

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District, Albert City, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District at June 30, 2010, 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 30, 2011, on our consideration of Albert City-Truesdale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Albert City-Truesdale Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

March 30, 2011

Albert City - Truesdale Community School District

Management Discussion and Analysis

This section of the Albert City – Truesdale Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- General Fund revenues increased from \$1,999,955 in fiscal year 2009 to \$2,019,979 in 2010. General Fund expenditures decreased from \$2,322,514 in fiscal 2009 to \$2,196,463 in 2010.
- The District's General Fund balance decreased from \$348,057 in 2009 to \$164,073 in 2010, a 53% decrease. The district's current assets (a compilation of cash, investments, taxes and other receivables) decreased from \$1,754,142 in 2009 to \$1,600,900 in 2010 while liabilities in the form of unpaid contracts, benefits, and accounts payable decreased by \$43,341 from 2009 to 2010.
- The district's certified enrollment count taken on October 1, 2009, was 227.9. This count represents a decrease of 12.1 students from the October 2008 count.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. Table A-1 below provides a summary of the District's net assets as of June 30, 2010

Table A-1 Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2009 to 2010
	2010	2009	2010	2009	2010	2009	
Current & Other Assets	2,933,010	2,995,556	11,537	5,802	2,944,547	3,001,358	-2%
Capital Assets net of Accumulated Depreciation	788,932	716,885	16,712	18,762	805,644	735,647	10%
Total Assets	3,721,942	3,712,441	28,249	24,564	3,750,191	3,737,005	1%
Long-term liabilities	14,126	7,493	-	-	14,126	7,493	89%
Other liabilities	1,651,680	1,640,988	5,093	5,404	1,656,773	1,646,392	1%
Total Liabilities	1,665,806	1,648,481	5,093	5,404	1,670,899	1,653,885	1%
Invested in Capital Assets net of related Debt	788,932	716,885	16,712	18,762	805,644	735,647	10%
Restricted for:							
Categorical Funding	24,177	7,874	-	-	24,177	7,874	207%
Management Levy	117,040	121,028	-	-	117,040	121,028	-3%
Physical Plant and Equipment Levy	252,085	204,499	-	-	252,085	204,499	23%
Other Special Revenue Purpose	16,653	16,597	-	-	16,653	16,597	1%
Sales Tax Capital Projects	731,479	664,387	-	-	731,479	664,387	10%
Unrestricted	125,770	332,690	6,444	398	132,214	333,088	-60%
Total Net Assets as of June 30, 2008	2,056,136	2,063,960	23,156	19,160	2,079,292	2,083,120	-1%

The District's combined net assets decreased by 1%, or approximately \$3,828, over the prior year. A large percentage of the District's net assets are capital assets (e.g., land, infrastructure, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's increase in restricted net assets relating to Physical Plant and Equipment Levy and the Local Option Sales Tax reflect continued revenue to prepare for anticipated expenditures.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$1,463,056 and related unearned revenue liability on the Statement of Net Assets (Exhibit A) result from this requirement. The unearned revenue liability of those taxes account for 88% of the total liabilities.

Table A-2 Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School	District	Percentage Change 2009 to 2010
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program Revenues:							
Charges for Services	106,146	70,760	27,319	25,122	133,465	95,882	39%
Operating grants, Contributions & Restricted Interest	419,234	304,277	32,740	26,844	451,974	331,121	36%
Capital grants, Contributions & Restricted Interest	0	0	0	0	0	0	0
General Revenue:							
Property taxes	1,276,975	1,261,057	0	0	1,276,975	1,261,057	1%
Statewide sales & services tax	160,466	147,050	0	0	160,466	147,050	9%
Unrestricted State Grants	451,862	580,332	0	0	451,862	580,332	-22%
Unrestricted Investment Earnings	10,999	21,753	8	15	11,007	21,768	-49%
Other Revenue	150	9,589	0	0	150	9,589	-98%
Total Revenue	2,425,832	2,394,818	60,067	51,981	2,485,899	2,446,799	2%
Expenses:							
Instruction	1,591,567	1,713,900	0	0	1,591,567	1,713,900	-7%
Support Services	673,952	606,619	0	0	673,952	606,619	11%
Non-instructional Programs	0	0	63,571	64,820	63,571	64,820	-2%
Other expenditures	160,637	172,632	0	0	160,637	172,632	-7%
Total Expenses	2,426,156	2,493,151	63,571	64,820	2,489,727	2,557,971	-3%
Change in net assets before transfer	(324)	(98,333)	(3,504)	(12,839)	(3,828)	(111,172)	103%
Transfers	(7,500)	(7,500)	7,500	7,500	0	0	0.00
Change in Net Assets	(7,824)	(105,833)	3,996	(5,339)	(3,828)	(111,172)	103%
Net assets beginning of year	2,063,960	2,169,793	19,160	24,499	2,083,120	2,194,292	-5%
Net assets end of year	2,056,136	2,063,960	23,156	19,160	2,079,292	2,083,120	-1%

