

ALBURNETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Basic Financial Statements		29-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	52
Capital Projects Funds:		
Combining Balance Sheet	4	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	5	54
Debt Service Funds:		
Combining Balance Sheet	6	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	7	56
Private Purpose Trust Accounts:		
Combining Balance Sheet	8	57
Combining Schedule of Changes in Fiduciary Net Assets	9	58
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	10	59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	11	60
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 <u>Government Auditing Standards</u>		61-62
Schedule of Findings		63-69

Alburnett Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 Election)</b>		
Barry Woodson	President	2009
David Kirk	Vice President	2011
Dee Lillie Luedtke	Board Member	2009
Cindy Francois	Board Member	2011
Michael Olinger	Board Member	2011
<b>Board of Education (After September 2009 Election)</b>		
David Kirk	President	2011
Jennifer Slife	Vice President	2013
Michael Olinger	Board Member (Resigned May 2010)	2011
Duane Bolton	Board Member (Appointed May 2010)	2011
Cindy Francois	Board Member	2011
Avery Reed	Board Member	2013
<b>School Officials</b>		
Michael Harrold	Superintendent	2010
Rhonda Lange	District Secretary/Treasurer and Business Manager	2010
Day, Rettig, Peiffer, P.C.	Attorney	2010

**ALBURNETT COMMUNITY SCHOOL DISTRICT**

# **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  
Alburnett Community School District:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Alburnett Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2011 on our consideration of the Alburnett Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 48 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 11, 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 17, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Alburnett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,553,527 in fiscal 2009 to \$5,370,164 in fiscal 2010, while General Fund expenditures decreased from \$5,586,558 in fiscal 2009 to \$5,506,960 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from a deficit balance \$815,384 in fiscal 2009 to a deficit balance \$952,180 in fiscal 2010, a 16.78% decrease in fiscal 2010.
- The decrease in General Fund revenues was attributable to decreases in state sources of revenue in fiscal 2010.
- The decrease in expenditures was due primarily to a decrease in support services costs.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Alburnett Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Alburnett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alburnett Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

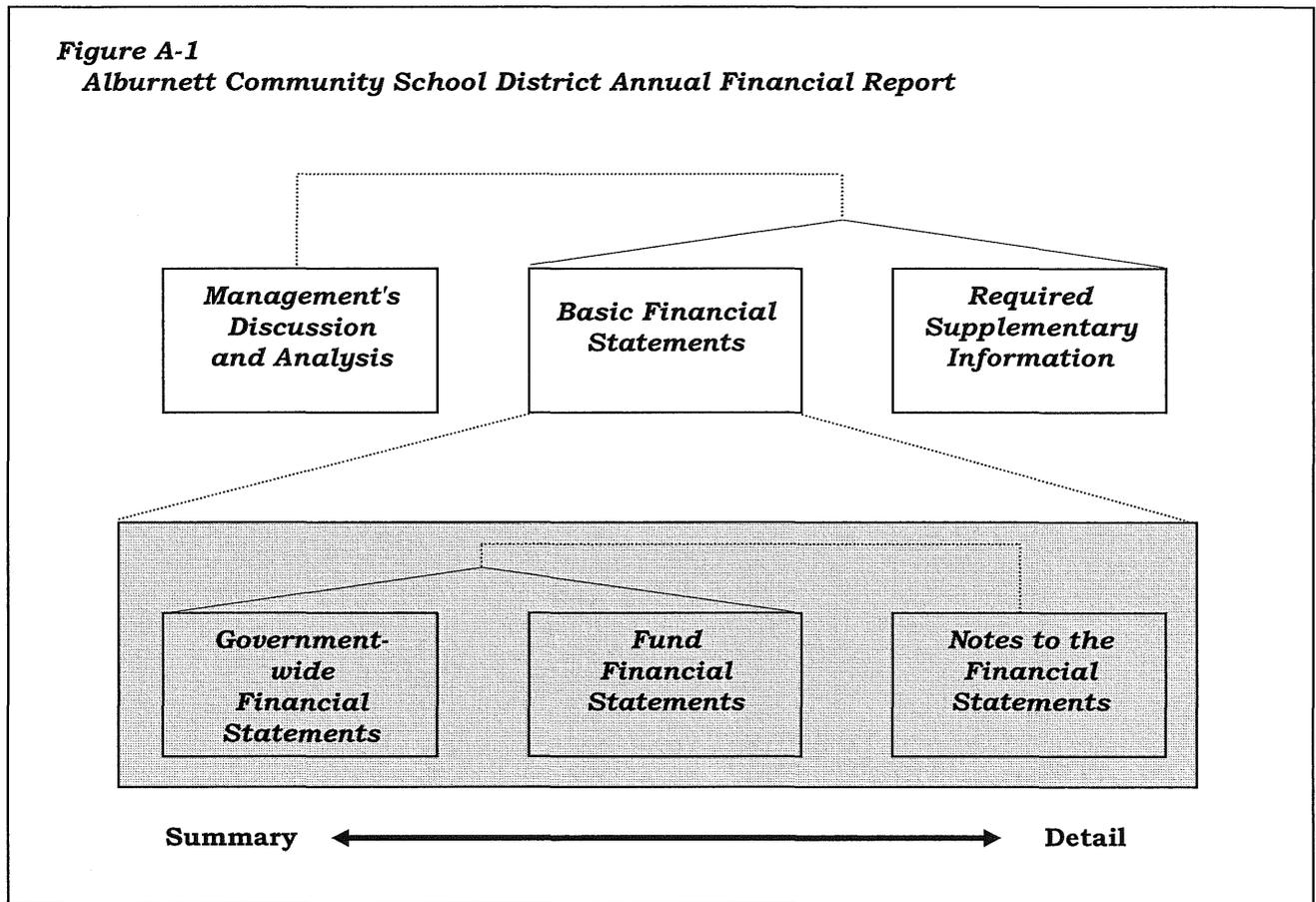


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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

