

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

JUNE 30, 2011

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Albia Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------|--|---------------------|
| Board of Education | | |
| Robin Haselhuhn | President | 2013 |
| John Scieszinski | Vice President | 2011 |
| Mike Stocker | Board Member | 2011 |
| Russ Vanden Berg | Board Member | 2013 |
| Donna Whisler | Board Member | 2013 |
| Mary Wynn | Board Member | 2011 |
| Denny Amoss | Board Member | 2013 |
| School Officials | | |
| Kevin Crall | Superintendent | 2011 |
| Melissa Bauer | District Secretary/Treasurer And Business Manager | 2011 |
| Gruhn Law Firm | Attorney | 2011 |

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albia Community School District, Albia, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Albia Community School District at June 30, 2011, 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 7, 2012 on our consideration of the Albia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, Retiree Health Plan, and Component Unit Financial Statements on pages 7 through 16 and 46 through 50 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 Albia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 12, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Albia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,731,788 in fiscal 2010 to \$11,060,904 in fiscal 2011, while General Fund expenditures decreased from \$11,033,125 in fiscal 2010 to \$10,894,533 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$1,186,410 in fiscal 2010 to a balance of \$1,352,781 in fiscal 2011, a 14.02% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state source revenues. The decrease in expenditures was due primarily to a decrease in instruction expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Figure A-1
Albia Community School District Annual Financial Report

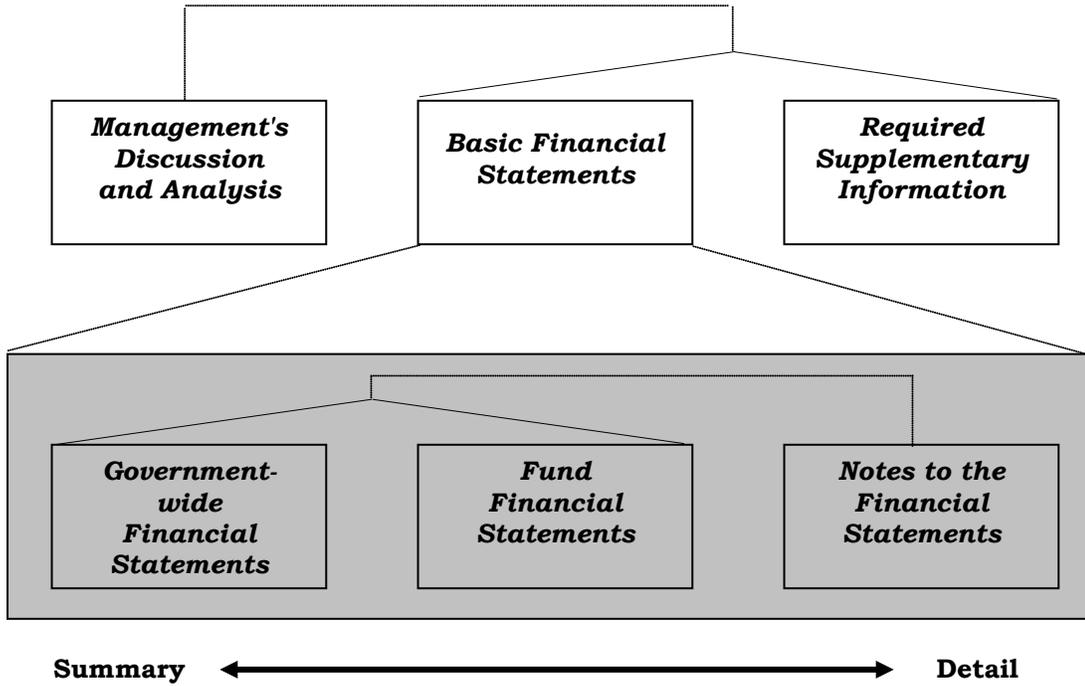


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

| | Government-wide Statements | Fund Statements | | |
|--|--|--|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component unit:* This includes the activities of The Albia Booster Club. The District receives significant financial benefits from this component unit although it is a legally separate entity.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

| | Governmental | | Business Type | | Total | | Total |
|----------------------------|--------------|------------|---------------|---------|-----------------|------------|----------|
| | Activities | | Activities | | School District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Current and other assets | \$ 9,856,293 | 12,803,144 | 135,486 | 94,018 | 9,991,779 | 12,897,162 | -22.53% |
| Capital assets | 9,500,467 | 5,436,342 | 127,604 | 113,977 | 9,628,071 | 5,550,319 | 73.47% |
| Total assets | 19,356,760 | 18,239,486 | 263,090 | 207,995 | 19,619,850 | 18,447,481 | 6.36% |
| Long-term liabilities | 8,612,203 | 8,784,564 | 2,967 | 1,479 | 8,615,170 | 8,786,043 | -1.94% |
| Other liabilities | 4,035,817 | 3,542,526 | 6,496 | 6,702 | 4,042,313 | 3,549,228 | 13.89% |
| Total liabilities | 12,648,020 | 12,327,090 | 9,463 | 8,181 | 12,657,483 | 12,335,271 | 2.61% |
| Net assets: | | | | | | | |
| Invested in capital assets | 3,408,133 | 2,852,782 | 127,604 | 113,977 | 3,535,737 | 2,966,759 | 19.18% |
| Restricted | 2,072,293 | 1,935,060 | 0 | 0 | 2,072,293 | 1,935,060 | 7.09% |
| Unrestricted | 1,228,314 | 1,124,554 | 126,023 | 85,837 | 1,354,337 | 1,210,391 | 11.89% |
| Total net assets | \$ 6,708,740 | 5,912,396 | 253,627 | 199,814 | 6,962,367 | 6,112,210 | 13.91% |

