

ALBURNETT 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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Alburnett Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Barry Woodson	President	2009
Dee Lillie Luedtke	Vice President	2009
David Kirk	Board Member	2008
Cindy Francois	Board Member	2010
Micheal Olinger	Board Member	2010
Board of Education (After September 2008 Election)		
Barry Woodson	President	2009
David Kirk	Vice President	2011
Dee Lillie Luedtke	Board Member	2009
Cindy Francois	Board Member	2011*
Michael Olinger	Board Member	2011*
School Officials		
Michael Harrold	Superintendent	2009
Rhonda Lange	District Secretary/Treasurer and Business Manager	2009
Day, Rettig, Peiffer, P.C.	Attorney	2009

* Board term extended 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.

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Alburnett Community School District, Alburnett, 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 Alburnett 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.

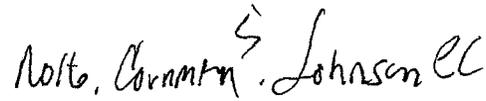
In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2010 on our consideration of the Alburnett Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 12, including the 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.

January 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alburnett 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 \$5,326,881 in fiscal 2008 to \$5,553,527 in fiscal 2009, while General Fund expenditures increased from \$5,518,458 in fiscal 2008 to \$5,586,588 in fiscal 2009. The increase in revenues was not large enough to offset the District's already high expenditures. This resulted in a decrease in the District's General Fund balance from a deficit balance \$782,323 in fiscal 2008 to a deficit balance \$815,384 in fiscal 2009, a 4.23% decrease in fiscal 2009.
- The increase in General Fund revenues was attributable to increases in local tax and tuition sources of revenue in fiscal 2009.
- The increase in expenditures was due primarily to an increase in support services costs.

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 Alburnett 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 Alburnett 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 Alburnett Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

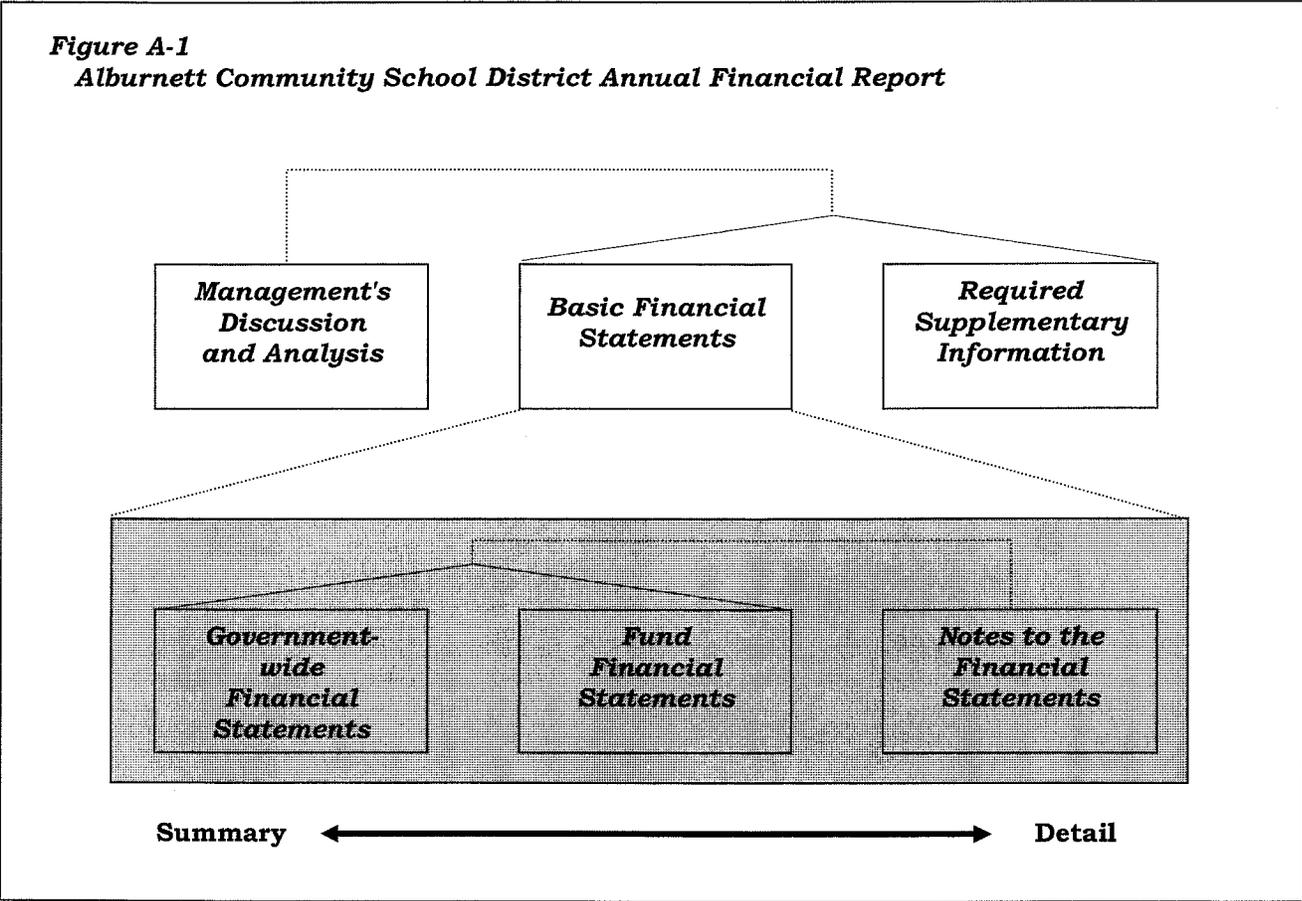


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., 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 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 Capital Projects Funds, the Debt Service Funds and the Special Revenue Funds.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust and 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 an alternative school program.

The District is responsible for ensuring 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 for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 6,698,807	7,162,508	32,295	19,031	6,731,102	7,181,539	-6.27%
Capital assets	6,087,130	1,899,902	4,039	2,935	6,091,169	1,902,837	220.11%
Total assets	12,785,937	9,062,410	36,334	21,966	12,822,271	9,084,376	41.15%
Long-term obligations	4,604,364	3,109,589	-	-	4,604,364	3,109,589	48.07%
Other liabilities	6,066,144	4,937,749	5,529	16,452	6,071,673	4,954,201	22.56%
Total liabilities	10,670,508	8,047,338	5,529	16,452	10,676,037	8,063,790	32.39%
Net assets:							
Invested in capital assets, net of related debt	2,483,681	1,196,490	4,039	2,935	2,487,720	1,199,425	107.41%
Restricted	818,005	920,167	-	-	818,005	920,167	-11.10%
Unrestricted	(1,186,257)	(1,101,585)	26,766	2,579	(1,159,491)	(1,099,006)	-5.50%
Total net assets	\$ 2,115,429	1,015,072	30,805	5,514	2,146,234	1,020,586	110.29%

The District’s combined net assets increased by 110.29%, or \$1,125,648, compared to the prior year. The largest portion of the District’s net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets decreased \$102,162, or 11.10% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$60,485, or 5.50%. This decrease in unrestricted net assets was a result of the District’s decrease in the Special Revenue - Management Levy Fund balance.

