

ALGONA 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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Algona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
David Fenchel	President	2010
Floyd Lavrenz	Vice President	2010
Dale Person	Board Member	2008
Rodney Davis	Board Member	2008
Marc Singer	Board Member	2008
Keith Kuecker	Board Member	2009
Cheryl Grether	Board Member	2009
Board of Education (After September 2008 Election)		
David Fenchel	President	2009*
Floyd Lavrenz	Vice President	2011*
Keith Kuecker	Board Member	2009
Cheryl Grether	Board Member	2009
Rodney Davis	Board Member	2011
Bruce Knudsen	Board Member	2011
Marc Singer	Board Member	2011
School Officials		
Marty Fonley	Superintendent	2009
Gail Carroll	District Secretary	2009
Mary Beth Wubben	District Treasurer	2009
Stephen Avery	Attorney	2009

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

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Algona 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 Algona Community School District, Algona, 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, the business type activities, each major fund and the aggregate remaining fund information of Algona Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2010 on our consideration of Algona 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain

limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Algona 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 seven years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, 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.

March 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Algona 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 \$12,181,658 in fiscal 2008 to \$12,924,050 in fiscal 2009, while General Fund expenditures increased from \$12,860,533 in fiscal 2008 to \$12,253,919 in fiscal 2009. This resulted in an increase in the District's General Fund balance from a deficit of \$760,355 in fiscal 2008 to a deficit of \$90,224 in fiscal 2009.
- The increase in General Fund revenues was attributable to increases in local tax and state grant revenue in fiscal 2009. The decrease in expenditures was due primarily to budget reductions in the support services function.

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 Algona 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 Algona 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 Algona 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, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

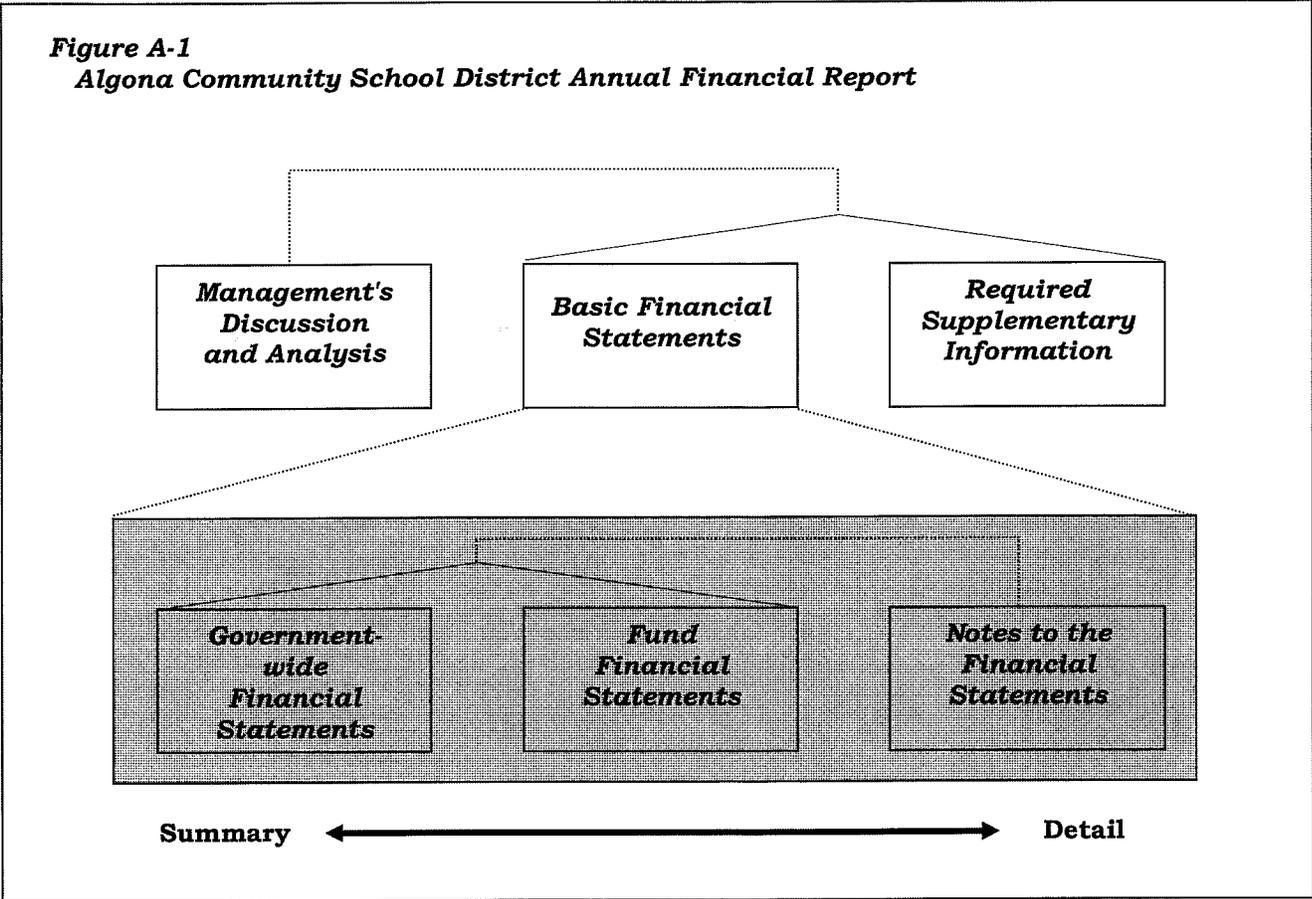


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects.

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 two enterprise funds, the School Nutrition Fund and the Preschool Fund. The District's internal service fund, one type of proprietary fund, is the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two internal service funds, which include the Self-Funded Health Insurance Fund and Flex Benefit 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 Fund and the Agency Fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain outside organizations.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-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 total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 13,135,962	11,340,951	32,864	12,146	13,168,826	11,353,097	15.99%
Capital assets	3,769,256	3,475,592	16,756	19,428	3,786,012	3,495,020	8.33%
Total assets	16,905,218	14,816,543	49,620	31,574	16,954,838	14,848,117	14.19%
Long-term obligations	384,306	403,688	3,495	-	387,801	403,688	-3.94%
Other liabilities	9,390,563	9,069,878	8,345	12,126	9,398,908	9,082,004	3.49%
Total liabilities	9,774,869	9,473,566	11,840	12,126	9,786,709	9,485,692	3.17%
Net assets:							
Invested in capital assets, net of related debt	3,769,256	3,475,592	16,756	19,428	3,786,012	3,495,020	8.33%
Restricted	1,597,564	1,209,004	23,262	-	1,620,826	1,209,004	34.06%
Unrestricted	1,763,529	658,381	(2,238)	20	1,761,291	658,401	167.51%
Total net assets	\$ 7,130,349	5,342,977	37,780	19,448	7,168,129	5,362,425	33.67%