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and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 4,392,788	6,698,807	34,823	32,295	4,427,611	6,731,102	-34.22%
Capital assets	6,820,058	6,087,130	10,237	4,039	6,830,295	6,091,169	12.13%
Total assets	11,212,846	12,785,937	45,060	36,334	11,257,906	12,822,271	-12.20%
Long-term obligations	4,619,410	4,604,364	0	0	4,619,410	4,604,364	0.33%
Other liabilities	3,764,446	6,066,144	5,360	5,529	3,769,806	6,071,673	-37.91%
Total liabilities	8,383,856	10,670,508	5,360	5,529	8,389,216	10,676,037	-21.42%
Net assets:							
Invested in capital assets, net of related debt	2,937,185	2,483,681	10,237	4,039	2,947,422	2,487,720	18.48%
Restricted	1,253,030	818,005	0	0	1,253,030	818,005	53.18%
Unrestricted	(1,361,225)	(1,186,257)	29,463	26,766	(1,331,762)	(1,159,491)	-14.86%
Total net assets	\$ 2,828,990	2,115,429	39,700	30,805	2,868,690	2,146,234	33.66%

The District's combined net assets increased by 33.66%, or \$722,456, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$435,025, or 53.18% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$172,271, or 14.86%. This decrease in unrestricted net assets was a result of the District’s decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Figure A-4 Changes in Net Assets						
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,283,077	1,165,588	153,993	154,548	1,437,070	1,320,136	8.86%
Operating grants, contributions and restricted interest	830,736	695,530	96,409	107,934	927,145	803,464	15.39%
Capital grants, contributions and restricted interest	108,066	391,934	0	0	108,066	391,934	-72.43%
General revenues:							
Local tax	2,319,264	2,084,693	0	0	2,319,264	2,084,693	11.25%
Statewide sales, services and use tax	594,184	514,801	0	0	594,184	514,801	100.00%
Unrestricted state grants	1,798,108	2,302,976	0	0	1,798,108	2,302,976	-21.92%
Other	33,533	113,325	836	128	34,369	113,453	-69.71%
Total revenues	<u>6,966,968</u>	<u>7,268,847</u>	<u>251,238</u>	<u>262,610</u>	<u>7,218,206</u>	<u>7,531,457</u>	<u>-4.16%</u>
Program expenses:							
Governmental activities:							
Instruction	3,971,667	3,991,088	0	0	3,971,667	3,991,088	-0.49%
Support services	1,759,303	1,829,885	2,119	955	1,761,422	1,830,840	-3.79%
Non-instructional programs	0	0	240,224	236,364	240,224	236,364	1.63%
Other expenses	522,437	347,517	0	0	522,437	347,517	50.33%
Total expenses	<u>6,253,407</u>	<u>6,168,490</u>	<u>242,343</u>	<u>237,319</u>	<u>6,495,750</u>	<u>6,405,809</u>	<u>1.40%</u>
Changes in net assets	713,561	1,100,357	8,895	25,291	722,456	1,125,648	35.82%
Beginning net assets	2,115,429	1,015,072	30,805	5,514	2,146,234	1,020,586	110.29%
Ending net assets	<u>\$ 2,828,990</u>	<u>2,115,429</u>	<u>39,700</u>	<u>30,805</u>	<u>2,868,690</u>	<u>2,146,234</u>	<u>33.66%</u>

Local tax, statewide sales, services and use tax and unrestricted state grants account for 67.63% of the total revenue. The District’s expenses primarily relate to instruction and support services which account for 88.27% of the total expenses.

The District’s total revenues were \$7,218,206 of which \$6,966,968 was for governmental activities and \$251,238 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.16% decrease in revenues and a 1.40% increase in expenses. Revenues decreased primarily due to a receiving less in state sources than anticipated. The increase in expenses was due to an increase in interest costs on debt outstanding.

## Governmental Activities

Revenues for governmental activities were \$6,966,968 and expenses were \$6,253,407.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 3,971,667	3,991,088	-0.49%	2,087,406	2,346,533	-11.04%
Support services	1,759,303	1,829,885	-3.86%	1,754,657	1,818,548	-3.51%
Other expenses	522,437	347,517	50.33%	189,465	(249,643)	24.11%
Totals	<u>\$ 6,253,407</u>	<u>6,168,490</u>	<u>1.38%</u>	<u>4,031,528</u>	<u>3,915,438</u>	<u>2.96%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,283,077.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$938,802.
- The net cost of governmental activities was financed with \$2,319,264 in local tax, \$594,184 in statewide sales and services tax, \$1,798,108 in unrestricted state grants, \$14,380 in interest income and \$19,153 in other revenues.

## Business Type Activities

Revenues of the District's business type activities were \$251,238 and expenses were \$242,343. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Alburnett Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$649,238, compared to last year's ending fund balances of \$657,059. However, the primary reason for the decrease was the decrease in the General Fund balance.

## Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increases in tax levy during the year and other revenue sources were largely offset by a reduction in revenues from state sources. The District spent more than it received in the General Fund, which resulted in a continuing decline of the fund balance. As revenues decreased 3.60%, expenses were only decreased by 1.43%.

- 
- The Capital Projects Fund balance decreased \$17,281 in fiscal 2010. The decline in fund balance was due to construction and debt costs in excess of statewide sales and service tax revenue.
  - The Debt Service fund balance increased from \$173,478 to \$414,435, due mainly to an increase in transfers for the retirement of debt.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$30,805 at June 30, 2009 to \$39,700 at June 30, 2010, although revenues decreased and expenses increased.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$300,842 less than budgeted revenues, a variance of 4.01%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2010, the District had invested \$6.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 12.13% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$125,965.

The original cost of the District's capital assets was \$8.72 million. Governmental funds account for \$8.63 million with the remainder of \$0.09 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in machinery and equipment. The District's construction in progress totaled \$336,706 at June 30, 2010, compared to \$130,983 reported at June 30, 2009.

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 1,000	1,000	0	0	1,000	1,000	0.00%
Construction in progress	5,645,591	5,089,904	0	0	5,645,591	5,089,904	10.92%
Buildings	800,655	826,470	0	0	800,655	826,470	-3.12%
Land improvements	36,106	38,773	0	0	36,106	38,773	-6.88%
Machinery and equipment	336,706	130,983	10,237	4,039	346,943	135,022	156.95%
Total	\$ 6,820,058	6,087,130	10,237	4,039	6,830,295	6,091,169	12.13%

### Long-Term Debt

At June 30, 2010, the District had \$4,619,410 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of approximately 0.32% 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.