The District’s combined net assets increased by 13.91%, or \$850,157, from the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$137,233 or 7.09% from the prior year. The increase was primarily a result of the increase in the Debt Service Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$143,946, or 11.89%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

| | Governmental Activities | | Business Type Activities | | Total School District | | Total Change |
|--|-------------------------|------------|--------------------------|---------|-----------------------|------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Revenues and Transfers: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 456,871 | 361,264 | 335,382 | 348,158 | 792,253 | 709,422 | 11.68% |
| Operating grants and contributions and restricted interest | 1,286,317 | 2,474,835 | 297,193 | 277,670 | 1,583,510 | 2,752,505 | -42.47% |
| Capital grants and contributions and restricted interest | 457,000 | 0 | 0 | 0 | 457,000 | 0 | #DIV/0! |
| General revenues: | | | | | | | |
| Property tax | 3,339,247 | 3,117,708 | 0 | 0 | 3,339,247 | 3,117,708 | 7.11% |
| Income surtax | 406,199 | 402,132 | 0 | 0 | 406,199 | 402,132 | 1.01% |
| Statewide sales, services and use tax | 892,474 | 712,704 | 0 | 0 | 892,474 | 712,704 | 25.22% |
| Unrestricted state grants | 5,892,692 | 4,611,217 | 0 | 0 | 5,892,692 | 4,611,217 | 27.79% |
| Nonspecific program federal grants | 113,678 | 0 | 0 | 0 | 113,678 | 0 | 100.00% |
| Unrestricted investment earnings | 52,499 | 44,375 | 353 | 213 | 52,852 | 44,588 | 18.53% |
| Other | 246,300 | 178,600 | 92 | 1,800 | 246,392 | 180,400 | 36.58% |
| Transfers | (6,689) | (26,535) | 6,689 | 26,535 | 0 | 0 | 0.00% |
| Total revenues and transfers | 13,136,588 | 11,876,300 | 639,709 | 654,376 | 13,776,297 | 12,530,676 | 9.94% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 7,457,767 | 7,676,834 | 0 | 0 | 7,457,767 | 7,676,834 | -2.85% |
| Support services | 3,829,227 | 3,230,935 | 0 | 0 | 3,829,227 | 3,230,935 | 18.52% |
| Non-instructional programs | 12,123 | 10,530 | 585,896 | 585,156 | 598,019 | 595,686 | 0.39% |
| Other expenses | 1,041,127 | 826,241 | 0 | 0 | 1,041,127 | 826,241 | 26.01% |
| Total expenses | 12,340,244 | 11,744,540 | 585,896 | 585,156 | 12,926,140 | 12,329,696 | 4.84% |
| Changes in net assets | 796,344 | 131,760 | 53,813 | 69,220 | 850,157 | 200,980 | 323.01% |
| Net assets beginning of year, as restated | 5,912,396 | 5,780,636 | 199,814 | 130,594 | 6,112,210 | 5,911,230 | 3.40% |
| Net assets end of year | \$ 6,708,740 | 5,912,396 | 253,627 | 199,814 | 6,962,367 | 6,112,210 | 13.91% |

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 80.16% of the revenue from governmental activities while charges for service and operating grants and contributions account for 98.88% of the revenue from business type activities.

The District's total revenues were approximately \$13.78 million of which \$13.14 million was for governmental activities and approximately \$0.64 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 9.94% in revenues and an increase in expenses of 4.84%. The increase in revenues was related to a increase in state revenues received by the District. The increase in expenses was related to increases in the support services functional area.

Governmental Activities

Revenues, net of transfers for governmental activities were \$13,136,588 and expenses were \$12,340,244 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|-------------------|------------------------|------------|-------------------|----------------------|-----------|-------------------|
| | 2011 | 2010 | Change 2010-11 | 2011 | 2010 | Change 2010-11 |
| Instruction | \$ 7,457,767 | 7,676,834 | -2.85% | 6,207,760 | 5,295,202 | 17.23% |
| Support services | 3,829,227 | 3,230,935 | 18.52% | 3,338,349 | 3,230,412 | 3.34% |
| Non-instructional | 12,123 | 10,530 | 15.13% | 12,123 | 10,530 | 15.13% |
| Other expenses | 1,041,127 | 826,241 | 26.01% | 581,824 | 372,297 | 56.28% |
| Totals | \$ 12,340,244 | 11,744,540 | 5.07% | 10,140,056 | 8,908,441 | 13.83% |

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$456,871.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,743,317.
- The net cost of governmental activities was financed with \$3,339,247 in property tax, \$406,199 in income surtax, \$892,474 in statewide sales, services and use tax, \$5,892,692 in unrestricted state grants, \$113,678 in nonspecific program federal grants, \$52,499 in interest income and \$239,611 in other general revenues, net of transfers.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2011 were \$639,709 and expenses were \$585,896. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund

balances of \$5,565,082, below last year's ending fund balances of \$9,005,458. The decrease was primarily due to the continued renovation costs associated with Grant Elementary.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase during the year in tax and state grants resulted in an increase in revenues. The increase in revenues was greater than the District's increase in General Fund expenditures increasing the District's fund balance by 14.02%.
- The Capital Projects Accounts balance decreased from a restated balance of \$6,778,825 at the beginning of the fiscal year 2011 to \$2,991,532. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The decrease was the result of the District continuing renovation work on Grant Elementary.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$199,814 at June 30, 2010 to \$253,627 at June 30, 2011, representing an increase of 26.93%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$480,200 less than budgeted revenues, a variance of 3.39%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$9.63 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 73.47% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$369,038.