The District's combined net assets increased by 33.67%, or \$1,805,704, over 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

increased \$411,822, or 34.06% over the prior year. The increase in restricted net assets can be attributed to the increase in fund balance of the Capital Projects Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$1,102,890 or 167.51%. The increase in unrestricted net assets can be attributed to the increase in fund balance of the General Fund.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Program revenues:							
Charges for services	\$ 1,652,371	1,759,392	317,759	311,547	1,970,130	2,070,939	-4.87%
Operating grants and contributions and restricted interest	1,768,538	1,564,356	239,181	255,529	2,007,719	1,819,885	10.32%
Capital grants and contributions and restricted interest	-	11,000	-	-	-	11,000	-100.00%
General revenues:							
Property tax	5,092,378	4,322,691	-	-	5,092,378	4,322,691	17.81%
Income surtax	632,102	553,084	-	-	632,102	553,084	14.29%
Local option sales and service tax	920,565	647,668	-	-	920,565	647,668	42.14%
Unrestricted state grants	4,477,426	4,403,458	-	-	4,477,426	4,403,458	1.68%
Other	355,722	387,713	25	19,801	355,747	407,514	-12.70%
Transfers	-	(3,554)	-	3,554	-	-	0.00%
Total revenues	14,899,102	13,645,808	556,965	590,431	15,456,067	14,236,239	8.57%
Program expenses:							
Governmental activities:							
Instruction	9,259,874	9,656,073	44,572	73,675	9,304,446	9,729,748	-4.37%
Support services	3,063,958	3,655,868	2,236	2,255	3,066,194	3,658,123	-16.18%
Non-instructional programs	-	-	491,825	510,870	491,825	510,870	-3.73%
Other expenses	787,898	788,800	-	-	787,898	788,800	-0.11%
Total expenses	13,111,730	14,100,741	538,633	586,800	13,650,363	14,687,541	-7.06%
Change in net assets	1,787,372	(454,933)	18,332	3,631	1,805,704	(451,302)	500.11%
Net assets beginning of year	5,342,977	5,797,910	19,448	15,817	5,362,425	5,813,727	-7.76%
Net assets end of year	\$ 7,130,349	5,342,977	37,780	19,448	7,168,129	5,362,425	33.67%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 74.65% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$15.5 million of which \$14.9 million was for governmental activities and less than \$0.6 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 8.57% in revenues and a 7.06% decrease in expenses. The decrease in expenses was related to the decrease in

support services cost during the year. The increase in revenues was related to increases in local tax and unrestricted state grants.

Governmental Activities

Revenues for governmental activities were \$14,899,102 and expenses were \$13,111,730.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 9,259,874	9,656,073	-4.10%	6,430,087	6,958,478	-7.59%
Support services	3,063,958	3,655,868	-16.19%	2,965,277	3,495,395	-15.17%
Other expenses	787,898	788,800	-0.11%	295,457	312,120	-5.34%
Totals	<u>\$ 13,111,730</u>	<u>14,100,741</u>	<u>-7.01%</u>	<u>9,690,821</u>	<u>10,765,993</u>	<u>-9.99%</u>

- The cost financed by users of the District's programs was \$1,652,371.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,768,538.
- The net cost of governmental activities was financed with \$5,092,378 in property tax, \$632,102 in income surtax, \$920,565 in statewide sales and service tax, \$4,477,426 in unrestricted state grants, \$116,523 in interest income and \$239,199 in other general revenues.

Business type Activities

Revenues for the District's business type activities were \$556,965 and expenses were \$538,633. The District's business type activities include the School Nutrition Fund and the Preschool 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 Algona 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 \$1,739,285, compared to last year's ending fund balances of \$698,317. However, the primary reason for the increase was due to the increase in fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases in local and state source revenues in 2009 lead to an increase in revenues for the General Fund when compared to the previous year. The increase in revenues combined with a decrease in General Fund expenditures allowed the increase in fund balance of \$670,131.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$15,044 at June 30, 2008 to \$43,704 at June 30, 2009, representing an increase of 190.51%. The District's Preschool Fund net assets decreased from \$4,404 at June 30, 2008 to a deficit \$5,924 at June 30, 2009, representing a decrease of 234.51%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$175,139 less than budgeted revenues, a variance of 1.12%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$3,786,012, 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 8.33% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$386,191.

The original cost of the District's capital assets was \$13,228,680. Governmental funds account for \$13,116,451 with the remainder of \$112,229 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2008 compared to \$527,449 at June 30, 2009. This increase resulted from start of construction on the new middle school building project that was not completed at year end.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 37,674	37,674	-	-	37,674	37,674	0.00%
Construction in progress	527,449	-	-	-	527,449	-	100.00%
Buildings	2,586,047	2,842,374	-	-	2,586,047	2,842,374	-9.02%
Land improvements	103,621	129,711	-	-	103,621	129,711	-20.11%
Machinery and equipment	514,465	465,833	16,756	19,428	531,221	485,261	9.47%
Total	\$ 3,769,256	3,475,592	16,756	19,428	3,786,012	3,495,020	8.33%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$586,050 in early retirement and net OPEB liability. This represents a decrease of 3.94% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,						June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Early retirement	\$ 322,950	403,688	-	-	322,950	403,688	20.00%
Net OPEB liability	61,356	-	3,495	-	64,851	-	100.00%
Total	\$ 384,306	403,688	3,495	-	387,801	403,688	-3.94%

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:

- A pattern of declining enrollment persists in the District. Enrollment has declined for the past 8 years, and projections of enrollment and the birth rate indicate several more years of decline. This will reduce the amount of revenue available to fund educational programs and service in the future.
- 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.
- The elimination of the "budget guarantee" at 10% each year is reducing revenues to the District each year.
- Rapid and persistent increases in insurance costs and energy costs will create more financial hardships for the District in the future.

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 Mary Beth Wubben, Business Manager, Algona Community School District, Box 717, 200 North Phillips, Algona, Iowa, 50511.

