for services	(249,542)
Cash payments to suppliers for goods or services	(280,855)
Net cash used in operating activities	(188,400)
Cash flows from non-capital financing activities:	
Reorganization settlement	44
State grants received	5,427
Federal grants received	205,567
Net cash provided by non-capital financing activities	211,038
Cash flows from investing activities:	
Interest on investments	310
Cash flow from capital and related financing activities:	
Acquisition of capital assets	(2,171)
Net increase in cash and cash equivalents	20,777
Cash and cash equivalents at beginning of year	(11,700)
Cash and cash equivalents at end of year	\$ 9,077
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (227,229)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	27,303
Depreciation	14,199
Increase in inventories	(1,316)
Decrease in accounts receivable	278
Increase in salaries and benefits payable	1,305
Decrease in unearned revenue	(2,940)
Net cash used in operating activities	\$ (188,400)

During the year ended June 30, 2009, the District received Federal commodities valued at \$27,303.

During the year ended June 30, 2009, the District received capital contributions from the Capital Projects Fund of \$30,614.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2009

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 108,311	(54,230)
Due from other governments	0	64,641
	<u>108,311</u>	<u>10,411</u>
LIABILITIES		
Due to other groups	0	10,411
NET ASSETS		
Reserved for scholarships	54,960	0
Unreserved	53,351	0
	<u>108,311</u>	<u>0</u>
TOTAL NET ASSETS	<u>\$ 108,311</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Interest income	\$ 2,624
Donations	17,925
TOTAL ADDITIONS	20,549
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	11,250
Support services:	
Community service operations:	
Services	35
Other	1,000
	1,035
TOTAL DEDUCTIONS:	12,285
Changes in net assets	8,264
Net assets beginning of year	100,047
Net assets end of year	\$ 108,311

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

(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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the 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 service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 reports the following proprietary fund:

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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 teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

period. Deferred revenue in the governmental fund financial statements represents 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 in 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 in 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, 2009. 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 in 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 \$667,917.

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.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

(3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 65,000
Debt Service	General Fund	24,579
Capital Projects	General Fund	<u>844,000</u>
Total		<u>\$ 933,579</u>

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

(4) Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue, Physical, Plant, and Equipment Levy	General	<u>\$ 22</u>

The General Fund is repaying the Special Revenue, Physical Plant and Equipment Levy the General Fund for income surtax incorrectly recorded during the year. The balance will be repaid by June 30, 2010.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Final Warrant Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/2009	6/23/2010	\$ 1,266,745	157	1,247,000	427

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2009-10A	2.500%	0.902%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 138,904	32,785	1,336	170,353
Less accumulated depreciation	53,641	14,199	1,336	66,504
Business type activities capital assets, net	\$ 85,263	18,586	0	103,849

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 249,786	0	0	249,786
Construction in progress	630,610	0	630,610	0
Total capital assets not being depreciated	<u>880,396</u>	<u>0</u>	<u>630,610</u>	<u>249,786</u>
Capital assets being depreciated:				
Buildings	4,226,332	1,402,582	0	5,628,914
Land improvements	349,377	787,458	0	1,136,835
Machinery and equipment	1,270,068	132,335	229,533	1,172,870
Total capital assets being depreciated	<u>5,845,777</u>	<u>2,322,375</u>	<u>229,533</u>	<u>7,938,619</u>
Less accumulated depreciation for:				
Buildings	2,889,619	104,887	0	2,994,506
Land improvements	150,999	14,930	0	165,929
Machinery and equipment	903,564	105,871	220,726	788,709
Total accumulated depreciation	<u>3,944,182</u>	<u>225,688</u>	<u>220,726</u>	<u>3,949,144</u>
Total capital assets being depreciated, net	<u>1,901,595</u>	<u>2,096,687</u>	<u>8,807</u>	<u>3,989,475</u>
Governmental activities capital assets, net	<u>\$ 2,781,991</u>	<u>2,096,687</u>	<u>639,417</u>	<u>4,239,261</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 2,181
Other	4,014