The District had total outstanding General Obligation Bonds payable of \$2,580,000 at June 30, 2010.

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

As of June 30, 2010, the District had two bus lease payables totaling \$227,862. These leases are payable from the Special Revenue - Physical Plant and Equipment Levy Fund.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$131,548 at June 30, 2010.

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 2,580,000	2,675,000	-3.55%
Revenue bonds	1,680,000	1,680,000	100.00%
Bus leases	227,862	76,068	199.55%
Early retirement	131,548	173,548	-24.20%
Totals	\$ 4,619,410	4,604,616	0.32%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda Lange, District Secretary/Treasurer and Business Manager, Alburnett Community School District, P.O. Box 189, Alburnett, Iowa, 52202.

BASIC FINANCIAL STATEMENTS

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:	\$ 1,607,779	29,109	1,636,888
Receivables:			
Property tax:			
Delinquent	27,549	0	27,549
Succeeding year	2,500,815	0	2,500,815
Due from other governments	246,718	0	246,718
Inventories	0	5,714	5,714
Capital assets, net of accumulated depreciation	6,820,058	10,237	6,830,295
Net OPEB asset	9,927	0	9,927
<b>TOTAL ASSETS</b>	<b>11,212,846</b>	<b>45,060</b>	<b>11,257,906</b>
<b>LIABILITIES</b>			
Accounts payable	230,647	0	230,647
Salaries and benefits payable	714,670	0	714,670
Accrued interest payable	30,823	0	30,823
Deferred revenue:			
Succeeding year property tax	2,500,815	0	2,500,815
Other	287,491	0	287,491
Unearned revenues	0	5,360	5,360
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	100,000	0	100,000
Revenue bonds payable	210,000	0	210,000
Bus leases	32,988	0	32,988
Early retirement payable	32,587	0	32,587
Portion due after one year:			
General obligation bonds payable	2,480,000	0	2,480,000
Revenue bonds payable	1,470,000	0	1,470,000
Bus leases	194,874	0	194,874
Early retirement payable	98,961	0	98,961
<b>TOTAL LIABILITIES</b>	<b>8,383,856</b>	<b>5,360</b>	<b>8,389,216</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,937,185	10,237	2,947,422
Restricted for:			
Categorical funding	268,999	0	268,999
Capital projects	314,865	0	314,865
Physical plant and equipment levy	138,025	0	138,025
Other special revenue purposes	116,706	0	116,706
Debt service	414,435	0	414,435
Unrestricted	(1,361,225)	29,463	(1,331,762)
<b>TOTAL NET ASSETS</b>	<b>\$ 2,828,990</b>	<b>39,700</b>	<b>2,868,690</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,315,528	846,302	509,418	0	(959,808)	0	(959,808)
Special	667,960	106,944	53,420	0	(507,596)	0	(507,596)
Other	988,179	329,831	38,346	0	(620,002)	0	(620,002)
	<u>3,971,667</u>	<u>1,283,077</u>	<u>601,184</u>	<u>0</u>	<u>(2,087,406)</u>	<u>0</u>	<u>(2,087,406)</u>
Support services:							
Student	134,786	0	0	0	(134,786)	0	(134,786)
Instructional staff	139,082	0	0	0	(139,082)	0	(139,082)
Administration	594,241	0	0	0	(594,241)	0	(594,241)
Operation and maintenance of plant	483,821	0	0	0	(483,821)	0	(483,821)
Transportation services	407,373	0	4,646	0	(402,727)	0	(402,727)
	<u>1,759,303</u>	<u>0</u>	<u>4,646</u>	<u>0</u>	<u>(1,754,657)</u>	<u>0</u>	<u>(1,754,657)</u>
Other expenditures:							
Facilities acquisitions	107,513	0	0	108,066	553	0	553
Long-term debt interest	161,596	0	0	0	(161,596)	0	(161,596)
AEA flowthrough	224,906	0	224,906	0	0	0	0
Depreciation(unallocated)*	28,422	0	0	0	(28,422)	0	(28,422)
	<u>522,437</u>	<u>0</u>	<u>224,906</u>	<u>108,066</u>	<u>(189,465)</u>	<u>0</u>	<u>(189,465)</u>
Total governmental activities	6,253,407	1,283,077	830,736	108,066	(4,031,528)	0	(4,031,528)
Business Type activities:							
Support services:							
Administration	2,119	0	0	0	0	(2,119)	(2,119)
Non-instructional programs:							
Food service operations	240,224	153,993	96,409	0	0	10,178	10,178
Total business type activities	<u>242,343</u>	<u>153,993</u>	<u>96,409</u>	<u>0</u>	<u>0</u>	<u>8,059</u>	<u>8,059</u>
Total	\$ 6,495,750	1,437,070	927,145	108,066	(4,031,528)	8,059	(4,023,469)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 1,975,463	0	1,975,463
Debt service					208,413	0	208,413
Capital outlays					135,388	0	135,388
Statewide sales, services and use tax					594,184	0	594,184
Unrestricted state grants					1,798,108	0	1,798,108
Unrestricted investment earnings					14,380	70	14,450
Other					19,153	766	19,919
Total general revenues					<u>4,745,089</u>	<u>836</u>	<u>4,745,925</u>
Changes in net assets					713,561	8,895	722,456
Net assets beginning of year					2,115,429	30,805	2,146,234
Net assets end of year					<u>\$ 2,828,990</u>	<u>39,700</u>	<u>2,868,690</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments:					
Other	104,166	823,441	412,008	268,164	1,607,779
Receivables:					
Property tax					
Delinquent	22,119	0	2,427	3,003	27,549
Succeeding year	2,023,775	0	209,832	267,208	2,500,815
Due from other governments	150,305	96,413	0	0	246,718
<b>TOTAL ASSETS</b>	<b>\$ 2,300,365</b>	<b>919,854</b>	<b>624,267</b>	<b>538,375</b>	<b>4,382,861</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	226,609	0	0	4,038	230,647
Salaries and benefits payable	714,670	0	0	0	714,670
Deferred revenue:					
Succeeding year property tax	2,023,775	0	209,832	267,208	2,500,815
Other	287,491	0	0	0	287,491
Total liabilities	3,252,545	0	209,832	271,246	3,733,623
Fund balances:					
Reserved for:					
Capital facility construction	0	604,989	0	0	604,989
Categorical funding	268,999	0	0	0	268,999
Debt service	0	0	414,435	0	414,435
Unreserved	(1,221,179)	314,865	0	267,129	(639,185)
Total fund balances	(952,180)	919,854	414,435	267,129	649,238
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,300,365</b>	<b>919,854</b>	<b>624,267</b>	<b>538,375</b>	<b>4,382,861</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2010