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit +
	Governmental Activities	Business Type Activities	Total	Algona Community School Foundation
Assets				
Cash and pooled investments:				
ISCAP	\$ 2,314,512	-	2,314,512	-
Other	4,305,909	4,378	4,310,287	1,704,173
Receivables:				
Property tax:				
Delinquent	78,753	-	78,753	-
Succeeding year	5,457,078	-	5,457,078	-
Income surtax	525,632	-	525,632	-
Interfund	-	-	-	-
Accounts	8,975	9,314	18,289	-
Accrued ISCAP interest	13,273	-	13,273	-
Due from other governments	419,732	-	419,732	-
Prepaid expenses	12,098	-	12,098	-
Inventories	-	19,172	19,172	-
Capital assets, net of accumulated depreciation	3,769,256	16,756	3,786,012	-
Assets	16,905,218	49,620	16,954,838	1,704,173
Liabilities				
Accounts payable	518,297	-	518,297	-
Salaries and benefits payable	133,305	-	133,305	-
Deposit payable	96,450	-	96,450	-
ISCAP warrants payable	2,775,000	-	2,775,000	-
ISCAP accrued interest payable	11,227	-	11,227	-
ISCAP unamortized premium	41,308	-	41,308	-
Incurred but not reported	150,000	-	150,000	-
Deferred revenue:				
Succeeding year property tax	5,457,078	-	5,457,078	-
Other	207,898	-	207,898	-
Unearned revenue	-	8,345	8,345	-
Long-term liabilities:				
Portion due within one year:				
Early retirement	80,738	-	80,738	-
Portion due after one year:				
Early retirement	242,212	-	242,212	-
Net OPEB liability	61,356	3,495	64,851	-
Total Liabilities	9,774,869	11,840	9,786,709	-
Net Assets				
Invested in capital assets, net of related debt	3,769,256	16,756	3,786,012	-
Restricted for:				
Categorical funding	91,005	23,262	114,267	-
Capital projects	1,021,802	-	1,021,802	-
Physical plant and equipment levy	218,673	-	218,673	-
Management levy	49,301	-	49,301	-
Other special revenue purposes	216,783	-	216,783	-
Other	-	-	-	1,532,994
Unrestricted	1,763,529	(2,238)	1,761,291	171,179
Total Net Assets	\$ 7,130,349	37,780	7,168,129	1,704,173

+ The component unit year end is December 31, 2008.
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit + Algona Community School Foundation
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,639,409	536,993	944,111	(3,158,305)	-	(3,158,305)	-
Special	2,733,121	764,793	79,986	(1,888,342)	-	(1,888,342)	-
Other	1,887,344	350,028	153,876	(1,383,440)	-	(1,383,440)	-
	<u>9,259,874</u>	<u>1,651,814</u>	<u>1,177,973</u>	<u>(6,430,087)</u>	<u>-</u>	<u>(6,430,087)</u>	<u>-</u>
Support services:							
Student	96,095	-	-	(96,095)	-	(96,095)	-
Instructional staff	276,946	-	-	(276,946)	-	(276,946)	-
Administration	1,005,322	-	-	(1,005,322)	-	(1,005,322)	-
Operation and maintenance of plant	1,349,264	-	-	(1,349,264)	-	(1,349,264)	-
Transportation services	336,331	557	98,124	(237,650)	-	(237,650)	-
	<u>3,063,958</u>	<u>557</u>	<u>98,124</u>	<u>(2,965,277)</u>	<u>-</u>	<u>(2,965,277)</u>	<u>-</u>
Other expenditures:							
AEA flowthrough	492,441	-	492,441	-	-	-	-
Depreciation (unallocated)*	295,457	-	-	(295,457)	-	(295,457)	-
	<u>787,898</u>	<u>-</u>	<u>492,441</u>	<u>(295,457)</u>	<u>-</u>	<u>(295,457)</u>	<u>-</u>
Total governmental activities	<u>13,111,730</u>	<u>1,652,371</u>	<u>1,768,538</u>	<u>(9,690,821)</u>	<u>-</u>	<u>(9,690,821)</u>	<u>-</u>
Business Type activities:							
Instruction:							
Regular	44,572	26,738	7,506	-	(10,328)	(10,328)	-
Support services:							
Administration	1,682	-	-	-	(1,682)	(1,682)	-
Operation and maintenance of plant	554	-	-	-	(554)	(554)	-
	<u>2,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,236)</u>	<u>(2,236)</u>	<u>-</u>
Non-instructional programs:							
Nutrition services	491,825	291,021	231,675	-	30,871	30,871	-
Total business type activities	<u>538,633</u>	<u>317,759</u>	<u>239,181</u>	<u>-</u>	<u>18,307</u>	<u>18,307</u>	<u>-</u>
Total primary government	<u>\$ 13,650,363</u>	<u>1,970,130</u>	<u>2,007,719</u>	<u>(9,690,821)</u>	<u>18,307</u>	<u>(9,672,514)</u>	<u>-</u>
Total component unit	<u>\$ 195,422</u>	<u>168,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,770)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 4,954,946	-	4,954,946	-
Capital outlay				137,432	-	137,432	-
Income surtax:				632,102	-	632,102	-
Statewide sales and service tax:				920,565	-	920,565	-
Unrestricted state grants				4,477,426	-	4,477,426	-
Unrestricted investment earnings				116,523	25	116,548	64,890
Realized gain or loss on investments				-	-	-	(230,129)
Other general revenues				239,199	-	239,199	-
Total general revenues				<u>11,478,193</u>	<u>25</u>	<u>11,478,218</u>	<u>(165,239)</u>
Changes in net assets				<u>1,787,372</u>	<u>18,332</u>	<u>1,805,704</u>	<u>(192,039)</u>
Net assets beginning of year				<u>5,342,977</u>	<u>19,448</u>	<u>5,362,425</u>	<u>1,896,202</u>
Net assets end of year				<u>\$ 7,130,349</u>	<u>37,780</u>	<u>7,168,129</u>	<u>1,704,193</u>

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

+ The component unit year end is December 31, 2008.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Special Revenue	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 2,314,512	-	-	2,314,512
Other	675,701	1,119,956	879,770	2,675,427
Receivables:				
Property tax:				
Delinquent	71,223	-	7,530	78,753
Succeeding year	4,912,164	-	544,914	5,457,078
Income surtax	525,632	-	-	525,632
Accounts	8,975	-	-	8,975
Interfund	76,611	-	-	76,611
Accrued ISCAP interest	13,273	-	-	13,273
Due from other governments	276,612	143,120	-	419,732
Prepaid expenses	12,098	-	-	12,098
Total Assets	\$ 8,886,801	1,263,076	1,432,214	11,582,091
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ -	-	76,611	76,611
Accounts payable	370,491	144,824	2,982	518,297
Salaries and benefits payable	133,305	-	-	133,305
Deposit payable	-	96,450	-	96,450
ISCAP warrants payable	2,775,000	-	-	2,775,000
ISCAP accrued interest payable	11,227	-	-	11,227
ISCAP unamortized premium	41,308	-	-	41,308
Deferred revenue:				
Succeeding year property tax	4,912,164	-	544,914	5,457,078
Income surtax	525,632	-	-	525,632
Other	207,898	-	-	207,898
Total Liabilities	8,977,025	241,274	624,507	9,842,806
Fund balances:				
Reserved for categorical funding	91,005	-	-	91,005
Unreserved	(181,229)	1,021,802	807,707	1,648,280
Total fund balances	(90,224)	1,021,802	807,707	1,739,285
Total Liabilities and Fund Balances	\$ 8,886,801	1,263,076	1,432,214	11,582,091