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 in Net Assets						
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
June 30,		June 30,		June 30,		June 30,	
2009		2008		2009		2008-09	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,165,588	1,024,067	154,548	147,897	1,320,136	1,171,964	12.64%
Operating grants, contributions and restricted interest	695,530	590,268	107,934	69,940	803,464	660,208	21.70%
Capital grants, contributions and restricted interest	391,934	-	-	-	391,934	-	100.00%
General revenues:							
Local tax	2,084,693	1,966,160	-	-	2,084,693	1,966,160	6.03%
Statewide sales and services tax	514,801	546,957	-	-	514,801	546,957	100.00%
Unrestricted state grants	2,302,976	2,421,814	-	-	2,302,976	2,421,814	-4.91%
Other	113,325	220,036	128	219	113,453	220,255	-48.49%
Transfers	-	(5,409)	-	-	-	(5,409)	-100.00%
Total revenues	<u>7,268,847</u>	<u>6,763,893</u>	<u>262,610</u>	<u>218,056</u>	<u>7,531,457</u>	<u>6,981,949</u>	<u>7.87%</u>
Program expenses:							
Governmental activities:							
Instruction	3,991,088	4,203,348	-	-	3,991,088	4,203,348	-5.05%
Support services	1,829,885	1,875,765	955	-	1,830,840	1,875,765	-2.40%
Non-instructional programs	-	-	236,364	207,064	236,364	207,064	14.15%
Other expenses	347,517	365,771	-	-	347,517	365,771	-4.99%
Total expenses	<u>6,168,490</u>	<u>6,444,884</u>	<u>237,319</u>	<u>207,064</u>	<u>6,405,809</u>	<u>6,651,948</u>	<u>-3.70%</u>
Changes in net assets	1,100,357	319,009	25,291	10,992	1,125,648	330,001	-241.10%
Beginning net assets	1,015,072	696,063	5,514	(5,478)	1,020,586	690,585	47.79%
Ending net assets	<u>\$ 2,115,429</u>	<u>1,015,072</u>	<u>30,805</u>	<u>5,514</u>	<u>2,146,234</u>	<u>1,020,586</u>	<u>110.29%</u>

Local tax, statewide sales and services tax and unrestricted state grants account for 65.09% of the total revenue. The District’s expenses primarily relate to instruction and support services which account for 90.89% of the total expenses.

The District’s total revenues were \$7,531,457 of which \$7,268,847 was for governmental activities and \$262,610 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.87% increase in revenues and a 3.70% decrease in expenses. Revenues increased primarily due to increases in property tax, charges for service and operating and capital grants received. The decrease in expenses was largely a result of management’s continuing efforts to control costs and spending.

Governmental Activities

Revenues for governmental activities were \$7,268,847 and expenses were \$6,168,490.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2009.

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 3,991,088	4,203,348	-5.05%	2,346,533	2,796,150	-16.08%
Support services	1,829,885	1,875,765	-2.45%	1,818,548	1,869,290	-2.71%
Other expenses	347,517	365,771	-4.99%	(249,643)	165,109	-251.20%
Totals	\$ 6,168,490	6,444,884	-4.29%	3,915,438	4,830,549	-18.94%

For the year ended June 30, 2009:

- The cost financed by users of the District’s programs was \$1,165,588.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,087,464.
- The net cost of governmental activities was financed with \$2,084,693 in local tax, \$514,801 in statewide sales and services tax, \$2,302,976 in unrestricted state grants, \$101,739 in interest income and \$11,586 in other revenues.

Business Type Activities

Revenues of the District’s business type activities were \$262,610 and expenses were \$237,319. 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 Alburnett Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$657,059, compared to last year’s ending fund balances of \$2,245,620. However, the primary reason for the decrease was the decrease in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District’s deteriorating General Fund financial position is the product of many factors. Increases in tax levy during the year and other revenue sources were largely offset by similar increases in expenditures. The District spent more than it received in the General Fund, which resulted in a continuing decline of the fund balance. However, the difference was 82.74% less when compared with 2008.

-
- The Capital Projects Fund balance decreased \$1,771,521 in fiscal 2009. The decline in fund balance occurred in spite of increased revenue created by the District's issuance of \$1,680,000 in revenue bonds due to facilities acquisitions of \$4,195,081.
 - The Student Activity fund balance increased from \$94,703 in 2008, to \$105,214 in 2009.
 - The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$151,568 to \$256,049, due mainly to decreased expenditures.
 - The Management fund balance decreased from \$75,073 to \$567, due to increased early retirement costs.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$5,514 at June 30, 2008 to \$30,805 at June 30, 2009, due to an increase in Federal sources of revenue.

BUDGETARY HIGHLIGHTS

The District's revenues were \$70,675 less than budgeted revenues, a variance of 0.93%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$6.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 220.11% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$85,987.

The original cost of the District's capital assets was \$7.90 million. Governmental funds account for \$7.81 million with the remainder of \$0.09 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress. The District's construction in progress totaled \$5,089,904 at June 30, 2009, compared to \$840,492 reported at June 30, 2008.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 1,000	1,000	-	-	1,000	1,000	0.00%
Construction in progress	5,089,904	840,492	-	-	5,089,904	840,492	505.59%
Buildings	826,470	852,284	-	-	826,470	852,284	-3.03%
Land improvements	38,773	42,694	-	-	38,773	42,694	-9.18%
Machinery and equipment	130,983	163,432	4,039	2,935	135,022	166,367	-18.84%
Total	\$ 6,087,130	1,899,902	4,039	2,935	6,091,169	1,902,837	220.11%

Long-Term Debt

At June 30, 2009, the District had \$4,604,364 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of approximately 48% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,675,000 at June 30, 2009.

In June 2009, the District issued \$1,680,000 of revenue bonds to help finance their remodeling project. The entire amount was outstanding as of June 30, 2009 as the initial principal payment is due on July 1, 2010.

As of June 30, 2009, the District had two bus lease payables totaling \$76,068. These leases are payable from the Special Revenue - Physical Plant and Equipment Levy Fund.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$173,296 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 2,675,000	2,765,000	-3.25%
Revenue bonds	1,680,000	-	100.00%
Bus leases	76,068	94,292	-19.33%
Early retirement	173,296	250,297	-30.76%
Totals	4,604,364	3,109,589	48.07%

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:

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.