Table A-2 recasts the Statement of Activities (Exhibit B) into a traditional revenue and expenses format. Unrestricted state grants accounts for 18 percent of total revenue and property tax accounts for 51 percent. The balance of funding is received as categorical grants and contributions from state, federal and private sources and charges for services (mainly tuition), for a net increase of \$151,652 over the previous year.

The District's expenses are predominately related to the instruction of students (64 percent). Support services, non-instructional programs, and unallocated depreciation categories account for the balance. These categories contain many line items directly supporting students and instruction such as: guidance, health, media, technology, improvement of instruction, and student transportation, food service program costs, and depreciation expense not directly allocated to any functional area.

Operations, maintenance, and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency. These AEA support dollars equate to \$102,124 of other expenditures.

Governmental Activities

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

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

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009	Percentage Change 2009-2010
Instruction	1,591,567	1,713,900	1,179,026	1,439,491	-18%
Support Services	48,479	38,094	48,479	38,094	27%
Administration and Business	293,747	220,788	282,717	210,983	34%
Maintenance and Operations	190,595	185,719	189,980	185,684	2%
Transportation	141,131	162,018	139,851	161,628	-13%
Other	<u>160,637</u>	<u>172,632</u>	<u>60,723</u>	<u>82,234</u>	-26%
	2,426,156	2,493,151	1,900,776	2,118,114	-10%

- The cost of all governmental activities for the year 2010 was \$2,426,156.
- Users of the District's programs financed some of the cost, \$106,146.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$419,234.
- Taxpayers of the District and the state financed \$1,900,452.
- The District's net assets decreased by \$7,824.

Business - Type Activities

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

- Business-type activity expenses exceeded revenues by \$3,504 in 2010. \$7,500 was transferred to the food service program to offset this loss.

Financial Analysis of the District's Funds

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

The district held \$139,896 in unreserved fund balances in the General fund, \$252,085 for Special Revenue funds of the Physical Plant and Equipment Levy, \$731,479 for Capital Projects for the Local Options Sales Tax Levy and \$133,693 in Nonmajor Governmental Funds. Physical Plant and Equipment, Local Options Sales Tax, and Nonmajor Governmental funds are restricted in use and cannot be used for General Fund expenses.

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

Budgetary Highlights

- The District continues to budget on a GAAP basis.
- Over the course of the 2010 budget year, the District managed and revised its operating budget in that informal budget revisions were made when changes in programs became apparent. These amounts would add to the revenues and/or the expenditures.
- The District's budget versus actual results was within acceptable management planning parameters. It is district policy to budget for worst-case scenario to preserve fund balances for unforeseen events.

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

Capital Asset and Debt Administration

Capital Assets

By the end of 2010, the District had invested more than \$788,932 (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. (Detailed information about capital assets can be found in Note 5 to the financial statements).

Long – Term Debt

The District's only long term debt is in its early retirement program. The District has no current plans to issue new debt in 2011. (Detailed information about long-term debt can be found in Note 6 to the financial statements).

Bond Ratings

The District does not have a General Obligation Bond Rating from Moody's for fiscal year 2010 as the District does not have any general obligation bonds outstanding. If the District were to issue general obligation bonds, it would at that time obtain a Moody's rating.

Factors Bearing on the District's Future

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

- The district continues to whole grade share students grades 7 – 12 with Sioux Central School District.
- The October 2010 certified enrollment was 18.1 students less than the prior year.
- The District's primary source of revenue is the State of Iowa's school aid formula. The allowable growth increased 2% for fiscal year 2011. This allowable growth was underfunded by \$310 per student, amounting to a shortfall of \$70,600 for AC-T. At the time of this report projections for FY 2012 are that allowable growth will be set between 0 and 2%. Costs of providing a quality educational program continue to rise. Funding increases adequate to meet increased district expenses will be needed to continue to support our high quality education program.