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA 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 18)	\$ 1,739,285
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,769,256
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	1,480,482
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	525,632
Long-term liabilities, including early retirement and other postemployment benefits payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(384,306)
	<hr style="width: 100%;"/>
Net assets of governmental activities (page 16)	\$ 7,130,349
	<hr style="width: 100%;"/>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Special Revenue	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,184,752	920,565	487,277	6,592,594
Tuition	1,296,138	-	-	1,296,138
Other	231,844	32,861	481,613	746,318
State sources	5,913,486	-	388	5,913,874
Federal sources	297,727	-	-	297,727
Total revenues	<u>12,923,947</u>	<u>953,426</u>	<u>969,278</u>	<u>14,846,651</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,700,719	-	130,362	4,831,081
Special	2,825,044	-	-	2,825,044
Other	1,451,128	-	437,676	1,888,804
	<u>8,976,891</u>	<u>-</u>	<u>568,038</u>	<u>9,544,929</u>
Support services:				
Student	95,640	-	7,522	103,162
Instructional staff	244,712	38,419	-	283,131
Administration	981,731	30,066	15,077	1,026,874
Operation and maintenance of plant	1,027,050	185,294	143,823	1,356,167
Transportation	435,454	2,087	-	437,541
	<u>2,784,587</u>	<u>255,866</u>	<u>166,422</u>	<u>3,206,875</u>
Other expenditures:				
Facilities acquisitions	-	561,541	-	561,541
AEA flowthrough	492,441	-	-	492,441
	<u>492,441</u>	<u>561,541</u>	<u>-</u>	<u>1,053,982</u>
Total expenditures	<u>12,253,919</u>	<u>817,407</u>	<u>734,460</u>	<u>13,805,786</u>
Excess of revenues over expenditures	670,028	136,019	234,818	1,040,865
Other financing sources:				
Proceeds from sale of equipment	103	-	-	103
Net change in fund balances	670,131	136,019	234,818	1,040,968
Fund balance beginning of year	(760,355)	885,783	572,889	698,317
Fund balance end of year	<u>\$ (90,224)</u>	<u>1,021,802</u>	<u>807,707</u>	<u>1,739,285</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA 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 20) \$ 1,040,968

*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. Capital outlays expenditures, depreciation expense and loss on disposal of assets in the current year are as follows:

Capital expenditures	\$ 697,528	
Depreciation expense	(383,519)	
Loss on disposal of assets	<u>(20,345)</u>	293,664

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 52,451

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 380,907

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

Early retirement	\$ 80,738	
Other postemployment benefits	<u>(61,356)</u>	<u>19,382</u>

Changes in net assets of governmental activities (page 17) \$ 1,787,372

ALGONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Preschool	Total
Assets			
Cash and cash equivalents	\$ 9,757	(5,379)	4,378
Accounts receivable	9,314	-	9,314
Inventories	19,172	-	19,172
Capital assets, net of accumulated depreciation	16,756	-	16,756
Total Assets	54,999	(5,379)	49,620
Liabilities			
Current liabilities:			
Unearned revenue	8,345	-	8,345
Incurred but not reported	-	-	-
Total current liabilities	8,345	-	8,345
Long-term liabilities:			
Net OPEB liability	2,950	545	3,495
Total long-term liabilities	2,950	545	3,495
Total Liabilities	11,295	545	11,840
Net Assets			
Invested in capital assets	16,756	-	16,756
Reserved for categorial funding	-	23,262	23,262
Unrestricted	26,948	(29,186)	(2,238)
Total Net Assets	\$ 43,704	(5,924)	37,780

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Governmental Activities:		
Internal Service Funds		
Self-Funded Insurance	Flex Benefit	Total
1,608,939	21,543	1,630,482
-	-	-
-	-	-
-	-	-
1,608,939	21,543	1,630,482
-	-	-
150,000	-	150,000
150,000	-	150,000
-	-	-
-	-	-
150,000	-	150,000
-	-	-
-	-	-
1,458,939	21,543	1,480,482
1,458,939	21,543	1,480,482

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Preschool	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 291,021	26,738	317,759
OPERATING EXPENSES:			
Instructional:			
Regular:			
Salaries	-	27,160	27,160
Benefits	-	16,981	16,981
Supplies	-	431	431
	-	44,572	44,572
Support services:			
Administration:			
Benefits	-	-	-
Services	1,385	-	1,385
Other	297	-	297
Operation and maintenance of plant services:			
Services	554	-	554
	2,236	-	2,236
Non-instructional programs:			
Food service operations:			
Salaries	124,237	-	124,237
Benefits	91,225	-	91,225
Supplies	273,691	-	273,691
Depreciation	2,672	-	2,672
	491,825	-	491,825
TOTAL OPERATING EXPENSES	494,061	44,572	538,633
OPERATING INCOME (LOSS)	(203,040)	(17,834)	(220,874)
NON-OPERATING REVENUES:			
Interest	25	-	25
State sources	6,101	7,506	13,607
Federal sources	225,574	-	225,574
TOTAL NON-OPERATING REVENUES	231,700	7,506	239,206
Change in net assets	28,660	(10,328)	18,332
Net assets beginning of year	15,044	4,404	19,448
Net assets end of year	\$ 43,704	(5,924)	37,780

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Governmental Activities:		
Internal Service Funds		
Self-Funded Insurance	Flex Benefit	Total
1,766,460	60,007	1,826,467
-	-	-
-	-	-
-	-	-
-	-	-
1,188,454	-	1,188,454
208,362	63,147	271,509
-	-	-
-	-	-
1,396,816	63,147	1,459,963
-	-	-
-	-	-
-	-	-
-	-	-
1,396,816	63,147	1,459,963
369,644	(3,140)	366,504
14,403	-	14,403
-	-	-
-	-	-
14,403	-	14,403
384,047	(3,140)	380,907
1,074,892	24,683	1,099,575
1,458,939	21,543	1,480,482

ALGONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Preschool	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 286,860	-	286,860
Cash received from miscellaneous operating activities	1,806	26,738	28,544
Cash payments to employees for services	(212,512)	(43,596)	(256,108)
Cash payments to suppliers for goods or services	(239,943)	(5,726)	(245,669)
Net cash provided by(used in) operating activities	(163,789)	(22,584)	(186,373)
Cash flows from non-capital financing activities:			
Repayment of interfund loan to General Fund	(24,000)	-	(24,000)
State grants received	6,101	7,506	13,607
Federal grants received	184,142	-	184,142
Net cash provided by(used in) non-capital financing activities	166,243	7,506	173,749
Cash flows from investing activities:			
Interest on investments	25	-	25
Net cash provided by investing activities	25	-	25
Net increase(decrease) in cash and cash equivalents	2,479	(15,078)	(12,599)
Cash and cash equivalents at beginning of year	7,278	9,699	16,977
Cash and cash equivalents at end of year	\$ 9,757	(5,379)	4,378
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (203,040)	(17,834)	(220,874)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	41,765	-	41,765
Depreciation	2,672	-	2,672
Increase in inventories	(5,781)	-	(5,781)
(Increase)Decrease in accounts receivable	(3,869)	-	(3,869)
Decrease in accounts payable	-	(5,295)	(5,295)
Decrease in incurred but not reported	-	-	-
Increase in unearned revenue	1,514	-	1,514
Increase in other postemployment benefits payable	2,950	545	3,495
Net cash provided by(used in) operating activities	\$ (163,789)	(22,584)	(186,373)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$41,765 of federal commodities.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Governmental Activities		
Internal Service Funds		
Self-Funded Insurance	Flex Benefit	Total
-	-	-
1,767,593	60,007	1,827,600
(1,198,454)	(63,147)	(1,261,601)
(208,362)	-	(208,362)
<u>360,777</u>	<u>(3,140)</u>	<u>357,637</u>
-	-	-
-	-	-
-	-	-
-	-	-
14,403	-	14,403
<u>14,403</u>	<u>-</u>	<u>14,403</u>
375,180	(3,140)	372,040
1,233,759	24,683	1,258,442
<u>1,608,939</u>	<u>21,543</u>	<u>1,630,482</u>
369,644	(3,140)	366,504
-	-	-
-	-	-
-	-	-
1,133	-	1,133
-	-	-
(10,000)	-	(10,000)
-	-	-
-	-	-
<u>360,777</u>	<u>(3,140)</u>	<u>357,637</u>

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 321
Total additions	<u>321</u>
Deductions:	
Transfer to Foundation	<u>121,311</u>
Change in net assets	(120,990)
Net assets beginning of year	<u>120,990</u>
Net assets end of year	<u>\$ -</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
 COMPONENT UNIT
 DECEMBER 31, 2008

	<u>Algona Community School Foundation</u>
ASSETS	
Cash, savings, and investments	\$ 1,704,193
TOTAL ASSETS	<u>1,704,193</u>
LIABILITIES	<u>-</u>
NET ASSETS	<u>\$ 1,704,193</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2008

	Algona Community School Foundation
Revenue:	
Contributions, gifts, grants and similar amounts	\$ 168,652
Interest	64,890
Realized gain or loss on investments	(230,129)
Total revenue	3,413
Expenses:	
Grants and similar amounts paid:	
Grants	9,165
Scholarships	172,002
Other:	
Management	6,895
Advertising and promotion	715
Insurance	200
Fundraising supplies	2,729
Postage and shipping	2,003
Foreign tax on dividends	1,111
Dues	302
Outside services	300
Total expenses	195,422
Deficiency of revenue under expenses	(192,009)
Net assets beginning of year	1,896,202
Net assets end of year	\$ 1,704,193

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

The Algona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Algona and Burt, Iowa, and the predominate agricultural territory in Kossuth 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, Algona 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.

These financial statements present the Algona Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The Algona Community School Foundation was created to financially support the Algona Community School system and post high school scholarship support to graduates of the school. The Foundation is a separate legal entity with its own accounting records and board of trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a component unit in these financial statements.

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 Kossuth County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor propriety funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, the Enterprise, Preschool Fund, the Internal Service, Self-Funded Insurance Fund and the Internal Service, Flex Benefit Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Preschool Fund is used to account for preschool operations of the District. The Internal Service, Self-Funded Insurance Fund is used to account for the District's self-funded health insurance plan. The Internal Service, Flex Benefit Fund is used to account for the flexible health and childcare benefits program offered by 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 held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary funds 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 financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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.

Prepaid Expenses - The District prepaid payroll in error to bus drivers prior to the year end from the General Fund, which was subsequently corrected in the October and November 2009.

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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Land improvements	3,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

Deposits Payable - On July 28, 2009, the District issued revenue bonds of \$9,645,000 in revenue bonds to finance capital facility construction. As part of the issuance of the debt, the District received a good faith deposit of \$96,450 prior to June 30, 2009.

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 Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on 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.

Net assets restricted through enabling legislation consists of \$91,005 for categorical funding, \$1,021,802 for capital projects, \$218,673 for physical plant and equipment levy, \$49,301 for management levy and \$216,783 for other special revenue purposes (student activity fund).

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; 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:

	Amortized Cost
Iowa Schools Joint Investment Trust	\$ 17

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service

(3) 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
General	Special Revenue, Management Levy	\$ 76,611

The Special Revenue, Management Levy Fund owes the General Fund for early retirement incentives that were paid during the year.

(4) 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. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 987,833	13,111	1,469,000	11,063
2009-10A	6/25/09	6/23/10	1,326,679	162	1,306,000	164
Total			<u>\$ 2,314,512</u>	<u>13,273</u>	<u>2,775,000</u>	<u>11,227</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments of 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
2007-08B	\$ 959,000	-	959,000	-
2008-09A	-	1,000,000	1,000,000	-
2008-09B	-	750,000	250,000	500,000
Total	<u>\$ 959,000</u>	<u>1,750,000</u>	<u>2,209,000</u>	<u>500,000</u>

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
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(5) 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	\$ 37,674	-	-	37,674
Construction in progress	-	527,449	-	527,449
Total capital assets not being depreciated	37,674	527,449	-	565,123
Capital assets being depreciated:				
Buildings	8,473,836	13,040	-	8,486,876
Land improvements	644,771	-	-	644,771
Machinery and equipment	3,394,920	157,039	132,278	3,419,681
Total capital assets being depreciated	12,513,527	170,079	132,278	12,551,328
Less accumulated depreciation for:				
Buildings	5,631,462	269,367	-	5,900,829
Land improvements	515,060	26,090	-	541,150
Machinery and equipment	2,929,087	88,062	111,933	2,905,216
Total accumulated depreciation	9,075,609	383,519	111,933	9,347,195
Total capital assets being depreciated, net	3,437,918	(213,440)	20,345	3,204,133
Governmental activities capital assets, net	\$ 3,475,592	314,009	20,345	3,769,256
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 112,229	-	-	112,229
Less accumulated depreciation	92,801	2,672	-	95,473
Business type activities capital assets, net	\$ 19,428	(2,672)	-	16,756