-
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period which began in fiscal year 2005.
 - Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
 - Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Rhonda Lange, District Board Secretary, Alburnett Community School District, P.O. Box 189, Alburnett, Iowa, 52202.

BASIC FINANCIAL STATEMENTS

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 2,134,233	-	2,134,233
Other	1,982,102	25,166	2,007,268
Receivables:			
Property tax:			
Delinquent	28,450	-	28,450
Succeeding year	2,327,065	-	2,327,065
Accounts	1,538	-	1,538
Accrued ISCAP interest	6,259	-	6,259
Due from other governments	219,160	-	219,160
Inventories	-	7,129	7,129
Capital assets, net of accumulated depreciation	6,087,130	4,039	6,091,169
TOTAL ASSETS	12,785,937	36,334	12,822,271
LIABILITIES			
Accounts payable	455,479	253	455,732
Salaries and benefits payable	704,985	-	704,985
Accrued interest payable	24,396	-	24,396
ISCAP warrants payable	2,433,000	-	2,433,000
ISCAP accrued interest payable	10,567	-	10,567
ISCAP unamortized premium	40,678	-	40,678
Deferred revenue:			
Succeeding year property tax	2,327,065	-	2,327,065
Other	69,974	-	69,974
Unearned revenues	-	5,276	5,276
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	95,000	-	95,000
Bus leases	76,068	-	76,068
Early retirement payable	41,528	-	41,528
Portion due after one year:			
General obligation bonds payable	2,580,000	-	2,580,000
Revenue bonds payable	1,680,000	-	1,680,000
Early retirement payable	131,768	-	131,768
TOTAL LIABILITIES	10,670,508	5,529	10,676,037
NET ASSETS			
Invested in capital assets, net of related debt	2,483,681	4,039	2,487,720
Restricted for:			
Categorical funding	173,748	-	173,748
Capital projects	109,516	-	109,516
Physical plant and equipment levy	256,049	-	256,049
Other special revenue purposes	105,214	-	105,214
Debt service	173,478	-	173,478
Unrestricted	(1,186,257)	26,766	(1,159,491)
TOTAL NET ASSETS	\$ 2,115,429	30,805	2,146,234

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,444,473	606,629	466,517	-	(1,371,327)	-	(1,371,327)
Special	573,491	127,808	12,450	-	(433,233)	-	(433,233)
Other	973,124	431,151	-	-	(541,973)	-	(541,973)
	<u>3,991,088</u>	<u>1,165,588</u>	<u>478,967</u>	<u>-</u>	<u>(2,346,533)</u>	<u>-</u>	<u>(2,346,533)</u>
Support services:							
Student	189,808	-	-	-	(189,808)	-	(189,808)
Instructional staff	188,412	-	-	-	(188,412)	-	(188,412)
Administration	597,941	-	-	-	(597,941)	-	(597,941)
Operation and maintenance of plant	449,158	-	-	-	(449,158)	-	(449,158)
Transportation services	404,566	-	11,337	-	(393,229)	-	(393,229)
	<u>1,829,885</u>	<u>-</u>	<u>11,337</u>	<u>-</u>	<u>(1,818,548)</u>	<u>-</u>	<u>(1,818,548)</u>
Other expenditures:							
Facilities acquisitions	-	-	-	391,934	391,934	-	391,934
Long-term debt interest	112,556	-	-	-	(112,556)	-	(112,556)
AEA flowthrough	205,226	-	205,226	-	-	-	-
Depreciation(unallocated)*	29,735	-	-	-	(29,735)	-	(29,735)
	<u>347,517</u>	<u>-</u>	<u>205,226</u>	<u>391,934</u>	<u>249,643</u>	<u>-</u>	<u>249,643</u>
Total governmental activities	6,168,490	1,165,588	695,530	391,934	(3,915,438)	-	(3,915,438)
Business Type activities:							
Support services:							
Administration	955	-	-	-	-	(955)	(955)
Non-instructional programs:							
Food service operations	236,364	154,548	107,934	-	-	26,118	26,118
Total business type activities	<u>237,319</u>	<u>154,548</u>	<u>107,934</u>	<u>-</u>	<u>-</u>	<u>25,163</u>	<u>25,163</u>
Total	<u>\$ 6,405,809</u>	<u>1,320,136</u>	<u>803,464</u>	<u>391,934</u>	<u>(3,915,438)</u>	<u>25,163</u>	<u>(3,890,275)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,740,891	-	1,740,891
Debt service					213,638	-	213,638
Capital outlays					130,164	-	130,164
Statewide sales and services tax					514,801	-	514,801
Unrestricted state grants					2,302,976	-	2,302,976
Unrestricted investment earnings					101,739	128	101,867
Other					11,586	-	11,586
Total general revenues					<u>5,015,795</u>	<u>128</u>	<u>5,015,923</u>
Changes in net assets					1,100,357	25,291	1,125,648
Net assets beginning of year					1,015,072	5,514	1,020,586
Net assets end of year					<u>\$ 2,115,429</u>	<u>30,805</u>	<u>2,146,234</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 2,134,233	-	-	2,134,233
Other	365,875	1,239,612	376,615	1,982,102
Receivables:				
Property tax				
Delinquent	22,757	-	5,693	28,450
Succeeding year	1,862,178	-	464,887	2,327,065
Interfund	-	(157,092)	157,092	-
Accounts	66	-	1,472	1,538
Accrued ISCAP interest	6,259	-	-	6,259
Due from other governments	109,701	109,459	-	219,160
TOTAL ASSETS	\$ 4,501,069	1,191,979	1,005,759	6,698,807
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	195,071	254,844	5,564	455,479
Salaries and benefits payable	704,985	-	-	704,985
ISCAP warrants payable	2,433,000	-	-	2,433,000
ISCAP accrued interest payable	10,567	-	-	10,567
ISCAP unamortized premium	40,678	-	-	40,678
Deferred revenue:				
Succeeding year property tax	1,862,178	-	464,887	2,327,065
Other	69,974	-	-	69,974
Total liabilities	5,316,453	254,844	470,451	6,041,748
Fund balances:				
Reserved for:				
Capital facility construction	-	827,619	-	827,619
Categorical funding	173,748	-	-	173,748
Debt service	-	-	173,478	173,478
Unreserved	(989,132)	109,516	361,830	(517,786)
Total fund balances	(815,384)	937,135	535,308	657,059
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,501,069	1,191,979	1,005,759	6,698,807