- The District will continue to use the Local Option Sales Tax Levy. These dollars give the District additional funding for the same items as the Physical Plant and Equipment Levy.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Dowd, Board Treasurer, Albert City-Truesdale Community School District, 300 Orchard St. Albert City, IA 50510, Phone number: 712-843-5416, Fax number: 712-843-2195, or mdowd@aea8.k12.ia.us for e-mail.

BASIC FINANCIAL STATEMENTS

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,416,445	8,782	1,425,227
Receivables:			
Property tax:			
Delinquent	11,987	-	11,987
Succeeding year	1,463,056	-	1,463,056
Accounts	-	134	134
Due from other governments	41,522	-	41,522
Inventories	-	2,621	2,621
Capital assets, net of accumulated depreciation	788,932	16,712	805,644
Total assets	3,721,942	28,249	3,750,191
Liabilities			
Accounts payable	46,535	-	46,535
Salaries and benefits payable	123,267	4,665	127,932
Deferred revenue:			
Succeeding year property tax	1,463,056	-	1,463,056
Other	18,822	428	19,250
Long-term liabilities:			
Portion due within one year:			
Compensated absences	2,708	-	2,708
Portion due after one year:			
Compensated absences	5,418	-	5,418
Net OPEB liability	6,000	-	6,000
Total liabilities	1,665,806	5,093	1,670,899
Net assets			
Invested in capital assets, net of related debt	788,932	16,712	805,644
Restricted for:			
Categorical funding	24,177	-	24,177
Management levy	117,040	-	117,040
Physical plant and equipment levy	252,085	-	252,085
Other special revenue purposes	16,653	-	16,653
Sales tax capital projects	731,479	-	731,479
Unrestricted	125,770	6,444	132,214
Total net assets	2,056,136	23,156	2,079,292

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,248,128	90,337	240,946	-
Special	202,844	-	43,058	-
Other	140,595	4,164	34,036	-
	<u>1,591,567</u>	<u>94,501</u>	<u>318,040</u>	<u>-</u>
Support services:				
Student	26,769	-	-	-
Instructional staff	21,710	-	-	-
Administration	293,747	11,030	-	-
Operation and maintenance of plant	190,595	615	-	-
Transportation	141,131	-	1,280	-
	<u>673,952</u>	<u>11,645</u>	<u>1,280</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	60,723	-	-	-
AEA flowthrough	99,914	-	99,914	-
Depreciation (unallocated)*	-	-	-	-
	<u>160,637</u>	<u>-</u>	<u>99,914</u>	<u>-</u>
Total governmental activities	2,426,156	106,146	419,234	-
Business type activities:				
Non-instructional programs:				
Food service operations	63,571	27,319	32,740	-
Total	<u>2,489,727</u>	<u>133,465</u>	<u>451,974</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(916,845)	-	(916,845)
(159,786)	-	(159,786)
(102,395)	-	(102,395)
<u>(1,179,026)</u>	<u>-</u>	<u>(1,179,026)</u>
(26,769)	-	(26,769)
(21,710)	-	(21,710)
(282,717)	-	(282,717)
(189,980)	-	(189,980)
(139,851)	-	(139,851)
<u>(661,027)</u>	<u>-</u>	<u>(661,027)</u>
(60,723)	-	(60,723)
-	-	-
-	-	-
<u>(60,723)</u>	<u>-</u>	<u>(60,723)</u>
(1,900,776)	-	(1,900,776)
-	(3,512)	(3,512)
<u>(1,900,776)</u>	<u>(3,512)</u>	<u>(1,904,288)</u>
1,092,347	-	1,092,347
184,628	-	184,628
160,466	-	160,466
451,862	-	451,862
10,999	8	11,007
150	-	150
<u>1,900,452</u>	<u>8</u>	<u>1,900,460</u>
(7,500)	7,500	-
<u>1,892,952</u>	<u>7,508</u>	<u>1,900,460</u>
(7,824)	3,996	(3,828)
<u>2,063,960</u>	<u>19,160</u>	<u>2,083,120</u>
<u>2,056,136</u>	<u>23,156</u>	<u>2,079,292</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Physical Plant and Equipment Levy Fund	Capital Projects Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	322,376	255,317	705,523	133,229	1,416,445
Receivables:					
Property tax:					
Delinquent	9,807	1,716	-	464	11,987
Succeeding year	1,262,151	150,905	-	50,000	1,463,056
Due from other governments	15,566	-	25,956	-	41,522
Total assets	1,609,900	407,938	731,479	183,693	2,933,010
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	41,587	4,948	-	-	46,535
Salaries and benefits payable	123,267	-	-	-	123,267
Deferred revenue:					
Succeeding year property tax	1,262,151	150,905	-	50,000	1,463,056
Other	18,822	-	-	-	18,822
Total liabilities	1,445,827	155,853	-	50,000	1,651,680
Fund balances:					
Reserved for:					
Categorical funding	24,177	-	-	-	24,177
Unreserved, undesignated reported in:					
General fund	139,896	-	-	-	139,896
Special revenue funds	-	252,085	-	133,693	385,778
Capital project funds	-	-	731,479	-	731,479
Total fund balances	164,073	252,085	731,479	133,693	1,281,330
Total liabilities and fund balances	1,609,900	407,938	731,479	183,693	2,933,010