The original cost of the District's capital assets was \$14,244,264. Governmental funds account for \$14,016,249 with the remainder of \$228,015 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$759,078 at June 30, 2010, compared to \$4,028,706 reported at June 30, 2011. This increase resulted from the continued renovation on Grant Elementary.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental | | Business Type | | Total | | Total |
|--------------------------|--------------|-----------|---------------|---------|-----------------|-----------|----------|
| | Activities | | Activities | | School District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Land | \$ 331,936 | 331,936 | 0 | 0 | 331,936 | 331,936 | 0.00% |
| Construction in progress | 4,028,706 | 759,078 | 0 | 0 | 4,028,706 | 759,078 | 430.74% |
| Buildings | 3,227,722 | 2,476,048 | 0 | 0 | 3,227,722 | 2,476,048 | 30.36% |
| Land improvements | 1,416,464 | 1,488,021 | 0 | 0 | 1,416,464 | 1,488,021 | -4.81% |
| Machinery and equipment | 495,639 | 381,259 | 127,604 | 113,977 | 623,243 | 495,236 | 25.85% |
| Total | \$ 9,500,467 | 5,436,342 | 127,604 | 113,977 | 9,628,071 | 5,550,319 | 73.47% |

Long-Term Debt

At June 30, 2011, the District had \$8,615,170 in total long-term debt outstanding. This represents a decrease of approximately 1.94% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-9
Outstanding Long-Term Obligations

| | Governmental | | Business Type | | Total School | | Total |
|--------------------------|--------------|-----------|---------------|-------|--------------|-----------|----------|
| | Activities | | Activities | | District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| General obligation bonds | \$ 7,545,000 | 7,650,000 | 0 | 0 | 7,545,000 | 7,650,000 | -1.37% |
| Capital loan notes | 757,000 | 801,000 | 0 | 0 | 757,000 | 801,000 | -5.49% |
| Early retirement | 128,660 | 222,247 | 0 | 0 | 128,660 | 222,247 | -42.11% |
| Compensated absences | 42,502 | 41,994 | 0 | 0 | 42,502 | 41,994 | 1.21% |
| Net OPEB liability | 139,041 | 69,323 | 2,967 | 1,479 | 142,008 | 70,802 | 100.57% |
| Totals | \$ 8,612,203 | 8,784,564 | 2,967 | 1,479 | 8,615,170 | 8,786,043 | -1.94% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has been pleased with the one cent sales tax revenues that have been steadily growing since the tax was passed. A concerted plan has been put in place based on the one cent sales tax revenue to begin major infrastructure projects. The plan also provides flexibility to meet short term ongoing needs.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Melissa Bauer, District Board Secretary, Albia Community School District, 120 Benton Avenue East, Albia, Iowa, 52531.

BASIC FINANCIAL STATEMENTS

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Primary Government | | Component Units | |
|---|---------------------|----------------|-------------------|----------------|
| | Governmental | Business Type | Total | Total |
| | Activities | Activities | | Discrete |
| ASSETS | | | | |
| Cash and pooled investments | \$ 5,886,116 | 111,805 | 5,997,921 | 109,768 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 72,370 | 0 | 72,370 | 0 |
| Succeeding year | 3,280,088 | 0 | 3,280,088 | 0 |
| Income surtax | 415,528 | 0 | 415,528 | 0 |
| Accounts | 5,516 | 4,972 | 10,488 | 0 |
| Due from other governments | 196,675 | 0 | 196,675 | 0 |
| Inventories | 0 | 18,709 | 18,709 | 0 |
| Capital assets, net of accumulated depreciation | 9,500,467 | 127,604 | 9,628,071 | 0 |
| TOTAL ASSETS | 19,356,760 | 263,090 | 19,619,850 | 109,768 |
| LIABILITIES | | | | |
| Accounts payable | 346,511 | 0 | 346,511 | 0 |
| Interest payable | 160,134 | 0 | 160,134 | 0 |
| Salaries and benefits payable | 19,712 | 0 | 19,712 | 0 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 3,280,088 | 0 | 3,280,088 | 0 |
| Other | 229,372 | 0 | 229,372 | 0 |
| Unearned revenue | 0 | 6,496 | 6,496 | 0 |
| Long-term liabilities: | | | | |
| Portion due within one year: | | | | |
| Revenue bonds | 225,000 | 0 | 225,000 | 0 |
| Capital loan notes | 46,000 | 0 | 46,000 | 0 |
| Compensated absences | 42,502 | 0 | 42,502 | 0 |
| Early retirement | 64,330 | 0 | 64,330 | 0 |
| Portion due after one year: | | | | |
| Revenue bonds | 7,320,000 | 0 | 7,320,000 | 0 |
| Capital loan notes | 711,000 | 0 | 711,000 | 0 |
| Early retirement | 64,330 | 0 | 64,330 | 0 |
| Net OPEB liability | 139,041 | 2,967 | 142,008 | 0 |
| TOTAL LIABILITIES | 12,648,020 | 9,463 | 12,657,483 | 0 |
| NET ASSETS | | | | |
| Invested in capital assets | 3,408,133 | 127,604 | 3,535,737 | 0 |
| Restricted for: | | | | |
| Categorical funding | 198,318 | 0 | 198,318 | 0 |
| School infrastructure | 689,326 | 0 | 689,326 | 0 |
| Physical plant and equipment | 92,540 | 0 | 92,540 | 0 |
| Management levy purposes | 129,995 | 0 | 129,995 | 0 |
| Student activities | 84,704 | 0 | 84,704 | 0 |
| Debt service | 877,410 | 0 | 877,410 | 0 |
| Unrestricted | 1,228,314 | 126,023 | 1,354,337 | 109,768 |
| TOTAL NET ASSETS | \$ 6,708,740 | 253,627 | 6,962,367 | 109,768 |