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 7,455
Other		10,582
Support services:		
Administration services		4,912
Operation and maintenance of plant services		22,584
Transportation		42,529
		<u>88,062</u>
Unallocated depreciation		<u>295,457</u>
		<u>\$ 383,519</u>
Business type activities:		
Food services		<u>\$ 2,672</u>

(6) 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
Governmental activities:					
Early retirement	\$ 403,688	-	80,738	322,950	80,738
Net OPEB liability	-	61,356	-	61,356	-
Total	<u>\$ 403,688</u>	<u>61,356</u>	<u>80,738</u>	<u>384,306</u>	<u>80,738</u>
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ -	3,495	-	3,495	-

Early Retirement

During the year ended June 30, 2008, the District offered a voluntary early retirement plan to its employees. Eligible employees must be a full-time teacher or administrator that will reach age 55 before June 30, 2008. Eligible employees must have completed fourteen years of full-time service to the District and must be currently under contract with the District. 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 \$7,500 per year for a maximum of five years. Two equal payments are made on July 30 and January 30 of each year. Eligible employees have the option to use the early retirement incentive to pay premiums to remain on the District's health insurance plan.

Early retirement incentive benefits of \$80,738 were paid during the year ended June 30, 2009. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

(7) **Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 170 active and 10 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 128,249
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>128,249</u>
Contributions made	<u>(63,348)</u>
Increase in net OPEB obligation	64,851
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 64,851</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$63,348 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 128,249	49.4%	\$ 64,851

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1,360,117, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,360,117. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,971,296, and the ratio of the UAAL to covered payroll was 19.5%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The health cost trend rate is 6% a year.

Mortality rates are from a modest table (light) was assumed.

Projected claim costs of the medical plan are \$543 per month for retirees and spouses less than 65. The implicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Pension and Retirement Benefits

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

may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$455,617, \$452,061, and \$418,388, respectively, equal to the required contributions for each year.

(9) Risk Management

Algona 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.

(10) 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 \$492,441 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.

(11) 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 functional area exceeded the amount budgeted.

(12) Construction Commitment

The District entered into various contracts totaling \$8,648,950 for construction of a new middle school. At June 30, 2009, \$527,449 of the contracts were completed. The remaining \$8,121,501 of the contracts will be paid as work on the project progresses.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Projects	Amount
At-risk supplemental weighting	\$ 1,518
Gifted and talented	31,582
Educator quality, salary improvement program	14,562
Educator quality, professional development	5,182
Educator quality, model core curriculum	22,640
Educator quality, market factor incentive	8,697
Beginning teacher mentoring	166
Beginning administrator mentoring	21
Nonpublic textbook services	6,637
Empowerment	23,262
	<hr/>
Total categorical funding	\$ 114,267
	<hr/> <hr/>

(14) Deficit Fund Balance/Net Assets

The District's General Fund had a negative unreserved fund balance of \$181,229. The District also had a negative unrestricted net assets in the Enterprise, Preschool Fund of \$29,186.

REQUIRED SUPPLEMENTARY INFORMATION

ALGONA 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	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 8,635,050	317,784	8,952,834	8,723,146	8,723,146	229,688
State sources	5,913,874	13,607	5,927,481	6,297,609	6,297,609	(370,128)
Federal sources	297,727	225,574	523,301	558,000	558,000	(34,699)
Total revenues	14,846,651	556,965	15,403,616	15,578,755	15,578,755	(175,139)
Expenditures/expenses:						
Instruction	9,544,929	44,572	9,589,501	10,069,984	10,069,984	480,483
Support services	3,206,875	2,236	3,209,111	4,043,100	4,043,100	833,989
Non-instructional programs	-	491,825	491,825	492,000	492,000	175
Other expenditures	1,053,982	-	1,053,982	1,100,437	1,100,437	46,455
Total expenditures/expenses	13,805,786	538,633	14,344,419	15,705,521	15,705,521	1,361,102
Excess (deficiency) of revenues over (under) expenditures/expenses	1,040,865	18,332	1,059,197	(126,766)	(126,766)	1,185,963
Other financing sources, net	103	-	103	800	800	(697)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	1,040,968	18,332	1,059,300	(125,966)	(125,966)	1,185,266
Balance beginning of year	698,317	19,448	717,765	250,694	250,694	467,071
Balance end of year	\$ 1,739,285	37,780	1,777,065	124,728	124,728	1,652,337

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 a GAAP basis.

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

ALGONA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1 ,2008	\$ -	\$ 1,360,117	\$ 1,360,117	0.0%	\$ 6,971,296	19.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

ALGONA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
Assets				
Cash and pooled investments	\$ 443,451	219,765	216,554	879,770
Receivables:				
Property tax:				
Current year delinquent	5,411	-	2,119	7,530
Succeeding year	400,000	-	144,914	544,914
Total Assets	\$ 848,862	219,765	363,587	1,432,214
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 76,611	-	-	76,611
Accounts payable	-	2,982	-	2,982
Deferred revenue:				
Succeeding year property tax	400,000	-	144,914	544,914
Total liabilities	476,611	2,982	144,914	624,507
Fund balances:				
Unreserved fund balances	372,251	216,783	218,673	807,707
Total fund balances	372,251	216,783	218,673	807,707
Liabilities and Fund Balances	\$ 848,862	219,765	363,587	1,432,214

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds			Total Special Revenue Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 349,845	-	137,432	487,277
Other	25,376	455,107	1,130	481,613
State sources	279	-	109	388
TOTAL REVENUES	375,500	455,107	138,671	969,278
EXPENDITURES:				
Current:				
Instruction:				
Regular	130,362	-	-	130,362
Other	-	437,676	-	437,676
	130,362	437,676	-	568,038
Support services:				
Student	7,522	-	-	7,522
Administration	15,077	-	-	15,077
Operation and maintenance of plant	143,823	-	-	143,823
	166,422	-	-	166,422
TOTAL EXPENDITURES	296,784	437,676	-	734,460
Net change in fund balances	78,716	17,431	138,671	234,818
Fund balance beginning of year	293,535	199,352	80,002	572,889
Fund balance end of year	\$ 372,251	216,783	218,673	807,707