Support services:

Administration	1,127
Operation and maintenance of plant services	1,500
Transportation	97,049
	<u>105,871</u>

Unallocated depreciation 119,817

Total governmental activities depreciation expense \$ 225,688

Business type activities:

Food services \$ 14,199

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are as follows:

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Revenue bonds	\$ 0	650,000	0	650,000	0
Capital loan notes	0	844,000	0	844,000	43,000
Early Retirement	184,268	0	61,423	122,845	61,423
Compensated absences	41,193	40,917	41,193	40,917	40,917
Total	\$ 225,461	1,534,917	102,616	1,657,762	145,340

Revenue Bonds

Details of the District's June 30, 2009 statewide sales and services tax revenue bonded indebtedness are as follows:

Year	Interest	Bond Issue of May 14, 2009		
		Principal	Interest	Total
Ending	Rates			
June 30,				
2010	% \$	0	13,123	13,123
2011	2.50	105,000	19,500	124,500
2012	2.75	125,000	16,469	141,469
2013	3.25	130,000	12,637	142,637
2014	3.50	140,000	8,075	148,075
2015	3.75	150,000	2,813	152,813
Total		\$ 650,000	72,617	722,617

The District has pledged future statewide sales and services tax revenues to repay the \$650,000 of bonds issued in May 2009. The bonds were issued for the purpose of financing future energy projects in the District. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$722,617. For the current year, no principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$778,423.

The resolution providing for the issuance of the statewide sales and services tax revenue bonds includes the following provisions:

- a) \$65,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes

During the year ended June 30, 2009, the District issued Capital Loan Notes to provide funds for the energy savings project. The notes bear interest at 3.25% to 5.00% per annum and are payable from the General Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2009 are as follows:

Year Ending June 30,	Interest Rates	October 1, 2008		
		Principal	Interest	Total
2010	3.25	% \$ 43,000	36,869	79,869
2011	3.45	44,000	35,472	79,472
2012	3.65	46,000	33,954	79,954
2013	3.75	47,000	32,274	79,274
2014	3.90	49,000	30,512	79,512
2015-2019	4.05-4.65	276,000	120,714	396,714
2020-2024	4.75-5.00	339,000	51,541	390,541
Total		\$ 844,000	341,336	1,185,336

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees in the 2007-08 fiscal year. Eligible employees must have been at least age fifty-seven and must have been employed by the District for a period of twenty 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. \$61,423 in retirement benefits were paid during the year ended June 30, 2009. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$407,179, \$371,900, and \$333,648 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

(10) 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.

(11) 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 \$407,689 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Reorganization Settlement

On March 11, 2008 the Iowa State Board of Education voted to dissolve the Russell Community School District at the end of the 2007-2008 school year. Property of the District was divided between Albia, Chariton, and Wayne Community School Districts.

The breakout of Russell balances to other districts per the voted resolution of distribution are as follows:

School District	Percent	Total Received
Albia	0.50%	\$ 811.82
Chariton	94.50%	153,433.76
Wayne	5.00%	8,118.19
	<u>100.00%</u>	<u>\$ 162,363.77</u>

Albia Community School District recorded this revenue of \$811.82 as other financing sources on the fund financial statements and as extraordinary items on the government-wide Statement of Activities.