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	1,281,330
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	788,932
Long-term liabilities, including compensated absences and other postemployment benefits payable are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(14,126)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,056,136</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Physical Plant and Equipment Levy Fund	Capital Projects Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,044,837	184,628	160,466	47,510	1,437,441
Tuition	47,141	-	-	-	47,141
Other	56,905	3,090	4,517	5,492	70,004
State sources	670,379	-	-	-	670,379
Federal sources	200,717	-	-	-	200,717
Total revenues	<u>2,019,979</u>	<u>187,718</u>	<u>164,983</u>	<u>53,002</u>	<u>2,425,682</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,270,918	-	-	5,983	1,276,901
Special	202,491	-	-	-	202,491
Other	135,713	-	-	4,176	139,889
	<u>1,609,122</u>	<u>-</u>	<u>-</u>	<u>10,159</u>	<u>1,619,281</u>
Support services:					
Student	15,612	-	-	-	15,612
Instructional staff	10,483	122	10,752	-	21,357
Administration	199,171	-	76,603	17,267	293,041
Operation and maintenance of plant	154,880	-	-	25,664	180,544
Transportation	107,281	73,367	-	3,844	184,492
	<u>487,427</u>	<u>73,489</u>	<u>87,355</u>	<u>46,775</u>	<u>695,046</u>
Other expenditures:					
Facilities acquisition	-	66,793	10,536	-	77,329
AEA flowthrough	99,914	-	-	-	99,914
	<u>99,914</u>	<u>66,793</u>	<u>10,536</u>	<u>-</u>	<u>177,243</u>
Total expenditures	<u>2,196,463</u>	<u>140,282</u>	<u>97,891</u>	<u>56,934</u>	<u>2,491,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(176,484)</u>	<u>47,436</u>	<u>67,092</u>	<u>(3,932)</u>	<u>(65,888)</u>
Other financing sources (uses):					
Sales of equipment and real property	-	150	-	-	150
Operating transfers out	(7,500)	-	-	-	(7,500)
Total other financing sources (uses)	<u>(7,500)</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>(7,350)</u>
Net change in fund balances	(183,984)	47,586	67,092	(3,932)	(73,238)
Fund balances beginning of year	<u>348,057</u>	<u>204,499</u>	<u>664,387</u>	<u>137,625</u>	<u>1,354,568</u>
Fund balances end of year	<u><u>164,073</u></u>	<u><u>252,085</u></u>	<u><u>731,479</u></u>	<u><u>133,693</u></u>	<u><u>1,281,330</u></u>

See notes to financial statements.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(73,238)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Loss on disposal assets	(5,312)	
Expenditures for capital assets	175,804	
Depreciation expense	<u>(98,445)</u>	72,047
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	(633)	
Other post employment benefits	<u>(6,000)</u>	<u>(6,633)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(7,824)</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	8,782
Accounts receivable	134
Inventories	2,621
Capital assets, net of accumulated depreciation	<u>16,712</u>
Total assets	<u>28,249</u>
Liabilities	
Salaries and benefits payable	4,665
Deferred revenue	<u>428</u>
Total liabilities	<u>5,093</u>
Net assets	
Invested in capital assets	16,712
Unrestricted	<u>6,444</u>
Total net assets	<u><u>23,156</u></u>