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT 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)	\$	657,059
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,087,130
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.		(24,396)
Long-term liabilities, including bonds payable, bus lease payable, and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,604,364)</u>
Net assets of governmental activities (page 14)	\$	<u>2,115,429</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,658,794	514,801	425,899	2,599,494
Tuition	734,437	-	-	734,437
Other	160,290	45,425	337,261	542,976
State sources	2,905,207	-	-	2,905,207
Federal sources	93,299	391,934	-	485,233
Total revenues	<u>5,552,027</u>	<u>952,160</u>	<u>763,160</u>	<u>7,267,347</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,435,138	-	86,336	2,521,474
Special	573,491	-	-	573,491
Other	658,455	-	311,815	970,270
	<u>3,667,084</u>	<u>-</u>	<u>398,151</u>	<u>4,065,235</u>
Support services:				
Student	189,808	-	-	189,808
Instructional staff	198,509	-	-	198,509
Administration	596,372	54,331	500	651,203
Operation and maintenance of plant	372,696	-	74,962	447,658
Transportation	356,893	-	10,550	367,443
	<u>1,714,278</u>	<u>54,331</u>	<u>86,012</u>	<u>1,854,621</u>
Other expenditures:				
Facilities acquisitions	-	4,195,081	-	4,195,081
Long-term debt:				
Principal	-	-	108,224	108,224
Interest and fiscal charges	-	-	123,152	123,152
AEA flowthrough	205,226	-	-	205,226
	<u>205,226</u>	<u>4,195,081</u>	<u>231,376</u>	<u>4,631,683</u>
Total expenditures	<u>5,586,588</u>	<u>4,249,412</u>	<u>715,539</u>	<u>10,551,539</u>
Excess(deficiency) of revenues over(under) expenditures	(34,561)	(3,297,252)	47,621	(3,284,192)
Other financing sources(uses):				
Transfers in	-	2,492,931	191,499	2,684,430
Transfers out	-	(2,661,331)	(23,099)	(2,684,430)
Sale of equipment	1,500	-	-	1,500
Issuance of revenue bonds	-	1,680,000	-	1,680,000
Premium on bonds	-	39,331	-	39,331
Cost of issuance	-	(25,200)	-	(25,200)
Total other financing sources(uses)	<u>1,500</u>	<u>1,525,731</u>	<u>168,400</u>	<u>1,695,631</u>
Net change in fund balances	(33,061)	(1,771,521)	216,021	(1,588,561)
Fund balance beginning of year	(782,323)	2,708,656	319,287	2,245,620
Fund balance end of year	<u>\$ (815,384)</u>	<u>937,135</u>	<u>535,308</u>	<u>657,059</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT 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) \$ (1,588,561)

*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	\$ 4,272,657	
Depreciation expense	<u>(85,429)</u>	4,187,228

Proceeds from issuing long-term liabilities provide current financial resources to governmental fund, 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	(1,680,000)	
Repaid	<u>108,224</u>	(1,571,776)

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.

(3,535)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement		<u>77,001</u>
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Changes in net assets of governmental activities (page 15) \$ 1,100,357

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 25,166
Inventories	7,129
Capital assets, net of accumulated depreciation	4,039
TOTAL ASSETS	36,334
 LIABILITIES	
Accounts payable	253
Unearned revenues	5,276
TOTAL LIABILITES	5,529
 NET ASSETS	
Invested in capital assets	4,039
Unrestricted	26,766
TOTAL NET ASSETS	\$ 30,805

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 154,548
TOTAL OPERATING REVENUES	154,548
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant	955
Non-instructional programs:	
Food service operations:	
Salaries	85,289
Benefits	11,794
Services	114
Supplies	138,609
Depreciation	558
TOTAL OPERATING EXPENSES	237,319
OPERATING LOSS	(82,771)
NON-OPERATING REVENUES:	
State sources	3,281
Federal sources	104,653
Interest on investments	128
TOTAL NON-OPERATING REVENUES	108,062
Net income	25,291
Net assets beginning of year	5,514
Net assets end of year	\$ 30,805

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT 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	\$ 153,354
Cash received from miscellaneous operating activities	1,787
Cash payments to employees for services	(101,352)
Cash payments to suppliers for goods or services	(120,729)
Net cash used in operating activities	(66,940)
Cash flows from non-capital financing activities:	
Interfund repayments to General Fund	(7,500)
State grants received	3,281
Federal grants received	97,721
Net cash provided by non-capital financing activities	93,502
Cash flows from investing activities:	
Interest on investments	128
Cash flows from capital financing activities:	
Purchase of assets	(1,662)
Net increase in cash and cash equivalents	25,028
Cash and cash equivalents at beginning of year	138
Cash and cash equivalents at end of year	\$ 25,166
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (82,771)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	12,855
Depreciation	558
Decrease in inventories	5,841
Increase in accounts payable	253
Decrease in salaries and benefits payable	(4,269)
Increase in unearned revenue	593
Net cash used in operating activities	\$ (66,940)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 25,166
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2009, the District received Federal commodities valued at \$12,855.	
SEE NOTES TO BASIC FINANCIAL STATEMENTS.	

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

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 3,775	10,382
Accounts receivable	500	0
TOTAL ASSETS	<u>\$ 4,275</u>	<u>10,382</u>
LIABILITIES		
Accounts payable	1,712	0
Due to other groups	0	10,382
NET ASSETS		
Reserved for scholarships	<u>\$ 2,563</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions	
Local sources:	
Gifts and contributions	<u>\$ 49,792</u>
Deductions	
Instruction:	
Scholarships awarded	<u> 54,762</u>
Changes in net assets	(4,970)
Net assets beginning of year	<u> 7,533</u>
Net assets end of year	<u><u>\$ 2,563</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) **Summary of Significant Accounting Policies**

The Alburnett 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 City of Alburnett, Iowa, and the predominate agricultural territory in Linn County. 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, Alburnett 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 Alburnett Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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 help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

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

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

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balance will either be reimbursed or served lunches. The lunch account balances are reflected in the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

(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 Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,304,598</u>

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects:	
	Statewide Sales and Services Tax	\$ 168,000
	Building Projects	400
	Special Revenue - Physical Plant and Equipment Levy	23,099
Capital Projects: Building Projects	Capital Projects: Statewide Sales and Services Tax	<u>2,492,931</u>
Total		<u>\$ 2,684,430</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

At June 30, 2009 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Special Revenue - Physical Plant and Equipment Levy	Capital Projects: Building Projects	<u>\$ 157,092</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools 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. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/2009	1/21/2010	\$ 434,743	6,049	760,000	9,994
2009-10A	6/25/2009	6/23/2010	1,699,490	210	1,673,000	573
Total			\$ 2,134,233	6,259	2,433,000	10,567

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, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ -	1,300,513	1,300,513	-
2008-09B	-	335,000	-	335,000
Total	\$ -	1,635,513	1,300,513	335,000