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

| Functions/Programs: | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--|------------------|-------------------------|--|----------------------------|--|-----------------------------|--------------------|--------------------------------------|
| | Expenses | Charges for Services | Operating Grants, Capital Grants, Contributions | | Primary Government | | Total | Component Units Total Discrete |
| | | | and Restricted Interest | and Restricted Interest | Governmental Activities | Business Type Activities | | |
| Governmental activities: | | | | | | | | |
| Instruction: | | | | | | | | |
| Regular | \$ 4,773,099 | 218,634 | 178,958 | 0 | (4,375,507) | 0 | (4,375,507) | 0 |
| Special | 981,098 | 87,148 | 128,366 | 0 | (765,584) | 0 | (765,584) | 0 |
| Other | 1,703,570 | 151,089 | 485,812 | 0 | (1,066,669) | 0 | (1,066,669) | 0 |
| | <u>7,457,767</u> | <u>456,871</u> | <u>793,136</u> | <u>0</u> | <u>(6,207,760)</u> | <u>0</u> | <u>(6,207,760)</u> | <u>0</u> |
| Support services: | | | | | | | | |
| Student | 356,733 | 0 | 7,895 | 0 | (348,838) | 0 | (348,838) | 0 |
| Instructional staff | 668,484 | 0 | 3,603 | 0 | (664,881) | 0 | (664,881) | 0 |
| Administration | 1,108,004 | 0 | 0 | 0 | (1,108,004) | 0 | (1,108,004) | 0 |
| Operation and maintenance of plant | 989,852 | 0 | 0 | 457,000 | (532,852) | 0 | (532,852) | 0 |
| Transportation | 706,154 | 0 | 22,380 | 0 | (683,774) | 0 | (683,774) | 0 |
| | <u>3,829,227</u> | <u>0</u> | <u>33,878</u> | <u>457,000</u> | <u>(3,338,349)</u> | <u>0</u> | <u>(3,338,349)</u> | <u>0</u> |
| Non-instructional programs: | | | | | | | | |
| Food service program | 12,123 | 0 | 0 | 0 | (12,123) | 0 | (12,123) | 0 |
| Other expenditures: | | | | | | | | |
| Long-term debt interest | 358,735 | 0 | 0 | 0 | (358,735) | 0 | (358,735) | 0 |
| AEA flowthrough | 459,303 | 0 | 459,303 | 0 | 0 | 0 | 0 | 0 |
| Depreciation(unallocated)* | 223,089 | 0 | 0 | 0 | (223,089) | 0 | (223,089) | 0 |
| | <u>1,041,127</u> | <u>0</u> | <u>459,303</u> | <u>0</u> | <u>(581,824)</u> | <u>0</u> | <u>(581,824)</u> | <u>0</u> |
| Total governmental activities | 12,340,244 | 456,871 | 1,286,317 | 457,000 | (10,140,056) | 0 | (10,140,056) | 0 |
| Business type activities: | | | | | | | | |
| Non-instructional programs: | | | | | | | | |
| Food service operations | 585,896 | 335,382 | 297,193 | 0 | 0 | 46,679 | 46,679 | 0 |
| Total primary government | \$ 12,926,140 | 792,253 | 1,583,510 | 457,000 | (10,140,056) | 46,679 | (10,093,377) | 0 |
| Total component unit | \$ 184,875 | 0 | 176,557 | | | | | (8,318) |
| General Revenues and Transfers: | | | | | | | | |
| General Revenues: | | | | | | | | |
| Local tax for: | | | | | | | | |
| General purposes | | | | | \$ 3,339,247 | 0 | 3,339,247 | 0 |
| Income surtax | | | | | 406,199 | 0 | 406,199 | 0 |
| Statewide sales, services and use tax | | | | | 892,474 | 0 | 892,474 | 0 |
| Unrestricted state grants | | | | | 5,892,692 | 0 | 5,892,692 | 0 |
| Nonspecific program federal grants | | | | | 113,678 | 0 | 113,678 | 0 |
| Unrestricted investment earnings | | | | | 52,499 | 353 | 52,852 | 504 |
| Other general revenues | | | | | 246,300 | 92 | 246,392 | 16,141 |
| Transfers | | | | | (6,689) | 6,689 | 0 | 0 |
| Total general revenues and transfers | | | | | <u>10,936,400</u> | <u>7,134</u> | <u>10,943,534</u> | <u>16,645</u> |
| Changes in net assets | | | | | 796,344 | 53,813 | 850,157 | 8,327 |
| Net assets beginning of year | | | | | 5,912,396 | 199,814 | 6,112,210 | 101,441 |
| Net assets end of year | | | | | \$ 6,708,740 | 253,627 | 6,962,367 | 109,768 |

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

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

| | General | Capital Projects | Nonmajor Funds | Total |
|--|---------------------|---------------------|-------------------|------------------|
| ASSETS | | | | |
| Cash and pooled investments | \$ 1,510,278 | 3,161,031 | 1,214,807 | 5,886,116 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 66,408 | 0 | 5,962 | 72,370 |
| Succeeding year | 3,005,232 | 0 | 274,856 | 3,280,088 |
| Income surtax | 415,528 | 0 | 0 | 415,528 |
| Accounts | 5,516 | 0 | 0 | 5,516 |
| Due from other governments | 132,045 | 64,630 | 0 | 196,675 |
| TOTAL ASSETS | \$ 5,135,007 | 3,225,661 | 1,495,625 | 9,856,293 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 112,382 | 234,129 | 0 | 346,511 |
| Salaries and benefits payable | 19,712 | 0 | 0 | 19,712 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 3,005,232 | 0 | 274,856 | 3,280,088 |
| Income surtax | 415,528 | 0 | 0 | 415,528 |
| Other | 229,372 | 0 | 0 | 229,372 |
| Total liabilities | <u>3,782,226</u> | <u>234,129</u> | <u>274,856</u> | <u>4,291,211</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding | 198,318 | 0 | 0 | 198,318 |
| School infrastructure | 0 | 689,326 | 0 | 689,326 |
| Construction | 0 | 2,209,666 | 0 | 2,209,666 |
| Physical plant and equipment | 0 | 92,540 | 0 | 92,540 |
| Management levy purposes | 0 | 0 | 258,655 | 258,655 |
| Student activities | 0 | 0 | 84,704 | 84,704 |
| Debt service | 0 | 0 | 877,410 | 877,410 |
| Unassigned | 1,154,463 | 0 | 0 | 1,154,463 |
| Total fund balances | <u>1,352,781</u> | <u>2,991,532</u> | <u>1,220,769</u> | <u>5,565,082</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 5,135,007 | 3,225,661 | 1,495,625 | 9,856,293 |