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

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>27,319</u>
Operating expenses:	
Non-instructional programs:	
Salaries	25,114
Benefits	3,934
Supplies	32,473
Depreciation	<u>2,050</u>
Total operating expenses	<u>63,571</u>
Operating gain (loss)	<u>(36,252)</u>
Non-operating revenues:	
State sources	608
Federal sources	32,132
Interest income	<u>8</u>
Total non-operating revenues	<u>32,748</u>
Gain (loss) before transfers	(3,504)
Transfers in	<u>7,500</u>
Change in net assets	3,996
Net assets beginning of year	<u>19,160</u>
Net assets end of year	<u><u>23,156</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	27,036
Cash payments to employees for services	(29,105)
Cash payments to suppliers for goods or services	(27,642)
Net cash used by operating activities	<u>(29,711)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	7,500
State grants received	608
Federal grants received	25,689
Net cash provided by non-capital financing activities	<u>33,797</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>8</u>
Net increase (decrease) in cash and cash equivalents	4,094
Cash and cash equivalents at beginning of year	<u>4,688</u>
Cash and cash equivalents at end of year	<u><u>8,782</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(36,252)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	6,443
Depreciation	2,050
Decrease (increase) in inventories	(1,612)
Decrease (increase) in accounts receivable	(29)
(Decrease) increase in salaries and benefits payable	(57)
(Decrease) increase in deferred revenue	(254)
Net cash used by operating activities	<u><u>(29,711)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$6,443 of federal commodities.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2010

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	3,500
Buildings	3,500
Improvements other than buildings	3,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	3-20 years
Furniture and equipment	5-15 years

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	242,352

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

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

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

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

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	-	-	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			-	-	-	-

During the year ended June 30, 2010, the District paid \$578 of interest on the ISCAP warrants.

5. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	-	-	-
Land	31,066	-	-	31,066
Total capital assets not being deprec.	<u>31,066</u>	<u>-</u>	<u>-</u>	<u>31,066</u>
Capital assets being depreciated:				
Buildings	1,311,128	18,918	-	1,330,046
Improvements other than buildings	172,751	3,000	-	175,751
Furniture and equipment	1,047,341	153,886	28,000	1,173,227
Total capital assets being deprec.	<u>2,531,220</u>	<u>175,804</u>	<u>28,000</u>	<u>2,679,024</u>
Less accumulated depreciation for:				
Buildings	919,385	21,184	-	940,569
Improvements other than buildings	127,097	3,983	-	131,080
Furniture and equipment	798,919	73,278	22,688	849,509
Total accumulated depreciation	<u>1,845,401</u>	<u>98,445</u>	<u>22,688</u>	<u>1,921,158</u>
Total capital assets being depreciated, net	<u>685,819</u>	<u>77,359</u>	<u>5,312</u>	<u>757,866</u>
Governmental activities capital assets, net	<u>716,885</u>	<u>77,359</u>	<u>5,312</u>	<u>788,932</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	82,867	-	-	82,867
Less accumulated depreciation	64,105	2,050	-	66,155
Business type activities capital assets, net	<u>18,762</u>	<u>(2,050)</u>	<u>-</u>	<u>16,712</u>
Depreciation expense was charged to the following functions:				\$
Governmental activities:				
Instruction				48,501
Support services:				
Student support				11,157
Operation and maintenance of plant				9,345
Transportation				29,442
				<u>98,445</u>
Unallocated depreciation				-
Total governmental activities depreciation expense				<u>98,445</u>
Business type activities:				
Food service operations				<u>2,050</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental Activities:					
Compensated absences	7,493	633	-	8,126	2,708
Net OPEB liability	-	6,000	-	6,000	-
	<u>7,493</u>	<u>6,633</u>	<u>-</u>	<u>14,126</u>	<u>2,708</u>

7. 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$57,150, \$56,441, and \$53,795 respectively, equal to the required contributions for each year.

8. 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, 2010.

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 27 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with 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, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	32,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>32,000</u>
Contributions made	<u>26,000</u>
Increase in net OPEB obligation	6,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>6,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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, 2010.