<b>Total fund balances of governmental funds (page 20)</b>	\$	649,238
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,820,058
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(30,823)
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		9,927
Long-term liabilities, including bonds payable, bus lease payable, and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,619,410)</u>
<b>Net assets of governmental activities (page 18)</b>	<b>\$</b>	<b><u>2,828,990</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,855,845	594,184	208,413	255,006	2,913,448
Tuition	783,710	0	0	0	783,710
Other	83,765	109,242	334	321,559	514,900
State sources	2,386,104	0	0	0	2,386,104
Federal sources	242,740	108,066	0	0	350,806
Total revenues	<u>5,352,164</u>	<u>811,492</u>	<u>208,747</u>	<u>576,565</u>	<u>6,948,968</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	2,324,832	0	0	38,074	2,362,906
Special	668,749	0	0	0	668,749
Other	687,607	0	0	298,749	986,356
	<u>3,681,188</u>	<u>0</u>	<u>0</u>	<u>336,823</u>	<u>4,018,011</u>
Support services:					
Student	135,181	0	0	0	135,181
Instructional staff	168,134	0	0	0	168,134
Administration	590,198	1,827	0	250	592,275
Operation and maintenance of plant	396,210	0	0	86,679	482,889
Transportation	311,143	0	0	280,675	591,818
	<u>1,600,866</u>	<u>1,827</u>	<u>0</u>	<u>367,604</u>	<u>1,970,297</u>
Other expenditures:					
Facilities acquisitions	0	547,804	0	115,396	663,200
Long-term debt:					
Principal	0	0	171,068	0	171,068
Interest and fiscal charges	0	0	155,169	0	155,169
AEA flowthrough	224,906	0	0	0	224,906
	<u>224,906</u>	<u>547,804</u>	<u>326,237</u>	<u>115,396</u>	<u>1,214,343</u>
Total expenditures	<u>5,506,960</u>	<u>549,631</u>	<u>326,237</u>	<u>819,823</u>	<u>7,202,651</u>
Excess (deficiency) of revenues over (under) expenditures	(154,796)	261,861	(117,490)	(243,258)	(253,683)
Other financing sources (uses):					
Transfers in	0	110,000	358,447	0	468,447
Transfers out	0	(389,142)	0	(79,305)	(468,447)
Sale of equipment	18,000	0	0	0	18,000
Proceeds from Bus Lease	0	0	0	227,862	227,862
Total other financing sources (uses)	<u>18,000</u>	<u>(279,142)</u>	<u>358,447</u>	<u>148,557</u>	<u>245,862</u>
Net change in fund balances	(136,796)	(17,281)	240,957	(94,701)	(7,821)
Fund balance beginning of year	(815,384)	937,135	173,478	361,830	657,059
Fund balance end of year	<u>\$ (952,180)</u>	<u>919,854</u>	<u>414,435</u>	<u>267,129</u>	<u>649,238</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ (7,821)

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

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

Capital outlays	\$ 857,729	
Depreciation expense	(124,801)	732,928

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

Issued	(227,862)	
Repaid	171,068	(56,794)

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

(6,427)

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.

Other Postemployment Benefits	9,927	
Early Retirement	41,748	51,675

Changes in net assets of governmental activities (page 19) \$ 713,561

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2010

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 29,109
Inventories	5,714
Capital assets, net of accumulated depreciation	<u>10,237</u>
TOTAL ASSETS	<u>45,060</u>
LIABILITIES	
Unearned revenues	<u>5,360</u>
TOTAL LIABILITES	<u>5,360</u>
NET ASSETS	
Invested in capital assets	10,237
Unrestricted	<u>29,463</u>
TOTAL NET ASSETS	<u><u>\$ 39,700</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 153,993
Miscellaneous	766
TOTAL OPERATING REVENUES	154,759
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant Services:	2,119
Non-instructional programs:	
Food service operations:	
Salaries	85,076
Benefits	11,970
Supplies	141,557
Depreciation	1,164
TOTAL OPERATING EXPENSES	241,886
OPERATING LOSS	(87,127)
NON-OPERATING REVENUES:	
State sources	3,096
Federal sources	93,313
Interest on investments	70
TOTAL NON-OPERATING REVENUES	96,479
Excess of revenues over expenditures	9,352
Other financing uses:	
Loss on disposal	(457)
Net income	8,895
Net assets beginning of year	30,805
Net assets end of year	\$ 39,700

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 154,077
Cash received from miscellaneous operating activities	766
Cash payments to employees for services	(97,046)
Cash payments to suppliers for goods or services	(123,709)
Net cash used in operating activities	(65,912)
Cash flows from non-capital financing activities:	
State grants received	3,096
Federal grants received	74,508
Net cash provided by non-capital financing activities	77,604
Cash flows from investing activities:	
Interest on investments	70
Cash flows from capital financing activities:	
Purchase of assets	(7,819)
Net increase in cash and cash equivalents	3,943
Cash and cash equivalents at beginning of year	25,166
Cash and cash equivalents at end of year	\$ 29,109
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (87,127)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,805
Depreciation	1,164
Decrease in inventories	1,415
Decrease in accounts payable	(253)
Increase in unearned revenue	84
Net cash used in operating activities	\$ (65,912)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$18,805.

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
ASSETS		
Cash and pooled investments	\$ 33,565	14,252
LIABILITIES		
Due to other groups	0	14,252
NET ASSETS		
Reserved for scholarships	<u>\$ 33,565</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Scholarship</u>
Additions	
Local sources:	
Gifts and contributions	\$ <u>133,294</u>
Deductions	
Instruction:	
Scholarships awarded	<u>102,292</u>
Changes in net assets	31,002
Net assets beginning of year	<u>2,563</u>
Net assets end of year	<u>\$ <u>33,565</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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

The Alburnett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Alburnett, Iowa, and the predominate agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for the payments of interest and principal on the District's general long-term debt.