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

| | |
|--|----------------------------|
| Total fund balances of governmental funds(page 20) | \$ 5,565,082 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 9,500,467 |
| 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. | (160,134) |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. | 415,528 |
| Long-term liabilities, including bonds and notes payable, early retirement payable, other postemployment benefits payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | <u>(8,612,203)</u> |
| Net assets of governmental activities(page 18) | <u><u>\$ 6,708,740</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

| | General | Capital Projects | Nonmajor Funds | Total |
|--|---------------------|---------------------|-------------------|-------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,390,941 | 892,474 | 272,823 | 4,556,238 |
| Tuition | 281,619 | 0 | 0 | 281,619 |
| Other | 229,299 | 107,846 | 277,548 | 614,693 |
| State sources | 6,604,913 | 0 | 0 | 6,604,913 |
| Federal sources | 554,132 | 450,000 | 0 | 1,004,132 |
| Total revenues | <u>11,060,904</u> | <u>1,450,320</u> | <u>550,371</u> | <u>13,061,595</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,717,034 | 0 | 65,102 | 4,782,136 |
| Special | 968,164 | 0 | 11,957 | 980,121 |
| Other | 1,420,733 | 0 | 281,749 | 1,702,482 |
| | <u>7,105,931</u> | <u>0</u> | <u>358,808</u> | <u>7,464,739</u> |
| Support services: | | | | |
| Student | 343,367 | 0 | 10,140 | 353,507 |
| Instructional staff | 310,584 | 0 | 13,288 | 323,872 |
| Administration | 1,058,103 | 0 | 49,973 | 1,108,076 |
| Operation and maintenance of plant | 869,792 | 0 | 58,816 | 928,608 |
| Transportation | 667,981 | 48,936 | 40,387 | 757,304 |
| | <u>3,249,827</u> | <u>48,936</u> | <u>172,604</u> | <u>3,471,367</u> |
| Non-instructional programs: | | | | |
| Food service operations | 0 | 0 | 12,123 | 12,123 |
| Other expenditures: | | | | |
| Facilities acquisitions | 0 | 4,668,152 | 0 | 4,668,152 |
| Long-term debt: | | | | |
| Principal | 0 | 0 | 149,000 | 149,000 |
| Interest and fiscal charges | 0 | 0 | 277,287 | 277,287 |
| AEA flowthrough | 459,303 | 0 | 0 | 459,303 |
| | <u>459,303</u> | <u>4,668,152</u> | <u>426,287</u> | <u>5,553,742</u> |
| Total expenditures | <u>10,815,061</u> | <u>4,717,088</u> | <u>969,822</u> | <u>16,501,971</u> |
| Excess(Deficiency) of revenues over(under) expenditures | 245,843 | (3,266,768) | (419,451) | (3,440,376) |
| Other financing sources(uses): | | | | |
| Transfer in | 0 | 0 | 599,997 | 599,997 |
| Transfer out | (79,472) | (520,525) | 0 | (599,997) |
| Total other financing sources(uses) | <u>(79,472)</u> | <u>(520,525)</u> | <u>599,997</u> | <u>0</u> |
| Net change in fund balances | 166,371 | (3,787,293) | 180,546 | (3,440,376) |
| Fund balance beginning of year, as restated | 1,186,410 | 6,778,825 | 1,040,223 | 9,005,458 |
| Fund balance end of year | <u>\$ 1,352,781</u> | <u>2,991,532</u> | <u>1,220,769</u> | <u>5,565,082</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (3,440,376)

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

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

| | | |
|----------------------|--------------|-----------|
| Capital outlays | \$ 4,414,943 | |
| Depreciation expense | (350,818) | 4,064,125 |

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 149,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (81,448)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 81,682

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

| | | |
|-------------------------------|----------|--------|
| Compensated absences | \$ (508) | |
| Early Retirement | 93,587 | |
| Other postemployment benefits | (69,718) | 23,361 |

Changes in net assets of governmental activities(page 19) \$ 796,344

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

| | <u>School</u> <u>Nutrition</u> |
|--|-----------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 111,805 |
| Accounts receivable | 4,972 |
| Inventories | 18,709 |
| Capital assets, net of accumulated depreciation | <u>127,604</u> |
| TOTAL ASSETS | <u>263,090</u> |
| LIABILITIES | |
| Unearned revenue | 6,496 |
| Net OPEB liability | <u>2,967</u> |
| TOTAL LIABILITES | <u>9,463</u> |
| NET ASSETS | |
| Invested in capital assets | 127,604 |
| Unrestricted | <u>126,023</u> |
| TOTAL NET ASSETS | <u>\$ 253,627</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

| | School Nutrition |
|--|---------------------|
| OPERATING REVENUE: | |
| Local sources: | |
| Charges for services | \$ 335,382 |
| Donations | 625 |
| Miscellaneous | 92 |
| TOTAL OPERATING REVENUES | 336,099 |
| OPERATING EXPENSES: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 205,813 |
| Benefits | 62,432 |
| Services | 6,110 |
| Supplies | 294,041 |
| Depreciation | 17,500 |
| TOTAL OPERATING EXPENSES | 585,896 |
| OPERATING LOSS | (249,797) |
| NON-OPERATING REVENUES: | |
| Interest | 353 |
| State sources | 4,768 |
| Federal sources | 291,800 |
| TOTAL NON-OPERATING REVENUES | 296,921 |
| Change in net assets before other financing sources | 47,124 |
| OTHER FINANCING SOURCES: | |
| Capital contributions | 6,689 |
| Change in net assets | 53,813 |
| Net assets beginning of year | 199,814 |
| Net assets end of year | \$ 253,627 |