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
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	-	-	1,000
Construction in progress	840,492	4,249,412	-	5,089,904
Total capital assets not being depreciated	841,492	4,249,412	-	5,090,904
Capital assets being depreciated:				
Buildings	1,101,657	-	-	1,101,657
Land improvements	208,591	-	-	208,591
Machinery and equipment	1,390,824	23,245	12,225	1,401,844
Total capital assets being depreciated	2,701,072	23,245	12,225	2,712,092
Less accumulated depreciation for:				
Buildings	249,373	25,814	-	275,187
Land improvements	165,897	3,921	-	169,818
Machinery and equipment	1,227,392	55,694	12,225	1,270,861
Total accumulated depreciation	1,642,662	85,429	12,225	1,715,866
Total capital assets being depreciated, net	1,058,410	(62,184)	-	996,226
Governmental activities capital assets, net	\$ 1,899,902	4,187,228	-	6,087,130

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 84,855	1,662	-	86,517
Less accumulated depreciation	81,920	558	-	82,478
Business type activities capital assets, net	\$ 2,935	1,104	-	4,039

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Other		\$ 2,854
Support services:		
Instructional staff		13,148
Administration		1,069
Operation and maintenance		1,500
Transportation		37,123
		55,694
Unallocated depreciation		29,735
Total governmental activities depreciation expense		\$ 85,429
Business type activities:		
Food services		\$ 558

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,765,000	-	90,000	2,675,000	95,000
Revenue bonds	-	1,680,000	-	1,680,000	-
Bus leases	94,292	-	18,224	76,068	76,068
Early retirement	250,297	5,605	82,606	173,296	41,528
Total	\$ 3,109,589	1,685,605	190,830	4,604,364	212,596

General Obligation Bonds

Details of the District's June 30, 2009 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of May 2007		
		Principal	Interest	Total
2010	4.25	% \$ 95,000	113,870	208,870
2011	4.25	100,000	109,832	209,832
2012	4.25	105,000	105,582	210,582
2013	4.30	110,000	101,120	211,120
2014	4.50	115,000	96,390	211,390
2015-2019	4.50-4.00	665,000	401,340	1,066,340
2020-2024	4.05-4.30	860,000	250,393	1,110,393
2025-2027	4.35-4.45	625,000	56,110	681,110
Total		\$ 2,675,000	1,234,637	3,909,637

Revenue Bonds

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

Year Ending June 30,	Interest Rate	Bond issue of June 2009		
		Principal	Interest	Total
2010	4.00	% \$ -	38,063	38,063
2011	4.00	210,000	61,050	271,050
2012	4.00	220,000	52,450	272,450
2013	4.00	230,000	43,450	273,450
2014	4.00	190,000	35,050	225,050
2015-2018	4.00	830,000	67,025	897,025
Total		\$ 1,680,000	297,088	1,977,088

The District has pledged future statewide sales and services tax revenues to repay the \$1,680,000 of bonds issued in June 2009. The bonds were issued for the purpose of financing a portion of the costs of a building project. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2018. 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 \$1,977,088. For the current year, no principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$514,801.

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

- \$168,000 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.
- All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- 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.
- 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.

Bus Lease

During the year ended June 30, 2007, the District entered into two bus leases with Blue Bird Body Company for two buses. Details of the District's June 30, 2009 bus lease indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bus lease dated February 14, 2007		
		Principal	Interest	Total
2010	5.17 %	\$ 76,068	3,932	80,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employees base salary calculated by using the current year

regular salary schedule, less any other additional pay and subject to a maximum of \$8,000 per individual. Early retirement benefits paid during the year ended June 30, 2009, totaled \$82,606. 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 salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$203,558, \$194,985, and \$170,678, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits

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 No. 45.

(10) Risk Management

Alburnett 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 \$205,226 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) Categorical Funding

The District's ending balances reserved for categorical funding by project as of June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
At-Risk programs	\$ 9,212
Gifted and talented	101,282
Dropout prevention programs	31,541
Beginning teacher mentoring and induction program	751
Salary improvement program	302
Market factor	2,665
Educational excellence program - Phase III	2,180
State technology funding	11,355
Professional development for model core curriculum	9,977
Professional development	761
Market factor incentives	3,722
	<hr/>
Total reserved for categorical funding	<u>\$ 173,748</u>

(13) Deficit Fund Balance/Net Assets

The General Fund had deficit unreserved fund balance at June 30, 2009 of \$989,132. An account in the Private Purpose Trust Fund had a deficit balance of \$500. And six accounts in the Special Revenue - Student Activity Fund had negative balances totaling \$6126.

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the non-instructional programs and other expenditures functions exceeded the budgeted amounts.

(15) Construction Commitment

As of June 30, 2009, costs of \$5,089,904 had been incurred on various construction contracts for the remodeling project. When construction is completed, the final cost will be added to the District's capital asset listing.

REQUIRED SUPPLEMENTARY INFORMATION

ALBURNETT 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
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,876,907	154,676	4,031,583	4,344,911	4,344,911	(313,328)
State sources	2,905,207	3,281	2,908,488	3,061,721	3,061,721	(153,233)
Federal sources	485,233	104,653	589,886	194,000	194,000	395,886
Total revenues	<u>7,267,347</u>	<u>262,610</u>	<u>7,529,957</u>	<u>7,600,632</u>	<u>7,600,632</u>	<u>(70,675)</u>
Expenditures/Expenses:						
Instruction	4,065,235	-	4,065,235	4,554,888	4,554,888	489,653
Support services	1,854,621	955	1,855,576	2,071,445	2,225,000	369,424
Non-instructional programs	-	236,364	236,364	205,521	225,521	(10,843)
Other expenditures	4,631,683	-	4,631,683	4,213,647	4,220,000	(411,683)
Total expenditures/expenses	<u>10,551,539</u>	<u>237,319</u>	<u>10,788,858</u>	<u>11,045,501</u>	<u>11,225,409</u>	<u>436,551</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(3,284,192)	25,291	(3,258,901)	(3,444,869)	(3,624,777)	365,876
Other financing sources, net	1,695,631	-	1,695,631	-	-	1,695,631
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(1,588,561)	25,291	(1,563,270)	(3,444,869)	(3,624,777)	2,061,507
Balance beginning of year	2,245,620	5,514	2,251,134	(1,172,431)	(1,527,553)	3,778,687
Balance end of year	<u>\$ 657,059</u>	<u>30,805</u>	<u>687,864</u>	<u>(4,617,300)</u>	<u>(5,152,330)</u>	<u>5,840,194</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$179,908.