(13) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2009 are as follows:

Project	Amount
Dropout and Dropout Prevention	\$ 31,100
Market Factor	2,364
Statewide Voluntary Preschool	46,737
Market Factor Incentives	6,082
Professional Development	23,778
Gifted and Talented	29,283
Model Core Curriculum	12,569
Total	<u>\$ 151,913</u>

REQUIRED SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,073,619	344,969	5,418,588	5,016,266	5,016,266	402,322
State sources	6,334,640	5,427	6,340,067	6,886,409	6,886,409	(546,342)
Federal sources	567,500	236,665	804,165	750,000	750,000	54,165
Total revenues	<u>11,975,759</u>	<u>587,061</u>	<u>12,562,820</u>	<u>12,652,675</u>	<u>12,652,675</u>	<u>(89,855)</u>
Expenditures/Expenses:						
Instruction	7,718,199	0	7,718,199	9,420,000	9,420,000	1,701,801
Support services	3,165,284	1,169	3,166,453	3,393,500	3,393,500	227,047
Non-instructional programs	11,542	570,719	582,261	860,000	860,000	277,739
Other expenditures	2,479,173	0	2,479,173	2,240,343	3,800,000	1,320,827
Total expenditures/expenses	<u>13,374,198</u>	<u>571,888</u>	<u>13,946,086</u>	<u>15,913,843</u>	<u>17,473,500</u>	<u>3,527,414</u>
Excess(deficiency)of revenues over(under)expenditures/expenses	(1,398,439)	15,173	(1,383,266)	(3,261,168)	(4,820,825)	3,437,559
Other financing sources, net	1,496,328	30,658	1,526,986	0	0	1,526,986
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses	97,889	45,831	143,720	(3,261,168)	(4,820,825)	4,964,545
Balance beginning of year	2,710,742	84,763	2,795,505	3,719,675	3,719,675	(924,170)
Balance end of year	<u>\$ 2,808,631</u>	<u>130,594</u>	<u>2,939,225</u>	<u>458,507</u>	<u>(1,101,150)</u>	<u>4,040,375</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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 functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,559,657.

OTHER SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds					
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 190,026	72,267	25,989	288,282	65,097	353,379
Receivables:						
Property tax:						
Delinquent	6,285	0	0	6,285	0	6,285
Succeeding year	250,000	0	0	250,000	0	250,000
Accounts	0	30,298	0	30,298	0	30,298
Interfund	0	0	22	22	0	22
TOTAL ASSETS	\$ 446,311	102,565	26,011	574,887	65,097	639,984
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	1,194	0	1,194	0	1,194
Deferred revenue:						
Succeeding year property tax	250,000	0	0	250,000	0	250,000
Total liabilities	250,000	1,194	0	251,194	0	251,194
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	65,097	65,097
Unreserved fund balances	196,311	101,371	26,011	323,693	0	323,693
Total fund balances	196,311	101,371	26,011	323,693	65,097	388,790
TOTAL LIABILITIES AND FUND BALANCES	\$ 446,311	102,565	26,011	574,887	65,097	639,984

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 236,320	0	22	236,342	0	236,342
Other	20,891	253,264	655	274,810	97	274,907
State sources	213	0	0	213	0	213
TOTAL REVENUES	257,424	253,264	677	511,365	97	511,462
EXPENDITURES:						
Current:						
Instruction:						
Regular	36,876	0	0	36,876	0	36,876
Special	14,086	0	0	14,086	0	14,086
Other	2,112	337,178	0	339,290	0	339,290
Support services:						
Student	9,910	0	0	9,910	0	9,910
Instructional staff	13,031	0	0	13,031	0	13,031
Administration	37,058	0	0	37,058	0	37,058
Operation and maintenance of plant	63,383	0	0	63,383	0	63,383
Student transportation	32,378	0	0	32,378	0	32,378
Non-instructional programs:						
Food service operations	11,542	0	0	11,542	0	11,542
Other expenditures:						
Long-term debt:						
Interest and fiscal charges	0	0	0	0	24,579	24,579
TOTAL EXPENDITURES	220,376	337,178	0	557,554	24,579	582,133
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,048	(83,914)	677	(46,189)	(24,482)	(70,671)
OTHER FINANCING SOURCES:						
Reorganization settlement	170	83	116	369	0	369
Transfers in	0	0	0	0	89,579	89,579
TOTAL OTHER FINANCING SOURCES	170	83	116	369	89,579	89,948
NET CHANGE IN FUND BALANCE	37,218	(83,831)	793	(45,820)	65,097	19,277
FUND BALANCE BEGINNING OF YEAR	159,093	185,202	25,218	369,513	0	369,513
FUND BALANCE END OF YEAR	\$ 196,311	101,371	26,011	323,693	65,097	388,790