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Concession	\$ (11,395)	52,917	53,681	(12,159)
Concession equipment	1,558	1,469	380	2,647
Interest	-	1,352	1,352	-
Public broadcasting	1,101	244	1,141	204
Special advertising	30,058	13,204	14,985	28,277
Book fair-Bertha Godfrey	808	-	808	-
Leadership-Bertha Godfrey	6,561	27,422	26,222	7,761
Book fair-Bryant	276	-	276	-
Leadership-Bryant	1,419	2,529	2,416	1,532
Book fair-Lucia Wallace	292	-	292	-
Leadership-Lucia Wallace	23,815	18,475	19,562	22,728
MS boys baseball	-	1,000	-	1,000
MS-vocal music	134	168	94	208
MS-instrumental music	-	768	768	-
MS-vocal/band uniforms	1,931	324	-	2,255
MS-book fair	132	-	132	-
MS-cheerleaders	775	-	-	775
MS-leadership	4,332	-	2,319	2,013
MS-quiz bowl	624	180	130	674
MS-science fair	-	1,079	1,079	-
MS-student senate	4,559	1,937	1,059	5,437
MS-student travel	717	546	1,263	-
MS-teams	8,521	28,873	31,573	5,821
MS-teams 6th grade	1,322	3,493	1,372	3,443
MS-teams 7th grade	1,811	3,225	1,911	3,125
MS-teams 8th grade	-	3,642	2,491	1,151
MS-yearbook	47	2,902	2,949	-
HS drama/speech	400	6,456	6,202	654
HS-vocal music	1,025	2,750	2,485	1,290
HS-instrumental music	116	3,711	3,630	197
HS-vocal/band uniforms	271	1,145	1,363	53
HS swing choir & band	1,745	7,945	8,248	1,442
HS band tour	15,030	35,627	30,400	20,257
HS vocal tour	5,617	8,300	2,620	11,297
HS athletics general	25,837	17,789	13,479	30,147
HS cross country	-	880	880	-
HS boys basketball	-	5,475	5,475	-
HS boys football	-	12,188	12,188	-
HS baseball	-	8,150	8,150	-
HS boys track	-	5,577	5,577	-
HS boys golf	-	770	770	-
HS wrestling	-	4,521	4,521	-
HS girls basketball	-	6,976	6,976	-
HS volleyball	-	4,975	4,975	-
HS softball	-	5,806	5,806	-
HS girls track	-	1,682	1,682	-
HS girls golf	-	396	396	-
HS academics	6,383	1,745	3,607	4,521
HS-ACT-ELC	816	7,880	8,135	561
HS AFS	6,750	78	-	6,828

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS book fair	198	44	242	-
HS cheerleaders	930	7,090	4,949	3,071
Class of 2008	1,775	-	1,775	-
Class of 2009	542	165	71	636
Class of 2010	937	3,867	4,804	-
Class of 2011	279	2,822	2,240	861
Class of 2012	-	1,288	100	1,188
Class of 2013	-	726	-	726
Class of 2014	-	379	-	379
Class of 2015	-	127	-	127
HS drill team	2,945	9,931	10,520	2,356
FFA	7,503	43,285	49,088	1,700
Construction club	244	-	-	244
Hosa	10	-	-	10
HS leadership	418	722	722	418
MMH	2,120	350	155	2,315
HS mock trial/ACAD	467	1,463	1,606	324
Model UN	852	1,679	1,847	684
National honor society	777	-	297	480
Outdoor club	1,391	230	41	1,580
P.E. club	4,764	11,400	7,863	8,301
Peer helpers	1,077	488	320	1,245
Pep council	1	-	-	1
Prom improvement	514	728	527	715
HS quiz bowl	1,210	1,722	1,150	1,782
HS spanish club	2,690	-	-	2,690
HS student senate	621	697	1,062	256
TV. productions	2,514	10,341	9,249	3,606
Weight lifting club	92	684	492	284
HS yearbook	5,116	16,492	16,851	4,757
HS special tournament	-	649	649	-
HS special math	64	-	-	64
HS special bowling	377	-	-	377
HS special cross country	95	2,995	665	2,425
HS special swim team	3,276	1,927	833	4,370
HS special boys basketball	3,599	743	340	4,002
HS special football	3,227	1,263	4,007	483
HS special baseball	(489)	3,281	867	1,925
HS special boys track	1,954	499	1,067	1,386
HS special boys golf	602	764	724	642
HS special wrestling	478	152	172	458
HS special girls basketball	1,691	4,829	4,170	2,350
HS special volleyball	530	1,310	516	1,324
HS special softball	469	1,527	472	1,524
HS special girls track	(166)	869	612	91
HS special girls golf	270	1,008	791	487
Total	\$ 199,352	455,107	437,676	216,783

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 7,963	-	7,963	-
LIABILITIES				
Due to other groups	\$ 7,963	-	7,963	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 6,592,594	5,497,239	5,469,034	5,614,630	5,742,171
Tuition	1,296,138	1,404,416	1,262,663	1,247,756	1,112,659
Other	746,318	771,663	734,547	720,612	649,007
Intermediate sources	-	1,050	1,050	1,050	-
State sources	5,913,874	5,632,742	5,375,888	5,447,395	5,285,230
Federal sources	297,727	314,753	370,835	487,067	676,384
Total	\$ 14,846,651	13,621,863	13,214,017	13,518,510	13,465,451
Expenditures:					
Instruction:					
Regular	\$ 4,831,081	5,263,175	5,608,779	4,965,295	4,920,243
Special	2,825,044	2,758,170	2,519,046	2,531,517	2,610,995
Other	1,888,804	1,776,378	1,376,050	1,591,941	1,526,829
Support services:					
Student	103,162	335,840	318,336	298,708	294,861
Instructional staff	283,131	209,754	221,585	317,399	207,896
Administration	1,026,874	1,214,120	1,106,860	1,167,238	1,092,163
Operation and maintenance of plant	1,356,167	1,186,106	1,220,355	1,282,805	1,043,524
Transportation	437,541	658,449	484,594	605,476	482,887
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisitions	561,541	93,584	459,868	737,059	416,316
Long-term debt:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
AEA flowthrough	492,441	465,680	450,954	434,384	430,727
Total	\$ 13,805,786	13,961,256	13,766,427	13,931,822	13,026,441