During the year ended June 30, 2009, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service Funds	
Assets						
Cash and pooled investments	\$ (545)	109,306	97,222	205,983	170,632	376,615
Receivables:						
Property tax:						
Delinquent	1,112	-	1,735	2,847	2,846	5,693
Succeeding year	120,000	-	135,817	255,817	209,070	464,887
Interfund	-	-	157,092	157,092	-	157,092
Accounts	-	1,472	-	1,472	-	1,472
Total assets	\$ 120,567	110,778	391,866	623,211	382,548	1,005,759
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	5,564	-	5,564	-	5,564
Deferred revenue:						
Succeeding year property tax	120,000	-	135,817	255,817	209,070	464,887
Total liabilities	120,000	5,564	135,817	261,381	209,070	470,451
Fund balances:						
Reserved for debt service	-	-	-	-	173,478	173,478
Unreserved fund balance	567	105,214	256,049	361,830	-	361,830
Total fund balances	567	105,214	256,049	361,830	173,478	535,308
Total liabilities and fund balances	\$ 120,567	110,778	391,866	623,211	382,548	1,005,759

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds				Debt Service Funds	Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total		
REVENUES:						
Local sources:						
Local tax	\$ 82,097	-	130,164	212,261	213,638	425,899
Other	10,086	322,826	2,575	335,487	1,774	337,261
TOTAL REVENUES	92,183	322,826	132,739	547,748	215,412	763,160
EXPENDITURES:						
Current:						
Instruction:						
Regular	86,336	-	-	86,336	-	86,336
Other	-	311,815	-	311,815	-	311,815
Support services:						
Administration	-	500	-	500	-	500
Operation and maintenance of plant	69,803	-	5,159	74,962	-	74,962
Student transportation	10,550	-	-	10,550	-	10,550
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	108,224	108,224
Interest and fiscal charges	-	-	-	-	123,152	123,152
TOTAL EXPENDITURES	166,689	312,315	5,159	484,163	231,376	715,539
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(74,506)	10,511	127,580	63,585	(15,964)	47,621
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	191,499	191,499
Transfers out	-	-	(23,099)	(23,099)	-	(23,099)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(23,099)	(23,099)	191,499	168,400
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(74,506)	10,511	104,481	40,486	175,535	216,021
FUND BALANCE BEGINNING OF YEAR	75,073	94,703	151,568	321,344	(2,057)	319,287
FUND BALANCE END OF YEAR	\$ 567	105,214	256,049	361,830	173,478	535,308

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT 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	Intra- Fund Transfers	Balance End of Year
Drama	\$ -	-	96	96	-
Music Parents	8,757	13,760	13,477	-	9,040
Band Boosters	-	47,427	49,653	-	(2,226)
Dugout Club	-	3,226	1,093	-	2,133
Basketball Club	-	290	793	503	-
Athletics	1,885	43,974	46,295	555	119
Track Club	717	1,044	2,128	-	(367)
Pom Pons	892	13,922	15,401	-	(587)
Football Squad	545	21	226	-	340
Baseball	-	2,662	1,526	-	1,136
Volleyball Squad	1,230	7,325	7,275	-	1,280
Class Funds	2,916	1,068	1,477	(566)	1,941
Student Project-Ven	(600)	2,639	714	-	1,325
Class of 2009	1,815	2,829	3,950	-	694
Class of 2010	1,456	2,719	3,535	-	640
Class of 2011	1,326	2	1,020	-	308
Class of 2012	939	5	21	-	923
Class of 2013	632	424	159	-	897
Class of 2014	676	5	-	-	681
Marketing	-	2,208	2,208	-	-
FFA	12,396	25,485	20,766	-	17,115
Project Oxygen-FFA	15	-	-	-	15
National Honor Society	554	1,070	1,147	-	477
Booster Club	38,108	81,410	66,791	-	52,727
Mathcounts	301	2	-	-	303
Wrestling Club	1,690	2,938	1,783	-	2,845
FBLA	(229)	25,574	25,344	-	1
Renaissance	(225)	2,394	4,666	-	(2,497)
Spanish Club	1,149	8	-	-	1,157
Sunshine Club	-	585	791	60	(146)
Interest & Misc.	1,471	1,550	536	(2,145)	340
FSB Donation	1,885	2,002	3,382	-	505
Book Fines	11	-	-	-	11
Book Fair	1,138	5,864	6,105	-	897
Bruce Mallory Memorial	-	573	-	-	573
Annual	1,129	3,285	3,246	-	1,168
Student Council	(375)	1,588	1,779	566	-
Elementary Club	8,667	3,227	2,797	-	9,097
Cheerleaders	2,076	3,353	4,314	-	1,115
Wrestling Cheerleading	405	4,841	6,456	907	(303)
Tattler	-	-	24	24	-
Archery in Iowa Schools	232	746	503	-	475
Character Counts	490	2	-	-	492
Children's Miracle/Dance-a-thon	629	10,779	10,838	-	570
Totals	\$ 94,703	322,826	312,315	-	105,214

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	Capital Projects Funds		
	Statewide		
	Sales and Services Tax	Building Projects	Total
Assets			
Cash and pooled investments	\$ 57	1,239,555	1,239,612
Due from other governments	109,459	-	109,459
Total Assets	\$ 109,516	1,239,555	1,349,071
Liabilities and Fund Balances			
Liabilities:			
Interfund payable	\$ -	157,092	157,092
Accounts payable	-	254,844	254,844
Total liabilities	-	411,936	411,936
Fund balances:			
Reserved for capital facility construction		827,619	827,619
Unreserved	109,516	-	109,516
Total fund balances	109,516	827,619	937,135
Total Liabilities and Fund Balances	\$ 109,516	1,239,555	1,349,071

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009

	Capital Projects Funds		
	Statewide		
	Sales and Services Tax	Building Projects	Total
REVENUES:			
Local sources:			
Statewide sales and services tax	\$ 514,801	-	514,801
Other	8,739	36,686	45,425
Federal sources	-	391,934	391,934
TOTAL REVENUES	523,540	428,620	952,160
EXPENDITURES:			
Current:			
Support services:			
Administration	-	54,331	54,331
Other expenditures:			
Facilities acquisitions	-	4,195,081	4,195,081
TOTAL EXPENDITURES	-	4,249,412	4,249,412
Excess(deficiency) of revenues over(under) expenditures	523,540	(3,820,792)	(3,297,252)
Other financing sources(uses):			
Transfer in	-	2,492,931	2,492,931
Transfer out	(2,660,931)	(400)	(2,661,331)
Issuance of revenue bonds	1,680,000	-	1,680,000
Premium on bonds	39,331	-	39,331
Cost of issuance	(25,200)	-	(25,200)
Total other financing sources(uses)	(966,800)	2,492,531	1,525,731
Deficiency of revenues and other financing sources under expenditures and other financing uses	(443,260)	(1,328,261)	(1,771,521)
Fund balance beginning of year	552,776	2,155,880	2,708,656
Fund balance end of year	\$ 109,516	827,619	937,135

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET FOR DEBT SERVICE FUNDS
 JUNE 30, 2009

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
Assets			
Cash and pooled investments	\$ 1,182	169,450	170,632
Receivables:			
Property tax:			
Delinquent	2,846	-	2,846
Succeeding year	209,070	-	209,070
Total assets	\$ 213,098	169,450	382,548
Liabilities and fund balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 209,070	-	209,070
Fund balances:			
Reserved for debt service	4,028	169,450	173,478
Total liabilities and fund balances	\$ 213,098	169,450	382,548