For the year ended June 30, 2010, the District contributed \$26,000 to the medical plan. Plan members eligible for benefits contributed \$19,476 or 43% 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, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	32,000	81%	6,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$293,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$293,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$590,000, and the ratio of the UAAL to covered payroll was 49.66%. As of June 30, 2010, 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, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The

projected annual medical trend rate is 11.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Risk Management

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

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 \$99,914 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and Talented	1,646
Returning dropout and dropout prevention program	6,757
Teacher salary supplement	8,141
Educator quality, professional development	2,186
Core curriculum	2,520
Market factor	2,927
	<u>24,177</u>

REQUIRED SUPPLEMENTARY INFORMATION

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,554,586	27,327	1,581,913	1,765,464	1,765,464	(183,551)
State sources	670,379	608	670,987	945,390	945,390	(274,403)
Federal sources	200,717	32,132	232,849	90,000	90,000	142,849
Total revenues	<u>2,425,682</u>	<u>60,067</u>	<u>2,485,749</u>	<u>2,800,854</u>	<u>2,800,854</u>	<u>(315,105)</u>
Expenditures/Expenses:						
Instruction	1,619,281	-	1,619,281	1,876,000	1,876,000	256,719
Support services	695,046	-	695,046	1,019,000	1,019,000	323,954
Non-instructional programs	-	63,571	63,571	78,199	78,199	14,628
Other expenditures	177,243	-	177,243	402,124	402,124	224,881
Total expenditures/expenses	<u>2,491,570</u>	<u>63,571</u>	<u>2,555,141</u>	<u>3,375,323</u>	<u>3,375,323</u>	<u>820,182</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(65,888)	(3,504)	(69,392)	(574,469)	(574,469)	505,077
Other financing sources (uses) net	<u>(7,350)</u>	<u>7,500</u>	<u>150</u>	<u>2,500</u>	<u>2,500</u>	<u>(2,350)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(73,238)	3,996	(69,242)	(571,969)	(571,969)	502,727
Balance beginning of year	<u>1,354,568</u>	<u>19,160</u>	<u>1,373,728</u>	<u>1,347,406</u>	<u>1,347,406</u>	<u>26,322</u>
Balance end of year	<u>1,281,330</u>	<u>23,156</u>	<u>1,304,486</u>	<u>775,437</u>	<u>775,437</u>	<u>529,049</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

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

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

During the year ended June 30, 2010, expenditures did not exceed the amounts of its published budget.

ALBERT CITY-TRUESDALE 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-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2009	-	293,000	293,000	0.0%	590,000	49.7%