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

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

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

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

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the support services functional areas exceeded the amounts budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$884,269 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Statewide Sales and Services Tax	\$ 279,142
	Special Revenue - Physical Plant and Equipment Levy	79,305
Capital Projects: Building Projects	Capital Projects: Statewide Sales and Services Tax	110,000
Total		<u>\$ 468,447</u>

Transfers generally move 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 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. 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 repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2008-09B warrants was 3.00%. 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 participation in ISCAP as of June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09B	1/21/2009	1/21/2010	\$ 335,000	0	335,000	0
2009-10A	6/25/2009	6/23/2010	0	880,000	880,000	0
2009-10B	1/21/2010	2/1/2011	0	600,000	600,000	0
Total			\$ 335,000	1,480,000	1,815,000	0

During the year ended June 30, 2010, the District paid \$53,826 of interest on the ISCAP warrants.

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	0	0	1,000
Construction in progress	5,089,904	555,687	0	5,645,591
Total capital assets not being depreciated	5,090,904	555,687	0	5,646,591
Capital assets being depreciated:				
Buildings	1,101,657	0	0	1,101,657
Land improvements	208,591	0	0	208,591
Machinery and equipment	1,401,844	302,042	25,925	1,677,961
Total capital assets being depreciated	2,712,092	302,042	25,925	2,988,209
Less accumulated depreciation for:				
Buildings	275,187	25,815	0	301,002
Land improvements	169,818	2,667	0	172,485
Machinery and equipment	1,270,861	96,319	25,925	1,341,255
Total accumulated depreciation	1,715,866	124,801	25,925	1,814,742
Total capital assets being depreciated, net	996,226	177,241	0	1,173,467
Governmental activities capital assets, net	\$ 6,087,130	732,928	0	6,820,058
Business type activities:				
Machinery and equipment	\$ 86,517	7,819	6,358	87,978
Less accumulated depreciation	82,478	1,164	5,901	77,741
Business type activities capital assets, net	\$ 4,039	6,655	457	10,237

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Other		\$ 2,957
Support services:		
Instructional staff		19,319
Administration		3,576
Operation and maintenance		1,500
Transportation		69,027
		<u>96,379</u>
Unallocated depreciation		<u>28,422</u>
Total governmental activities depreciation expense		<u>\$ 124,801</u>
Business type activities:		
Food services		<u>\$ 1,164</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,675,000	0	95,000	2,580,000	100,000
Revenue bonds	1,680,000	0	0	1,680,000	210,000
Bus leases	76,068	227,862	76,068	227,862	32,988
Early retirement	173,296	6,195	47,943	131,548	32,587
Total	<u>\$ 4,604,364</u>	<u>234,057</u>	<u>219,011</u>	<u>4,619,410</u>	<u>375,575</u>

General Obligation Bonds

Details of the District's June 30, 2010 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of May 2007		
		Principal	Interest	Total
2011	4.25	100,000	109,832	209,832
2012	4.25	105,000	105,582	210,582
2013	4.30	110,000	101,120	211,120
2014	4.50	115,000	96,390	211,390
2015	4.50	120,000	91,215	211,215
2016-2020	4.50-4.05	700,000	373,920	1,073,920
2021-2025	4.25-4.35	905,000	214,308	1,119,308
2026-2027	4.40-4.45	425,000	28,600	453,600
Total		<u>\$ 2,580,000</u>	<u>1,120,967</u>	<u>3,700,967</u>

Revenue Bonds

Details of the District's June 30, 2010 statewide sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue of June 2009		
		Principal	Interest	Total
2011	4.00	210,000	61,050	271,050
2012	4.00	220,000	52,450	272,450
2013	4.00	230,000	43,450	273,450
2014	4.00	190,000	35,050	225,050
2015	4.00	195,000	28,325	223,325
2016-2018	4.00	635,000	38,700	673,700
Total		\$ 1,680,000	259,025	1,939,025

The District has pledged future statewide sales and services tax revenues to repay the \$1,680,000 of bonds issued in June 2010. The bonds were issued for the purpose of financing a portion of the costs of a building project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2018. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,939,025. For the current year, no principal was paid on the bonds and total statewide sales, services and use tax revenues were \$594,491.

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

- \$168,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Bus Lease

During the year ended June 30, 2010, the District entered into two bus leases with Blue Bird Body Company for three buses. Details of the District's June 30, 2010 bus lease indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bus lease dated July 10, 2009		
		Principal	Interest	Total
2011	4.35 %	\$ 11,094	3,443	14,537
2012	4.35	11,596	2,940	14,536
2013	4.35	53,285	2,415	55,700
Total		\$ 75,975	8,798	84,773

Year Ending June 30,	Interest Rate	Bus lease dated December 22, 2009		
		Principal	Interest	Total
2011	4.53 %	\$ 21,894	6,599	28,493
2012	4.53	22,846	5,647	28,493
2013	4.53	107,147	4,653	111,800
Total		\$ 151,887	16,899	168,786

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employees base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum of \$8,000 per individual. Early retirement benefits paid during the year ended June 30, 2010, totaled \$47,943. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(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 salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$205,556,

\$203,558, and \$194,985, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits**

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 55 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's 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	\$ 32,914
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>32,914</u>
Contributions made	<u>(42,841)</u>
Increase in net OPEB obligation	<u>(9,927)</u>
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ (9,927)</u></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 \$42,841 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, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
30-Jun-10	\$ 32,914	130.16%	\$ (9,927)

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 \$384,964, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$384,964. The covered payroll (annual payroll of active employees covered by the plan) was \$2,577,773, and the ratio of the UAAL to covered payroll was 14.93%. 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 event 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 July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$577.83 for single and \$1,444.55 for family under Protector 100 and \$493.44 for single and \$1,238.57 for family under Protector 750, for retirees less than age 65 and \$2,960.64 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(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 \$224,906 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 ending balances reserved for categorical funding by project as of June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 118,686
Dropout prevention programs	98,071
Salary improvement program	20,842
Educator Quality, Prof Development	7,549
Market factor	174
Professional development for model core curriculum	19,955
Market factor incentives	<u>3,722</u>
Total reserved for categorical funding	<u>\$ 268,999</u>

**(12) Deficit Fund Balance/Net Assets**

The General Fund had deficit unreserved fund balance at June 30, 2010 of \$1,221,179. The District had a deficit unrestricted net assets balance in the governmental activities of \$1,361,225. An account in the Private Purpose Trust Fund had a deficit balance of \$500. And two accounts in the Special Revenue - Student Activity Fund had negative balances totaling \$605.