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Modified Accrual Basis		
Years Ended June 30,		
2004	2003	2002
5,725,990	5,161,361	5,047,733
886,818	840,316	650,778
689,877	560,056	747,444
-	-	-
5,335,106	5,512,326	5,730,077
427,455	323,790	307,432
<u>13,065,246</u>	<u>12,397,849</u>	<u>12,483,464</u>
5,123,535	4,831,378	4,865,825
2,538,533	2,414,339	2,311,376
1,344,987	1,245,368	1,279,893
302,558	284,007	278,741
283,626	241,899	218,150
935,202	886,629	836,813
941,734	905,488	814,676
318,694	249,530	306,768
17,800	8,432	7,375
576,657	515,566	510,240
600,000	24,180	235,285
34,740	1,059	8,486
440,718	472,533	477,549
<u>13,458,784</u>	<u>12,080,408</u>	<u>12,151,177</u>

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
IOWA STATE UNIVERSITY:			
COOPERATIVE EXTENSION SERVICE (YOUTH MARKETPLACE PROGRAM)	10.500	FY 09	\$ <u>632</u>
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	33,338
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	<u>192,236</u>
			<u>225,574</u>
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA DEPARTMENT OF EDUCATION:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS	45.025	FY 09	<u>400</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0126-G	<u>132,850</u>
INNOVATIVE EDUCATION PROGRAM			
STRATEGIES (TITLE V PROGRAM)	84.298	FY 08	<u>326</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 09	<u>4,247</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)			
	84.367	FY 09	<u>71,365</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)			
	84.369	FY 09	<u>5,621</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 09	<u>79,550</u>
SPECIAL EDUCATION - PRESCHOOL GRANTS (PART B)			
	84.173	FY 09	<u>100</u>
SPECIAL EDUCATION - STATE PROGRAM IMPROVEMENT WITH DISABILITY (SPDG)			
	84.323	FY 09	<u>336</u>
IOWA LAKES COMMUNITY COLLEGE:			
COMPREHENSIVE CENTERS (TECH-PREP EDUCATION)	84.243	FY 09	<u>2,300</u>
TOTAL			<u>\$ 523,301</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, 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
Algona 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 Algona Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 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 Algona Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Algona Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Algona 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 Algona 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 Algona Community School District's financial statements that is more than inconsequential will not be prevented or detected by Algona 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 Algona 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

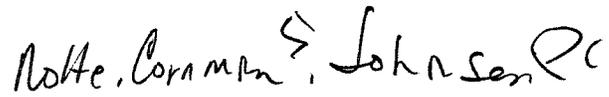
As part of obtaining reasonable assurance about whether Algona Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a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

Algona 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 Algona 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 Algona Community School District and other parties to whom Algona 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 Algona Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2010

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
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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
Algona Community School District

Compliance

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

In our opinion, Algona 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 Algona 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 Algona 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 Algona 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.

Algona 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 Algona 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 Algona Community School District and other parties to whom Algona Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2010

ALGONA 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 noncompliance 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:
 - Individual Program:
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Algona Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done 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 will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-09 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and does not prepare a reconciliation 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 will work to establish board policy for handling of Gate Admissions that address the recommendations in the audit.

Conclusion - Response accepted.

II-C-09 Payroll Procedures - We noted during our audit that the District overpaid one employee \$546 and underpaid one employee \$100.

Recommendation - The District should review procedures in place to ensure payroll paid agrees to contracts with employees. The District should seek collection of the overpayment and payout the underpaid amount.

Response - The District will review procedures to ensure that future payrolls are accurate. The District has collected the overpayment of \$546 and has paid the \$100 underpayment.

Conclusion - Response accepted.

II-D-09 Cell Phone Policy - We noted during our audit that the District pays for district owned cell phones. In addition, we noted that the District does not have board policy in place for the district owned cell phones.

Recommendation - The District should adopt a board policy in regard to district owned cell phones. The policy should identify who has district cell phones and include an additional review of usage to ensure cell phones are not being abused.

Response - The District adopted policy number 410.17 that addresses district cell phone usage.

Conclusion - Response accepted.

II-E-09 Staff and Courtesy Accounts - We noted during our audit, that the bank confirmed bank accounts that were not present on the District's Certified Annual Report and were not made available at the time of audit field work. Because the Staff and Courtesy accounts are using the District's Federal Identification Number, the District should be accounting for the Staff and Courtesy accounts within the District's General Fund. The accounts should be included in the District's financial statements and subjected to the same Code of Iowa requirements, as well as internal controls that the District follows.

In Iowa, all funds collected through school activities are under the financial control of the District's Board of Education. Proper accounting of all receipts and expenditures in these accounts is the responsibility of the Board of Education and the District's Board Secretary. All official records of the District shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly.

Recommendation - The District should contact officials of the Staff and Courtesy Funds and request the accounts to be turned over to the District. The current accounts are District assets and should be turned over to the District for proper recording. In addition, the Board of Directors should consider contacting local banks and request listings of accounts utilizing the District's Federal Identification Number. The District should research any unfamiliar accounts and make necessary changes.

Response - The District will take appropriate steps to close any staff and courtesy accounts.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2009
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Agency Numbers: 0126-G
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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done 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 will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

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 or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Karen Hjelmeland, Teacher Spouse owns Hjelmeland Builders	Services	\$9,019
Rodney Davis, Board Member Worked gates at athletic events	Services	\$580
Mary Kae Hanson, Teacher Owner of Hanson Studio	Services	\$80
Rick Adams, Head Custodian Owner of R.A. Specialties	Supplies	\$1,476
Kathryn Miller, Teacher Associate Son worked gates at athletic events	Services	\$80

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member Rodney Davis does not appear to be a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with Mary Kae Hanson and Rick Adams do not appear to represent a conflict of interest.

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

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

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

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

Beginning balance		\$	-
Statewide sales and services tax			920,565
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	540,489	
Equipment		194,809	
Other improvements		82,109	817,407
			<hr/>
Ending balance		\$	<u>103,158</u>

IV-L-09 Financial Condition - We noted during our audit that there were one negative individual account balances totaling \$12,159 in the Student Activity Fund. The District had a deficit unrestricted fund balance in the General Fund of \$181,229. The District also had deficit unrestricted net assets in the Enterprise, Preschool Fund of \$29,186.

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

Response - The District will continue to monitor and investigate alternative to make the necessary corrections needed.

Conclusion - Response accepted.

IV-M-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - The checks were reissued or voided depending on the individual circumstance.

Conclusion - Response accepted.

IV-N-09 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2009, the Special Revenue, Management Fund owes the General fund \$76,611.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District needs to make the adjustments monthly on the general ledger for early retirement payments being made from the Special Revenue, Management Levy Fund. The interfund loan balances need to be reduced to zero affecting cash in both the General and Special Revenue, Management Levy Funds.

Response - The money has been repaid to the General Fund.

Conclusion - Response accepted.

ALGONA COMMUNITY SCHOOL DISTRICT