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High school co-curricular	\$ 45,783	74,835	86,818	33,800
High school athletics	46,396	132,885	201,674	(22,393)
7th/8th grade co-curricular	12,441	6,569	4,075	14,935
7th/8th grade athletics	19,067	3,550	6,003	16,614
High school clubs	48,117	31,471	34,350	45,238
7th/8th grade clubs	11,252	3,710	4,114	10,848
Lincoln center clubs	2,146	327	144	2,329
Total	<u>\$ 185,202</u>	<u>253,347</u>	<u>337,178</u>	<u>101,371</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2009

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Pepsi Scholarship	Hope Scholarship
ASSETS						
Cash and pooled investments	\$ 18,980	8,127	3,461	26,128	500	1,778
LIABILITIES						
	0	0	0	0	0	0
NET ASSETS						
Reserved for scholarships	18,384	7,500	3,311	25,765	0	0
Unreserved	596	627	150	363	500	1,778
TOTAL NET ASSETS	\$ 18,980	8,127	3,461	26,128	500	1,778

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

Mick Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Sylvia Rosenthal Scholarship	Class of 1933 Scholarship	Total
4,200	15,927	28,510	500	200	108,311
0	0	0	0	0	0
0	0	0	0	0	54,960
4,200	15,927	28,510	500	200	53,351
4,200	15,927	28,510	500	200	108,311

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2009

	AA Webb Scholarship	Currie Scholarship	Shalley Scholarship	Lizzie Alexander Trust	Pepsi Scholarship	Hope Scholarship
ADDITIONS:						
Local sources:						
Interest on investment	\$ 229	244	21	645	0	0
Donations	225	0	0	0	0	0
TOTAL ADDITIONS	454	244	21	645	0	0
DEDUCTIONS:						
Instruction:						
Regular:						
Scholarships awarded	650	200	0	0	0	100
Support services:						
Community service operations						
Services	0	0	0	35	0	0
Other	0	0	0	1,000	0	0
	0	0	0	1,035	0	0
TOTAL DEDUCTIONS	650	200	0	1,035	0	100
Change in net assets	(196)	44	21	(390)	0	(100)
Net assets beginning of year	19,176	8,083	3,440	26,518	500	1,878
Net assets end of year	\$ 18,980	8,127	3,461	26,128	500	1,778

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Mick Scholarship	Frances Edgington Scholarship	Anonymous Annuity	Sylvia Rosenthal Scholarship	Class of 1933 Scholarship	Elaine Chelar Nursing Scholarship	Total
0	0	1,485	0	0	0	2,624
17,700	0	0	0	0	0	17,925
17,700	0	1,485	0	0	0	20,549
5,700	500	3,000	500	100	500	11,250
0	0	0	0	0	0	35
0	0	0	0	0	0	1,000
0	0	0	0	0	0	1,035
5,700	500	3,000	500	100	500	12,285
12,000	(500)	(1,515)	(500)	(100)	(500)	8,264
(7,800)	16,427	30,025	1,000	300	500	100,047
4,200	15,927	28,510	500	200	0	108,311