See Note 8 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

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue Funds		Total
	Management Levy	Student Activity Fund	
Assets	\$	\$	\$
Cash and pooled investments	116,576	16,653	133,229
Receivables:			
Property tax:			
Delinquent	464	-	464
Succeeding year	50,000	-	50,000
	<u>167,040</u>	<u>16,653</u>	<u>183,693</u>
Total assets	<u>167,040</u>	<u>16,653</u>	<u>183,693</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	50,000	-	50,000
Fund balances:			
Unreserved fund balance reported in:			
Special revenue funds	117,040	16,653	133,693
	<u>167,040</u>	<u>16,653</u>	<u>183,693</u>
Total liabilities and fund balances	<u>167,040</u>	<u>16,653</u>	<u>183,693</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds		Total
	Management Levy	Student Activity Fund	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	47,510	-	47,510
Other	1,260	4,232	5,492
Total revenues	<u>48,770</u>	<u>4,232</u>	<u>53,002</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,983	-	5,983
Other	-	4,176	4,176
Support services:			
Administration	17,267	-	17,267
Operation and maintenance of plant	25,664	-	25,664
Transportation	3,844	-	3,844
Total expenditures	<u>52,758</u>	<u>4,176</u>	<u>56,934</u>
Excess (deficiency) of revenues over (under) expenditures	(3,988)	56	(3,932)
Fund balances beginning of year	<u>121,028</u>	<u>16,597</u>	<u>137,625</u>
Fund balances end of year	<u><u>117,040</u></u>	<u><u>16,653</u></u>	<u><u>133,693</u></u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Commerce club	12,531	3,100	3,212	12,419
Demers kids	-	200	80	120
Tag club	875	-	-	875
Student council	3,191	932	884	3,239
	<u>16,597</u>	<u>4,232</u>	<u>4,176</u>	<u>16,653</u>
Total	<u>16,597</u>	<u>4,232</u>	<u>4,176</u>	<u>16,653</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	1,437,441	1,408,106	1,230,310	1,305,277	1,396,406	1,473,703	1,394,872
Tuition	47,141	31,998	30,768	34,517	28,717	38,946	27,342
Other	70,004	68,746	126,989	116,555	89,256	94,918	130,910
State sources	670,379	820,802	1,023,371	893,327	962,707	1,082,874	1,044,191
Federal sources	200,717	63,808	78,936	82,156	174,935	156,744	211,949
Total revenues	<u>2,425,682</u>	<u>2,393,460</u>	<u>2,490,374</u>	<u>2,431,832</u>	<u>2,652,021</u>	<u>2,847,185</u>	<u>2,809,264</u>
Expenditures:							
Instruction:							
Regular	1,276,901	1,339,388	1,447,205	1,005,780	1,161,357	1,220,301	1,154,228
Special	202,491	249,463	257,361	336,269	345,814	368,136	356,156
Other	139,889	119,572	61,670	48,227	44,927	16,314	314,617
Support services:							
Student	15,612	19,329	20,243	70,828	59,567	59,620	90,614
Instructional staff	21,357	15,331	22,825	27,507	30,611	52,441	44,518
Administration	293,041	234,446	240,344	217,774	189,727	222,877	265,466
Operation and maintenance	180,544	181,889	205,299	169,862	166,508	180,753	208,378
Transportation	184,492	138,111	133,017	137,272	180,028	165,875	70,034
Non-instructional programs	-	-	-	-	-	-	1,046
Other expenditures:							
Facilities acquisition	77,329	104,418	182,499	103,279	66,033	51,174	58,795
AEA flowthrough	99,914	90,398	89,973	86,360	84,489	86,066	88,365
Total expenditures	<u>2,491,570</u>	<u>2,492,345</u>	<u>2,660,436</u>	<u>2,203,158</u>	<u>2,329,061</u>	<u>2,423,557</u>	<u>2,652,217</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 30, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Albert City-Truesdale Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albert City-Truesdale Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Albert City-Truesdale Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 10-I-A, 10-I-B and 10-I-C to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Albert City-Truesdale Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Albert City-Truesdale Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Albert City-Truesdale Community School District and other parties to whom Albert City-Truesdale Community School District may report and is not intended to be and should not be used by anyone other than these specified parties.

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

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

March 30, 2011

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

10-II-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.

10-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

10-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

10-II-D Business Transactions: We noted that the District did \$11,598 in business with Clausen Hardware in which the spouse of board member Deb Clausen appears to have an ownership interest. However, business with the spouse of a board member is not a conflict of interest. Board member Deb Clausen received \$1,939 in wages employed by the district as a district nurse. Since the wages are less than \$2,500 this is not a conflict of interest.

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

10-II-F Board Minutes: Except as noted in comment 10-II-N we noted no transactions requiring Board approval that had not been approved by the Board.

10-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

10-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

10-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. The District's depository resolution does not state a maximum limit for each bank.

Recommendation: Each year the board should adopt a resolution naming the banks in which the District may deposit monies and the maximum balance allowed at each bank.

District Response: We will adopt a depository resolution stating the maximum amount.

Conclusion: Response accepted.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting (continued):

- 10-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 10-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 10-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

	\$	\$
Beginning balance		664,387
Statewide sales, services and use tax		160,466
Interest		4,517
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	10,536	
Equipment	87,355	97,891
Ending balance		<u>731,497</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Physical plant and equipment levy	1.43	160,466

- 10-II-M Physical Plant and Equipment Levy Fund: We noted that the Physical Plant and Equipment Levy Fund was used to purchase equipment costing less than \$500. Also proceeds from the sale of equipment were deposited in the Physical Plant and Equipment Levy Fund rather than the General Fund.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the proper funds for the purchases and sales of equipment.

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

Conclusion: Response accepted.

10-II-N Payment of Bills Prior to Board Approval: We noted that the board did not always approve payment of prepaid bills at the next board meeting.

Recommendation: Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing, and salaries without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent or other appointee. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. All bills and salaries for which checks are issued prior to audit and allowance by the board must be passed upon by the board of directors at the next meeting and be entered in the regular minutes of the secretary.

District Response: We will revise our policy on payment of bills prior to board approval.

Conclusion: Response accepted.