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

| | School Nutrition |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 334,946 |
| Cash received from miscellaneous operating activities | 717 |
| Cash payments to employees for services | (267,506) |
| Cash payments to suppliers for goods or services | (270,729) |
| Net cash used in operating activities | (202,572) |
| Cash flows from non-capital financing activities: | |
| Repayments from the General fund | 46 |
| State grants received | 4,768 |
| Federal grants received | 263,570 |
| Net cash provided by non-capital financing activities | 268,384 |
| Cash flows from investing activities: | |
| Interest on investments | 353 |
| Cash flow from capital and related financing activities: | |
| Acquisition of capital assets | (24,438) |
| Net increase in cash and cash equivalents | 41,727 |
| Cash and cash equivalents at beginning of year | 70,078 |
| Cash and cash equivalents at end of year | \$ 111,805 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (249,797) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 29,967 |
| Depreciation | 17,500 |
| Increase in inventories | (545) |
| Increase in accounts receivable | (979) |
| Decrease in salaries and benefits payable | (749) |
| Increase in unearned revenue | 543 |
| Increase in other postemployment benefits | 1,488 |
| Net cash used in operating activities | \$ (202,572) |

During the year ended June 30, 2011, the District received Federal commodities valued at \$29,967.

During the year ended June 30, 2011, the District received capital contributions from the Capital Projects Fund of \$6,689.

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

| | Private Purpose Trust Scholarship | Agency |
|-----------------------------|---|---------------|
| ASSETS | | |
| Cash and pooled investments | \$ 89,611 | 8,053 |
| Accounts receivable | 3,800 | 0 |
| Due from other governments | 0 | 63,183 |
| | <u>93,411</u> | <u>71,236</u> |
| LIABILITIES | | |
| Accounts payable | 0 | 63,183 |
| Due to other groups | 0 | 8,053 |
| | <u>0</u> | <u>71,236</u> |
| NET ASSETS | | |
| Reserved for scholarships | 54,960 | 0 |
| Unreserved | 38,451 | 0 |
| | <u>93,411</u> | <u>0</u> |
| TOTAL NET ASSETS | <u>\$ 93,411</u> | <u>0</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2011

| | Private Purpose Trust Scholarship |
|-------------------------------|---|
| ADDITIONS: | |
| Local sources: | |
| Interest income | \$ 1,576 |
| Donations | 13,400 |
| TOTAL ADDITIONS | 14,976 |
| DEDUCTIONS: | |
| Instruction: | |
| Regular: | |
| Scholarships awarded | 17,500 |
| Support services: | |
| Community service operations: | |
| Services | 222 |
| TOTAL DEDUCTIONS: | 17,722 |
| Changes in net assets | (2,746) |
| Net assets beginning of year | 96,157 |
| Net assets end of year | \$ 93,411 |

SEE NOTES TO FINANCIAL STATEMENTS.

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The Albia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Albia, Lovilia and Melrose, Iowa, and the predominate agricultural territory in Monroe and Appanoose Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

These financial statements present the Albia Community School District (the primary government) and its component unit.

The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District. These organizations do not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, these organizations meet the definition of a component unit which should be discretely presented. These organizations are accounted for as a Governmental fund in these financial statements.

Discretely Presented Component Units - The Albia Booster Club was created to provide support, both financial and volunteer, to the athletic programs of the District by raising money through memberships, concession stands and fundraisers. It is a legally separate not-for-profit organization with its own accounting records and board of directors. Directors volunteer and may serve for long as they are willing.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

The District also reports a fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds are as follows:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and

compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 | \$ 5,000 |
| Buildings | 5,000 |
| Land improvements | 5,000 |
| Intangibles | 50,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 5,000 |

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

| Asset Class | Estimated Useful Lives (In Years) |
|-------------------------|--------------------------------------|
| Buildings | 25-50 years |
| Land improvements | 20 years |
| Intangibles | 2 or more years |
| Machinery and equipment | 5-12 years |

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments at June 30, 2011.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

| Transfer to | Transfer from | Amount |
|--------------|---|------------|
| Debt Service | Capital Projects: Statewide Sales, Services and Use Tax | \$ 520,525 |
| Debt Service | General Fund | 79,472 |
| | | \$ 599,997 |

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

The transfer from the General Fund to the Debt Service Fund was for principal and interest payments on the District's energy loan indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|------------------|----------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 331,936 | 0 | 0 | 331,936 |
| Construction in progress | 759,078 | 4,137,823 | 868,195 | 4,028,706 |
| Total capital assets not being depreciated | <u>1,091,014</u> | <u>4,137,823</u> | <u>868,195</u> | <u>4,360,642</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 5,628,914 | 903,206 | 0 | 6,532,120 |
| Land improvements | 1,742,281 | 0 | 0 | 1,742,281 |
| Machinery and equipment | 1,248,219 | 242,109 | 109,122 | 1,381,206 |
| Total capital assets being depreciated | <u>8,619,414</u> | <u>1,145,315</u> | <u>109,122</u> | <u>9,655,607</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,152,866 | 151,532 | 0 | 3,304,398 |
| Land improvements | 254,260 | 71,557 | 0 | 325,817 |
| Machinery and equipment | 866,960 | 127,729 | 109,122 | 885,567 |
| Total accumulated depreciation | <u>4,274,086</u> | <u>350,818</u> | <u>109,122</u> | <u>4,515,782</u> |
| Total capital assets being depreciated, net | <u>4,345,328</u> | <u>794,497</u> | <u>0</u> | <u>5,139,825</u> |
| Governmental activities capital assets, net | <u>\$ 5,436,342</u> | <u>4,932,320</u> | <u>868,195</u> | <u>9,500,467</u> |
| Business type activities: | | | | |
| Machinery and equipment | \$ 196,888 | 31,127 | 0 | 228,015 |
| Less accumulated depreciation | 82,911 | 17,500 | 0 | 100,411 |
| Business type activities capital assets, net | <u>\$ 113,977</u> | <u>13,627</u> | <u>0</u> | <u>127,604</u> |