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUND
YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 5,896	26,397	86,523	(54,230)
Due from other governments	57,940	64,641	57,940	64,641
	<u>\$ 63,836</u>	<u>91,038</u>	<u>144,463</u>	<u>10,411</u>
LIABILITIES				
Accounts payable	\$ 41,558	0	41,558	0
Due to other groups	22,278	91,038	102,905	10,411
	<u>\$ 63,836</u>	<u>91,038</u>	<u>144,463</u>	<u>10,411</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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 4,269,650	3,988,298	3,917,887	3,951,152	4,118,763	3,365,343
Tuition	195,003	232,280	204,936	210,231	177,593	139,703
Other	608,966	465,750	546,839	587,492	395,416	346,660
State sources	6,334,640	6,537,204	6,094,941	6,079,697	5,891,353	5,558,973
Federal sources	567,500	389,845	468,729	323,229	521,793	472,809
Total	\$ 11,975,759	11,613,377	11,233,332	11,151,801	11,104,918	9,883,488
Expenditures:						
Instruction:						
Regular	\$ 5,081,393	4,402,344	4,303,385	4,003,087	4,284,697	3,927,269
Special	1,551,960	1,241,840	1,413,475	1,455,258	1,340,465	1,735,912
Other	1,084,846	1,533,156	1,393,853	1,391,063	921,826	786,473
Support services:						
Student	329,261	326,793	293,144	266,405	261,066	239,758
Instructional staff	276,874	312,518	128,962	140,091	213,495	209,105
Administration	1,083,639	1,113,779	1,103,978	1,055,302	923,136	890,723
Operation and maintenance of plant	873,358	936,951	891,349	811,743	756,098	748,446
Transportation	602,152	652,602	528,322	508,069	428,711	369,071
Other support	0	0	0	7,720	6,677	4,163
Non-instructional:						
Food service operations	11,542	10,453	7,524	0	0	6,475
Community service and education operations	0	0	0	0	0	71
Other expenditures:						
Facilities acquisitions	2,046,905	919,438	674,741	301,292	214,162	107,065
Long Term Debt:						
Principal	0	0	45,000	380,000	370,000	365,000
Interest	24,579	0	1,412	8,253	13,803	21,472
AEA flow-through	407,689	402,198	379,098	369,055	360,731	355,216
Total	\$ 13,374,198	11,852,072	11,164,243	10,697,338	10,094,867	9,766,219

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

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 09	\$ 38,787
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	193,847
	10.559	FY 09	<u>4,031</u>
			<u>236,665</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 09	167,873
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	<u>19,613</u>
			<u>187,486</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>18,120</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>3,616</u>
EDUCATION TECHNOLOGY STATE GRANTS (E2T2)	84.318	FY 09	<u>950</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 09	<u>71,125</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 09	<u>7,137</u>
STATE FISCAL STABILIZATION FUND (SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>92,996</u>

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT: (CONTINUED)			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO			
STATES (PART B)	84.027	FY 09	60,679
SPECIAL EDUCATION - PRESCHOOL			
GRANTS, RECOVERY ACT	84.391	FY 09	33,591
			94,270
TOTAL			\$ 712,365

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2010. 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, 2009 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 24, 2010

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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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, 2009. 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, 2009.

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.

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 below.

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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Albia Community School District and other parties to whom Albia Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2010

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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 programs
 - Title I Cluster:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
- (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, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No significant deficiencies were noted.

CONTROL DEFICIENCIES:

II-A-09 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 District will review Board policies and update them in a timelier manner.

Conclusion - Response accepted.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.
- IV-B-09 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 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	\$10,902

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-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-09 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-09 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely, however we noted no significant deficiencies in the amounts reported.

Recommendation - In the future, the District should ensure the Certified Annual Report is certified in a timely manner.

Response - The District has prepared an action plan of changes to our procedures involved in submitting financial reports that will ensure that our District will timely file all future CAR-COA reports to the State.

Conclusion - Response accepted.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			778,423
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	613,426	
Equipment		99,997	
Debt service for school infrastructure:			
Revenue debt		65,000	778,423
Ending balance		\$	<u>0</u>

IV-L-09 Financial Condition - The District had a deficit account in the Special Revenue, Student Activity Fund, High School Athletics account totaling \$22,393.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - The District will continue to work with the new Athletic Director and Secretary to make sure they are following proper protocols to obtain administrative approval prior to the ordering of materials so this will not happen again.

Conclusion - Response accepted.