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 JUNE 30, 2009

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 213,638	-	213,638
Other	324	1,450	1,774
Total revenues	<u>213,962</u>	<u>1,450</u>	<u>215,412</u>
Expenditures:			
Other expenditures:			
Principal	108,224	-	108,224
Interest and fiscal charges	123,152	-	123,152
Total expenditures	<u>231,376</u>	<u>-</u>	<u>231,376</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(17,414)</u>	<u>1,450</u>	<u>(15,964)</u>
Other financing sources:			
Transfers in	<u>23,499</u>	<u>168,000</u>	<u>191,499</u>
Excess of revenues and other financing sources over expenditures	6,085	169,450	175,535
Fund balance beginning of year	<u>(2,057)</u>	<u>-</u>	<u>(2,057)</u>
Fund balance end of year	<u>\$ 4,028</u>	<u>169,450</u>	<u>173,478</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2009

	Floyd S. Etzel Scholarship	Geers Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	School Cents	Total
ASSETS						
Cash and pooled investments	\$ 1,097	223	(500)	2,264	691	3,775
Accounts receivable	-	-	-	500	-	500
LIABILITIES						
Accounts Payable	-	-	-	1,712	-	1,712
NET ASSETS						
Reserved for scholarships	\$ 1,097	223	(500)	1,052	691	2,563

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2009

	Floyd S. Etzel Scholarship	Geers Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	School Cents	Total
Additions:						
Local sources:						
Gifts and contributions	\$ -	-	500	49,292	-	49,792
Deductions:						
Instruction:						
Scholarships awarded	1,000	100	500	48,792	4,370	54,762
Changes in net assets	(1,000)	(100)	-	500	(4,370)	(4,970)
Net assets beginning of year	2,097	323	(500)	552	5,061	7,533
Net assets end of year	\$ 1,097	223	(500)	1,052	691	2,563

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 6,787	3,595	-	10,382
Liabilities				
Due to other groups	\$ 6,787	3,595	-	10,382

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT 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	\$ 2,599,494	2,513,117	1,774,897	1,562,509	1,517,880	1,474,010
Tuition	734,437	666,045	629,665	522,967	487,143	470,432
Other	542,976	578,058	393,055	339,394	386,472	310,651
Intermediate sources	-	-	-	-	-	300
State sources	2,905,207	2,928,044	2,650,067	2,657,564	2,600,046	2,436,976
Federal sources	485,233	84,038	142,670	89,334	80,468	117,374
Total	\$ 7,267,347	6,769,302	5,590,354	5,171,768	5,072,009	4,809,743
Expenditures:						
Instruction:						
Regular	\$ 2,521,474	2,705,950	2,556,469	2,120,940	2,276,140	2,265,072
Special	573,491	583,646	699,192	811,393	650,055	570,669
Other	970,270	678,129	675,071	855,806	605,003	614,222
Support services:						
Student	189,808	218,259	204,796	202,823	186,239	172,100
Instructional staff	198,509	198,980	181,380	181,200	161,357	159,331
Administration	651,203	651,062	563,538	519,676	499,878	455,873
Operation and maintenance of plant	447,658	412,168	465,995	381,106	372,588	476,911
Transportation	367,443	329,471	434,288	283,827	275,890	290,981
Other expenditures:						
Facilities acquisitions	4,195,081	808,449	41,071	42,974	-	53,697
Long-term debt:						
Principal	108,224	102,328	23,099	-	-	-
Interest and fiscal charges	123,152	127,079	-	-	-	-
AEA flow-through	205,226	200,662	191,048	179,370	176,022	172,940
Total	\$ 10,551,539	7,016,183	6,035,947	5,579,115	5,203,172	5,231,796

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Direct:			
Rural Education Achievement Program	84.358	FY09	\$ 18,020
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY09	13,491
National School Lunch Program	10.555	FY09	91,162
			<u>104,653</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY09	24,752
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY09	1,215
State Grants for Innovative Programs	84.298	FY09	371
Improving Teacher Quality State Grants	84.367	FY09	16,175
Iowa Demonstration Construction Grant	84.215	FY09	391,934
Area Education Agency:			
Special Education - Grants to States(Part B)	84.027	FY09	29,128
Vocational Education - Basic Grants to States	84.048	FY09	3,638
Total			<u>\$ 589,886</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Alburnett Community School District and is presented on 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, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of the
Alburnett 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 Alburnett Community School District 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 January 12, 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 Alburnett Community School District 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 Alburnett Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alburnett Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Alburnett 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 Alburnett Community School District's financial statements that is more than inconsequential will not be prevented or detected by Alburnett 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 Alburnett Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

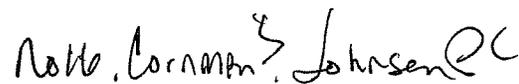
As part of obtaining reasonable assurance about whether Alburnett Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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.

Alburnett 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 Alburnett 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 Alburnett Community School District and other parties to whom Alburnett 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 Alburnett 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.

January 12, 2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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

To the Board of Education of
Alburnett Community School District

Compliance

We have audited the compliance of Alburnett 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. Alburnett 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 Alburnett Community School District's management. Our responsibility is to express an opinion on Alburnett 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 Alburnett 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 Alburnett Community School District's compliance with those requirements.

In our opinion, Alburnett 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 Alburnett 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 Alburnett 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 Alburnett 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 below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

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. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Alburnett Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Alburnett 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 Alburnett Community School District and other parties to whom Alburnett 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

January 12, 2010

ALBURNETT 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, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.215 - Iowa Demonstration Construction Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Alburnett Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial balance of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We are continuing to bring more people into our process of cash receipts and bank deposits. We are at a disadvantage as we cannot hire additional personnel to separate duties. However, we will continue to monitor our process and double check all cash receipts and bank deposits.

Conclusion - Response accepted.

II-B-09 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District does have a cash box counted before each event for the gates and concessions. After each event the cash box is counted by two different people. The administrator assigned to the activity will oversee the counting and the persons who counted the cash will sign a statement verifying the amount in the cash boxes. All state tournament games are issued tickets which must coordinate with the cash boxes.

Conclusion - Response acknowledged. For all events, a better system of control is to use pre-numbered tickets and subsequently reconcile the deposit amounts to the number of tickets sold. The Board of Directors assumes all responsibility for maintaining a system of internal control.

II-C-09 Davis Bacon Requirements - The District received an Iowa Demonstration Grant with required Davis Bacon Act compliance. The District did not perform required testing on the wages paid by the vendors under contract. Subsequent testing indicated that the vendor failed to meet the minimum wage requirements outlined in the Act.