**(13) 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, 2010, expenditures in the support services function exceeded the budgeted amounts.

**(14) Carl Rockwood Scholarship Fund**

The Carl Rockwood Scholarship Fund is a legally separate 501(c)(3) organization that donates funds to the Alburnett Community School District to award scholarships to graduating seniors. Although the fund entirely benefits scholarships for Alburnett seniors, no

District officials have a contributing interest in the fund and therefore the fund is not considered a component unit of the District. As of December 31, 2009 the net assets of the fund was \$345,112.

**(15) Construction Commitment**

As of June 30, 2010, costs of \$5,645,591 had been incurred on various construction contracts for the remodeling project. The balance of \$286,166 remaining at June 30, 2010 will be paid as work on the projects progress.

**ALBURNETT COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,212,058	154,829	4,366,887	4,219,165	4,219,165	147,722
State sources	2,386,104	3,096	2,389,200	3,047,709	3,047,709	(658,509)
Federal sources	350,806	93,313	444,119	234,174	234,174	209,945
Total revenues	6,948,968	251,238	7,200,206	7,501,048	7,501,048	(300,842)
Expenditures/Expenses:						
Instruction	4,018,011	0	4,018,011	4,640,438	4,640,438	622,427
Support services	1,970,297	2,119	1,972,416	1,923,817	1,923,817	(48,599)
Non-instructional programs	0	240,224	240,224	278,828	278,828	38,604
Other expenditures	1,214,343	0	1,214,343	4,103,095	4,103,095	2,888,752
Total expenditures/expenses	7,202,651	242,343	7,444,994	10,946,178	10,946,178	3,501,184
Excess (deficiency) of revenues over (under) expenditures/expenses	(253,683)	8,895	(244,788)	(3,445,130)	(3,445,130)	3,200,342
Other financing sources, net	245,862	0	245,862	0	0	245,862
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(7,821)	8,895	1,074	(3,445,130)	(3,445,130)	3,446,204
Balance beginning of year	657,059	30,805	687,864	2,479,542	2,479,542	(1,791,678)
Balance end of year	\$ 649,238	39,700	688,938	(965,588)	(965,588)	1,654,526

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2010, expenditures in the support services function areas exceeded the amounts budgeted.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2010

Year Ended June 30,	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)
2010	July 1, 2009	\$ 0	\$ 384,964	\$ 384,964	0.00%	\$ 2,577,773	14.93%

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

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and pooled investments	\$ 10,972	120,550	136,642	268,164
Receivables:				
Property tax:				
Delinquent	1,426	0	1,577	3,003
Succeeding year	125,000	0	142,208	267,208
<b>Total assets</b>	<b>\$ 137,398</b>	<b>120,550</b>	<b>280,427</b>	<b>538,375</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 0	3,844	194	4,038
Deferred revenue:				
Succeeding year property tax	125,000	0	142,208	267,208
Total liabilities	125,000	3,844	142,402	271,246
Fund balances:				
Unreserved fund balance	12,398	116,706	138,025	267,129
Total fund balances	12,398	116,706	138,025	267,129
<b>Total liabilities and fund balances</b>	<b>\$ 137,398</b>	<b>120,550</b>	<b>280,427</b>	<b>538,375</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 119,618	0	135,388	255,006
Other	10,663	310,491	405	321,559
TOTAL REVENUES	<u>130,281</u>	<u>310,491</u>	<u>135,793</u>	<u>576,565</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	38,074	0	0	38,074
Other	0	298,749	0	298,749
Support services:				
Administration	0	250	0	250
Operation and maintenance of plant	70,592	0	16,087	86,679
Student transportation	9,784	0	270,891	280,675
Other expenditures:				
Facilities acquisitions	0	0	115,396	115,396
TOTAL EXPENDITURES	<u>118,450</u>	<u>298,999</u>	<u>402,374</u>	<u>819,823</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,831	11,492	(266,581)	(243,258)
OTHER FINANCING SOURCES (USES):				
Transfers out	0	0	(79,305)	(79,305)
Proceeds from bus lease	0	0	227,862	227,862
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>148,557</u>	<u>148,557</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	11,831	11,492	(118,024)	(94,701)
FUND BALANCE BEGINNING OF YEAR	567	105,214	256,049	361,830
FUND BALANCE END OF YEAR	<u>\$ 12,398</u>	<u>116,706</u>	<u>138,025</u>	<u>267,129</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 0	94	94	0
Music Parents	9,040	10,241	11,469	7,812
Band Boosters	(2,226)	2,226	0	0
Dugout Club	2,133	344	1,812	665
Basketball Club	0	86	0	86
Athletics	119	40,636	40,283	472
Track Club	(367)	1,312	419	526
Pom Pons	(587)	21,928	18,608	2,733
Football Squad	340	1	0	341
Baseball	1,136	3	1,139	0
Volleyball Squad	1,280	3,925	4,661	544
Class Funds	1,941	757	2,493	205
Student Project-Ven	1,325	6,103	7,428	0
Class of 2009	694	0	694	0
Class of 2010	640	1,901	2,211	330
Class of 2011	308	5,685	4,260	1,733
Class of 2012	923	250	1,020	153
Class of 2013	897	254	0	1,151
Class of 2014	681	686	141	1,226
Class of 2015	0	251	75	176
Marketing	0	809	726	83
FFA	17,115	38,105	23,405	31,815
Project Oxygen-FFA	15	0	0	15
National Honor Society	477	1,050	1,001	526
Booster Club	52,727	98,077	107,201	43,603
Mathcounts	303	3,319	1,266	2,356
Wrestling Club	2,845	1,364	1,584	2,625
FBLA	1	30,706	30,066	641
Renaissance	(2,497)	4,806	2,309	0
Spanish Club	1,157	4	0	1,161
Sunshine Club	(146)	647	546	(45)
Interest & Misc.	340	224	538	26
FSB Donation	505	2,001	2,308	198
Field Trip	0	3,047	2,608	439
Book Fines	11	0	0	11
Book Fair	897	6,197	6,246	848
Bruce Mallory Memorial	573	0	573	0
Polly Pearson Mem	0	966	674	292
Jimmy D Martin	0	502	0	502
Annual	1,168	2,884	4,052	0
Student Council	0	984	1,544	(560)
Elementary Club	9,097	925	1,508	8,514
Cheerleaders	1,115	856	519	1,452
Wrestling Cheerleading	(303)	5,825	4,543	979
Archery in Iowa Schools	475	1	0	476
Character Counts	492	2	0	494
Children's Miracle/Dance-a-thon	570	9,476	8,242	1,804
Morale Committee	0	1,031	733	298
<b>Totals</b>	<b>\$ 105,214</b>	<b>310,491</b>	<b>298,999</b>	<b>116,706</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2010