Depreciation expense was charged by the District as follows:

| | | |
|------------------------------------|--|-------------------|
| Governmental activities: | | |
| Instruction: | | |
| Regular | | \$ 2,182 |
| Other | | 4,014 |
| Support services: | | |
| Administration | | 1,127 |
| Operation and maintenance of plant | | 23,429 |
| Transportation | | 96,977 |
| | | <u>127,729</u> |
| Unallocated depreciation | | <u>223,809</u> |
| | | <u>\$ 351,538</u> |
| Business type activities: | | |
| Food services | | <u>\$ 17,500</u> |

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|---------------------------|---------------------------------|----------------|----------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| Revenue bonds | \$ 7,650,000 | 0 | 105,000 | 7,545,000 | 225,000 |
| Capital loan notes | 801,000 | 0 | 44,000 | 757,000 | 46,000 |
| Early Retirement | 222,247 | 0 | 93,587 | 128,660 | 64,330 |
| Compensated absences | 41,994 | 42,502 | 41,994 | 42,502 | 42,502 |
| Net OPEB liability | 69,323 | 69,718 | 0 | 139,041 | 0 |
| | <u>\$ 8,784,564</u> | <u>112,220</u> | <u>284,581</u> | <u>8,612,203</u> | <u>377,832</u> |
| Business type activities: | | | | | |
| Net OPEB liability | \$ 1,479 | 1,488 | 0 | 2,967 | 0 |

Revenue Bonds

Details of the District's June 30, 2011 statewide sales and services tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of May 14, 2009 | | | Bond Issue of April 1, 2010 | | | Total | | |
|----------------------------|----------------------------|--------------|----------|-----------------------------|--------------|-----------|-----------|-----------|------------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest | Principal | Interest | Total |
| 2012 | 2.75 | % \$ 125,000 | 16,469 | 3.75 | % \$ 100,000 | 294,545 | 225,000 | 311,014 | 536,014 |
| 2013 | 3.25 | 130,000 | 12,637 | 3.75 | 100,000 | 290,795 | 230,000 | 303,432 | 533,432 |
| 2014 | 3.50 | 140,000 | 8,075 | 3.75 | 150,000 | 286,108 | 290,000 | 294,183 | 584,183 |
| 2015 | 3.75 | 150,000 | 2,813 | 3.75 | 150,000 | 280,482 | 300,000 | 283,295 | 583,295 |
| 2016 | - | - | - | 3.75 | 305,000 | 271,951 | 305,000 | 271,951 | 576,951 |
| 2017-2021 | - | - | - | 3.75-4.00 | 1,790,000 | 1,165,238 | 1,790,000 | 1,165,238 | 2,955,238 |
| 2022-2026 | - | - | - | 4.10-4.45 | 2,225,000 | 755,325 | 2,225,000 | 755,325 | 2,980,325 |
| 2027-2030 | - | - | - | 4.55-4.70 | 2,180,000 | 210,819 | 2,180,000 | 210,819 | 2,390,819 |
| Total | | \$ 545,000 | 39,994 | | \$ 7,000,000 | 3,555,263 | 7,545,000 | 3,595,257 | 11,140,257 |

The District has pledged future statewide sales, services and use tax revenues to repay the \$650,000 and \$7,000,000 of bonds issued in May 2009 and April 2010, respectively. The bonds were issued for the purpose of financing future energy projects in the District. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$11,140,257. For the current year, \$105,000 in principal and \$241,815 in interest was paid on the bonds and total statewide sales and services tax revenues were \$892,474.

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

- a) \$693,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes

During the year ended June 30, 2010, the District issued Capital Loan Notes to provide funds for the energy savings project. The notes bear interest at 3.25% to 5.00% per annum and are payable from the General Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2011 are as follows:

| Year Ending June 30, | Interest Rates | October 1, 2008 | | |
|----------------------------|-------------------|-----------------|----------|-----------|
| | | Principal | Interest | Total |
| 2012 | 3.65 | % \$ 46,000 | 33,954 | 79,954 |
| 2013 | 3.75 | 47,000 | 32,274 | 79,274 |
| 2014 | 3.90 | 49,000 | 30,512 | 79,512 |
| 2015 | 4.05 | 51,000 | 28,600 | 79,600 |
| 2016 | 4.20 | 53,000 | 26,536 | 79,536 |
| 2017-2021 | 4.35-4.80 | 299,000 | 95,757 | 394,757 |
| 2022-2024 | 4.90-5.00 | 212,000 | 21,362 | 233,362 |
| Total | | \$ 757,000 | 268,995 | 1,025,995 |

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees in the 2007-08 fiscal year. Eligible employees must have been at least age fifty-seven and must have been employed by the District for a period of twenty years. Employees had to complete an application which was subject to approval by the Board of Education. Each participating employee received as early retirement incentive pay, a cash payment, not to exceed twenty-five thousand dollars, that was equal to 50% of the employee's full-time salary on the salary schedule at the time of retirement, excluding extra duty pay extra-curricular pay, Teacher Compensation Funds or other payments not included in the salary schedule.