Recommendation - The District should contact the vendors who underpaid their employees and request documentation to show that they have been compensated for the minimum prevailing rate as required by Davis Bacon Act. The District should review the original contract and determine if the District had required Davis Bacon wages. The grant award requires the prevailing wage be paid, therefore if the vendor does not pay the required amount the District would appear to be liable. The District should try to remedy the situation prior to final payout of the contract.

In the future, the District should perform testing appropriate with the grants which they receive.

Response - The District has notified the architects of the vendors that were underpaid. We expect the situation has been taken care of, but will request documentation to show the underpaid have been compensated.

Conclusion -Response acknowledged. The District should request and maintain records to document the required rates were paid.

II-D-09 Meal Money And Gift Cards Given to Students - We noted during our audit of the Student Activity Fund that the District purchased student's meals at the state track meet without any documentation as to who was there and received meal money. We also noted that gift cards were purchased for senior cheerleaders.

Recommendation - The District should document who receives cash when going on trips. Better internal control is achieved when the District requires any individual who receives cash for meals sign for the cash and note the amount received. If the sponsor will be paying for all meals, the sponsor should return the unused cash with the receipts of meals paid for during the trip. The District should review procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

The District should refrain from giving cash or gift cards to individual students as prizes or awards. Gift cards do not allow the Board to determine the final purchased item, to determine if it meets public purpose. In addition, the Board does not have the ability to audit and allow the expenditure.

Response - The District will refrain from giving cash or gift cards to individual students.

Conclusion - Response accepted.

II-E-09 Field Trips - The entire Fourth grade went on a field trip to Camp Wapsie on May 14 & 15, 2009 and were charged for the trip. As the entire class attended, it would appear that the trip was instructional in nature. Based on a Department of Education Declaratory ruling it would be inappropriate to charge individuals to participate in an instructional field trip.

Recommendation - The District should evaluate what is allowable when it comes to planning field trips. Issues concerning the nature of the trip and required attendance should be considered when determining if fees may be charged. The District could use fundraising to subsidize such school field trips in the future. The District should not charge students to attend instructional field trips.

Response - The District has reviewed our field trip policy. Attendance is not required and no fees are charged for field trips.

Conclusion - Response acknowledged. District records indicated that the District did charge for the field trip and it was counted as an instructional day. The District should review future field trips and refrain from charging for instructional field trips.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 84.215: Iowa Demonstration Construction Grant
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial balance of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We are continuing to bring more people into our process of cash receipts and bank deposits. We are at a disadvantage as we cannot hire additional personnel to separate duties. However, we will continue to monitor our process and double check all cash receipts and bank deposits.

Conclusion - Response accepted.

III-B-09 Davis Bacon Requirements - The District received an Iowa Demonstration Grant with required Davis Bacon Act compliance. The District did not perform required testing on the wages paid by the vendors under contract. Subsequent testing indicated that the vendor failed to meet the minimum wage requirements outlined in the Act.

Recommendation - The District should contact the vendors who underpaid their employees and request documentation to show that they have been compensated for the minimum prevailing rate as required by Davis Bacon Act. The District should review the original contract and determine if the District had required Davis Bacon wages. The grant award requires the prevailing wage be paid, therefore if the vendor does not pay the required amount the District would appear to be liable. The District should try to remedy the situation prior to final payout of the contract.

In the future, the District should perform testing appropriate with the grants which they receive.

Response - The District has notified the architects of the vendors that were underpaid. We expect the situation has been taken care of, but will request documentation to show the underpaid have been compensated.

Conclusion - Response acknowledged. The District should request and maintain records to document the required rates were paid.

Part IV: Other Findings Related To Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009 exceeded the amended certified budget amounts in the non-instructional programs and other expenditures functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District has reviewed our amending process and will not exceed our amended budget.

Conclusion - Responses accepted.

IV-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-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 are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jeff Miles, Teacher Owner of Miles Law Mowing Service	Mowing services	\$333
Gary Holsinger, Custodian Owner of Holinger Snow Removal	Snow removal	\$3,348

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's teacher and custodian 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 a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 2 open enrolled out was understated by 0.4 students.

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

Response - The Department of Education and the Department of Management have been notified.

Conclusion - Response accepted.

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 filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding - No instance were noted of categorical funding being 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.3 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		\$	-
Statewide sales and services tax revenue			514,801
Expenditures/Transfers Out:			
School Infrastructure:			
Other improvements	\$	346,801	
Debt service for school infrastructure:			
Revenue debt		168,000	514,801
			<hr/>
Ending balance		\$	<hr/> <hr/> -

IV-L-09 Deficit Balances - The District had a deficit unreserved fund balance of \$989,132 in the General Fund. The District also had an account in the Private Purpose Trust Fund with a negative balance of \$500 and six negative account balances totaling \$6,126 in the Student Activity Fund at June 30, 2009.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should consider a workout plan to bring these funds to a solvent position.

Response - The District has a 5 year plan in process. We have continued to eliminate our cash deficit problem. This is a district goal and all efforts are being taken to bring all funds to a solvent position.

Conclusion - Response accepted.

IV-M-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa

requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - This recommendation has been accomplished.

Conclusion - Response accepted.

IV-N-09 Board Policies - We noted during our audit that the District has not implemented a capital asset policy. These policies generally display capitalization thresholds and useful lives for different categories of the District's fixed assets. We also noted that the early retirement policy has been in place for over five years without review.

Recommendation - The District should consider implementing a capital asset policy to outline procedures for the handling and reporting of fixed assets. The District should review all Board policies periodically to ensure they are relevant to current practices and procedures.

Response - All Board policies are being updated as a result of our Department of Education site visit in December of 2009. We will look into a capital asset policy as we move forward.

Conclusion - Response accepted.

IV-O-09 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

We noted that Lifetouch and Target donations were recorded in the Student Activity Fund. Target donations are unspecified donations and, therefore, should be recorded in the General Fund. Lifetouch monies are commissions and the General Fund is the appropriate fund to receipt commissions.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. If receipts/expenditures are deemed inappropriate for the Student Activity Fund the proper measures should be taken to receipt monies to the correct fund they can be expended from.

Response - The District will review all propriety receipts and expenditures that are recorded in the Student Activity Fund. Should corrections be needed, all measures will be taken to receipt monies to the appropriate fund.

Conclusion - Response accepted.

IV-P-09 PPEL Expenditures - We noted that the District made a purchase from Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund which does not appear to be in compliance with Chapter 423 and 298 of the Code of Iowa. The District purchased a fax machine which was below the single unit price of \$500.

Recommendation - The District should make a corrective transfer to reimburse the PPEL Fund and review their procedures to ensure that purchases made from these funds are in compliance with Chapter 423 and 298 of the Code of Iowa.

Response - The District will make a corrective transfer to reimburse the PPEL Fund to make sure we are in compliance with Chapter 423 and 298 of the Code of Iowa.

Conclusion - Response accepted.