	Capital Projects Funds		
	Statewide		
	Sales and Services Tax	Building Projects	Total
<b>Assets</b>			
Cash and pooled investments	\$ 218,452	604,989	823,441
Due from other governments	96,413	0	96,413
<b>Total Assets</b>	<b>\$ 314,865</b>	<b>604,989</b>	<b>919,854</b>
<b>Fund balances:</b>			
Reserved for capital facility construction	0	604,989	604,989
Unreserved	314,865	0	314,865
Total fund balances	314,865	604,989	919,854
<b>Total Liabilities and Fund Balances</b>	<b>\$ 314,865</b>	<b>604,989</b>	<b>919,854</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2010

	Capital Projects Funds		
	Statewide		
	Sales and Services Tax	Building Projects	Total
REVENUES:			
Local sources:			
Local tax	\$ 594,184	0	594,184
Other	307	108,935	109,242
Federal sources	0	108,066	108,066
TOTAL REVENUES	594,491	217,001	811,492
EXPENDITURES:			
Current:			
Support services:			
Administration	0	1,827	1,827
Other expenditures:			
Facilities acquisitions	0	547,804	547,804
TOTAL EXPENDITURES	0	549,631	549,631
Excess(deficiency) of revenues over(under) expenditures	594,491	(332,630)	261,861
Other financing sources(uses):			
Transfer in	0	110,000	110,000
Transfer out	(389,142)	0	(389,142)
Total other financing sources(uses)	(389,142)	110,000	(279,142)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	205,349	(222,630)	(17,281)
Fund balance beginning of year	109,516	827,619	937,135
Fund balance end of year	\$ 314,865	604,989	919,854

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET FOR DEBT SERVICE FUNDS  
 JUNE 30, 2010

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,190	410,818	412,008
Receivables:			
Property tax:			
Delinquent	2,427	0	2,427
Succeeding year	209,832	0	209,832
<b>Total assets</b>	<b>\$ 213,449</b>	<b>410,818</b>	<b>624,267</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 209,832	0	209,832
Fund balances:			
Reserved for debt service	3,617	410,818	414,435
<b>Total liabilities and fund balances</b>	<b>\$ 213,449</b>	<b>410,818</b>	<b>624,267</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 DEBT SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2010

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 208,413	0	208,413
Other	46	288	334
Total revenues	<u>208,459</u>	<u>288</u>	<u>208,747</u>
Expenditures:			
Other expenditures:			
Principal	171,068	0	171,068
Interest and fiscal charges	117,107	38,062	155,169
Total expenditures	<u>288,175</u>	<u>38,062</u>	<u>326,237</u>
Deficiency of revenues under expenditures	<u>(79,716)</u>	<u>(37,774)</u>	<u>(117,490)</u>
Other financing sources:			
Transfers in	<u>79,305</u>	<u>279,142</u>	<u>358,447</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	(411)	241,368	240,957
Fund balance beginning of year	<u>4,028</u>	<u>169,450</u>	<u>173,478</u>
Fund balance end of year	<u>\$ 3,617</u>	<u>410,818</u>	<u>414,435</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 PRIVATE PURPOSE TRUST ACCOUNTS  
 JUNE 30, 2010

	Floyd S. Etzel Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	Rockwood Supplemental Scholarship	Dyer Family Scholarship	School Cents	Total
ASSETS							
Cash and pooled investments	\$ 97	(500)	1,052	25,000	7,500	416	33,565
LIABILITIES							
	0	0	0	0	0	0	0
NET ASSETS							
Reserved for scholarships	\$ 97	(500)	1,052	25,000	7,500	416	33,565

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN  
 FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2010

	Floyd S. Etzel Scholarship	Geers Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	Rockwood Supplemental Scholarship	Dyer Family Scholarship	School Cents	Total
Additions:								
Local sources:								
Gifts and contributions	\$ 0	0	0	98,069	25,000	7,500	2,725	133,294
Deductions:								
Instruction:								
Scholarships awarded	1,000	223	0	98,069	0	0	3,000	102,292
Changes in net assets	(1,000)	(223)	0	0	25,000	7,500	(275)	31,002
Net assets beginning of year	1,097	223	(500)	1,052	0	0	691	2,563
Net assets end of year	\$ 97	0	(500)	1,052	25,000	7,500	416	33,565

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 10,382	3,870	0	14,252
Liabilities				
Due to other groups	\$ 10,382	3,870	0	14,252

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,913,448	2,599,494	2,513,117	1,774,897	1,562,509	1,517,880	1,474,010
Tuition	783,710	734,437	666,045	629,665	522,967	487,143	470,432
Other	514,900	542,976	578,058	393,055	339,394	386,472	310,651
Intermediate sources	0	0	0	0	0	0	300
State sources	2,386,104	2,905,207	2,928,044	2,650,067	2,657,564	2,600,046	2,436,976
Federal sources	350,806	485,233	84,038	142,670	89,334	80,468	117,374
<b>Total</b>	<b>\$ 6,948,968</b>	<b>7,267,347</b>	<b>6,769,302</b>	<b>5,590,354</b>	<b>5,171,768</b>	<b>5,072,009</b>	<b>4,809,743</b>
Expenditures:							
Instruction:							
Regular	\$ 2,362,906	2,521,474	2,705,950	2,556,469	2,120,940	2,276,140	2,265,072
Special	668,749	573,491	583,646	699,192	811,393	650,055	570,669
Other	986,356	970,270	678,129	675,071	855,806	605,003	614,222
Support services:							
Student	135,181	189,808	218,259	204,796	202,823	186,239	172,100
Instructional staff	168,134	198,509	198,980	181,380	181,200	161,357	159,331
Administration	592,275	651,203	651,062	563,538	519,676	499,878	455,873
Operation and maintenance of plant	482,889	447,658	412,168	465,995	381,106	372,588	476,911
Transportation	591,818	367,443	329,471	434,288	283,827	275,890	290,981
Other expenditures:							
Facilities acquisitions	663,200	4,195,081	808,449	41,071	42,974	0	53,697
Long-term debt:							
Principal	171,068	108,224	102,328	23,099	0	0	0
Interest and fiscal charges	155,169	123,152	127,079	0	0	0	0
AEA flow-through	224,906	205,226	200,662	191,048	179,370	176,022	172,940
<b>Total</b>	<b>\$ 7,202,651</b>	<b>10,551,539</b>	<b>7,016,183</b>	<b>6,035,947</b>	<b>5,579,115</b>	<b>5,203,172</b>	<b>5,231,796</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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 the  
Alburnett Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District 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 17, 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 Alburnett 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 Alburnett Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alburnett Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Finding as items I-B-10 and I-C-10 to be significant deficiencies.

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Compliance and Other Matters

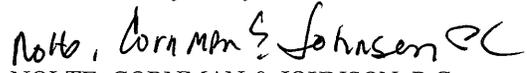
As part of obtaining reasonable assurance about whether Alburnett Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Alburnett Community School District and other parties to whom Alburnett Community School District may report, including federal awarding agencies and pass-through entities, 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 Alburnett Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

ALBURNETT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial balance of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-10 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.

- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The district has done a number of things to remedy this situation:

- 1. We have a cash box that has a specified amount before the event
- 2. Two individuals are involved in the cash collection and sales process. In addition to the two individuals that collect and count the cash two other administrators recount the money at the end of the event
- 3. A reconciliation form is completed and signed of by the individuals responsible for counting and reconciling the cash and the administrators on duty
- 4. The cash and change box should is turned into the administrator on duty. The administrator will take the cash to the night depository at the bank or but in the district’s vault for deposit on the next working day
- 5. Administrative personnel should periodically review the process to ensure procedures are working

Conclusion - Response accepted.

I-C-10 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process; however, we noted instances of purchase orders that were completed and dated after the invoice.

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

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

Response - The district has reviewed our purchase order policy. This is an ongoing process and hopefully all employees know to get a purchase order before they order anything

Conclusion - Response accepted.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related To Required Statutory Reporting:

II-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 exceeded the amended certified budget amounts in the support services functional area.

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

Response - The district will amend its budget in accordance with Chapter 24.9 before disbursements exceed the budget

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - We noted during our audit that a payment made to an accompanist from the Student Activity fund did not have supporting documentation.

Recommendation - The District should not pay bills without adequate support. The contract with the individual may serve as the source document.

Response - The district with get adequate support before making any payments.

Conclusion - Response accepted.

II-C-10 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.

II-D-10 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Holsinger, Custodian Owner of Holinger Snow Removal	Snow removal	\$3,876

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's custodian does not appear to represent a conflict of interest.

II-E-10 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.

II-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-10 Supplementary Weighting - We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was understated by 2.57.

Recommendation - The Iowa Department of Education and Department of Management should be contacted to resolve this matter.

Response - This District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

- II-I-10 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.
- II-J-10 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.
- II-K-10 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-10 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.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$	0
Statewide sales, services and use tax revenue			594,184
Expenditures/Transfers Out:			
School Infrastructure:			
Buildings	\$	110,000	
Debt service for school infrastructure:			
Revenue debt		279,142	389,142
Ending balance		\$	205,042

As a result of the statewide sales, service and use tax revenue received during the year ended June 30, 2010 the District reduced the following levy:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Physical Plant and Equipment Levy (PEEL)	\$ 1.00000	\$ 135,817

- II-M-10 Deficit Balances - The District had a deficit unreserved fund balance of \$1,221,179 in the General Fund. The District had a deficit unrestricted net assets balance in the governmental activities of \$1,361,225. The District also had an account in the Private Purpose Trust Fund with a negative balance of \$500 and two negative account balances totaling \$605 in the Student Activity Fund at June 30, 2010.

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

Response - The district has been working to eliminate our deficit balances. We will continue to monitor our spending and discontinue any unnecessary expenditure

Conclusion - Response accepted.

II-N-10 Board Policies - We noted during our audit that the District has not implemented a capital asset policy. These policies generally display capitalization thresholds and useful lives for different categories of the District's fixed assets. We also noted during the audit that the board policies are not being reviewed on a regular basis. The District has policies that have not been updated within five years.

Recommendation - The District should consider implementing a capital asset policy to outline procedures for the handling and reporting of fixed assets. Board policies should be reviewed by the Board at a minimum every five years.

Response - The board has implemented a capital asset policy.

Conclusion - Response accepted.

II-O-10 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

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

We noted that book fair receipts were recorded in the Student Activity Fund. These receipts are used to purchase library books and, therefore, should be recorded in the General Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. We noted a Library Fine Account and a Polly Pearson Memorial Account within the Student Activity Fund. Library fines appear instructional and would be more appropriately accounted for within the General Fund. The Polly Pearson Memorial account is used to purchase elementary library books, which would appear instructional in nature and more appropriately accounted for within the General Fund. If receipts/expenditures are deemed inappropriate for the Student Activity Fund the proper measures should be taken to receipt monies to the correct fund they can be expended from.

Response - The district will record book fair funds in the General Fund and review all receipts and expenditures that are recorded in the student activity fund.

Conclusion - Response accepted.

II-P-10 Purchased Services - We noted during our audit that the shared food director's pay was being coded to salary and benefits rather than purchased services.

Recommendation - As the food service director is shared with another district and not an employee of the district, payments made to them is a purchased service rather than a salary and benefit. Therefore this payment should be coded accordingly.

Response - All food services payments will be made to purchased services rather than salary and benefit.

Conclusion - Response accepted.