Upon retirement, the licensed employee was eligible to continue participation in the school district's group insurance plan at the licensed employee's expense by meeting the requirements of the issuer. The insurance coverage ceases when the licensed employee becomes eligible for Medicare or is no longer permitted to continue coverage by the insurance, or dies. \$93,587 in retirement benefits were paid during the year ended June 30, 2011. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$434,326, \$436,421 and \$407,179, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits(OPEB)

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 121 active and 16 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 Blue Cross Blue Shield. 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 Districts OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

| | |
|--|--------------------------|
| Annual required contribution | \$ 96,627 |
| Interest on net OPEB obligation | 1,770 |
| Adjustment to annual required contribution | <u>(6,856)</u> |
| Annual OPEB cost | 91,541 |
| Contributions made | <u>(20,335)</u> |
| Increase in net OPEB obligation | 71,206 |
| Net OPEB obligation beginning of year | <u>70,802</u> |
| Net OPEB obligation end of year | <u><u>\$ 142,008</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, 2011.

For the year ended June 30, 2011, the District contributed \$20,335 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, 2011 are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------|---------------------|--|---------------------------|
| 2010 | \$ 90,033 | 21.36% | \$ 70,802 |
| 2011 | 91,541 | 22.21% | 142,008 |

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$806,700, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$806,700. The covered payroll (annual payroll of active employees covered by the plan) was \$5,597,064, and the ratio of the UAAL to covered payroll was 14.41%. As of June 30, 2011 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 \$435.06 for single and \$1,085.97 for family under Plan 200 deductible and \$406.84 for single and \$1,015.52 for family under Plan 500 deductible, for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) 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 \$459,303 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2011 are as follows:

| <u>Project</u> | <u>Amount</u> |
|--|-------------------|
| Dropout and Dropout Prevention | \$ 17,211 |
| Teacher quality | 51,539 |
| Statewide Voluntary Preschool | 59,887 |
| Professional Development | 2,373 |
| Gifted and Talented | 24,843 |
| Model Core Curriculum | <u>42,465</u> |
| Total restricted for categorical funding | <u>\$ 198,318</u> |

(11) Construction Commitment

The District has entered into contracts totaling \$4,761,208 for construction of a new wrestling room and renovations at Grant Elementary. As of June 30, 2011, costs of \$4,028,706 had been incurred against the contracts. The balance of \$732,502 remaining at June 30, 2011 will be paid as work on the project progresses.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

| | <u>Capital Projects</u> | <u>Special Revenue, Physical Plant and Equipment Levy</u> |
|--|-----------------------------|---|
| Balances June 30, 2010 as previously reported | \$ 6,686,813 | 92,012 |
| Change in fund type classification per implementation of GASB Statement No. 54 | 92,012 | (92,012) |
| Balance July 1, 2010 as restated | <u>\$ 6,778,825</u> | <u>\$ 0</u> |

Albia Community School District

REQUIRED SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

| | Governmental | Proprietary | Total Actual | Budgeted Amounts | | Final to |
|---|--------------|-------------|-----------------|------------------|-------------|-----------|
| | Fund Types | Fund Type | | Original | Final | Actual |
| | Actual | Actual | | | | Variance |
| Revenues: | | | | | | |
| Local sources | \$ 5,452,550 | 336,452 | 5,789,002 | 6,029,939 | 6,029,939 | (240,937) |
| State sources | 6,604,913 | 4,768 | 6,609,681 | 7,229,876 | 7,229,876 | (620,195) |
| Federal sources | 1,004,132 | 291,800 | 1,295,932 | 915,000 | 915,000 | 380,932 |
| Total revenues | 13,061,595 | 633,020 | 13,694,615 | 14,174,815 | 14,174,815 | (480,200) |
| Expenditures/Expenses: | | | | | | |
| Instruction | 7,464,739 | 0 | 7,464,739 | 8,435,000 | 8,435,000 | 970,261 |
| Support services | 3,471,367 | 0 | 3,471,367 | 4,039,011 | 4,039,011 | 567,644 |
| Non-instructional programs | 12,123 | 585,896 | 598,019 | 865,000 | 865,000 | 266,981 |
| Other expenditures | 5,553,742 | 0 | 5,553,742 | 6,395,739 | 6,395,739 | 841,997 |
| Total expenditures/expenses | 16,501,971 | 585,896 | 17,087,867 | 19,734,750 | 19,734,750 | 2,646,883 |
| Excess(deficiency)of revenues over(under)expenditures/expenses | (3,440,376) | 47,124 | (3,393,252) | (5,559,935) | (5,559,935) | 2,166,683 |
| Other financing sources, net | 0 | 6,689 | 6,689 | 0 | 0 | 6,689 |
| Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses | (3,440,376) | 53,813 | (3,386,563) | (5,559,935) | (5,559,935) | 2,173,372 |
| Balance beginning of year | 9,005,458 | 199,814 | 9,205,272 | 9,502,213 | 9,502,213 | (296,941) |
| Balance end of year | \$ 5,565,082 | 253,627 | 5,818,709 | 3,942,278 | 3,942,278 | 1,876,431 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ALBIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

| 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 | \$ 806,700 | \$ 806,700 | 0.00% | \$ 5,916,252 | 13.64% |
| 2011 | July 1, 2009 | 0 | 806,700 | 806,700 | 0.00% | 5,597,064 | 14.41% |

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

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 NET ASSETS - CASH BASIS -
 DISCRETE COMPONENT UNITS
 JUNE 30, 2011

| | Albia Booster Club |
|----------------------------------|-----------------------|
| Assets | |
| Cash | \$ 29,164 |
| Certificates of deposit | 80,604 |
| Total Assets | \$ 109,768 |
| Net Assets | |
| Unrestricted | 109,768 |
| Total Liabilities and Net Assets | \$ 109,768 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES AND EXPENSES
 AND CHANGES IN NET ASSETS - CASH BASIS -
 DISCRETE COMPONENT UNITS
 YEAR ENDED JUNE 30, 2011

| | Albia Booster Club |
|----------------------------------|-----------------------|
| Revenues: | |
| Interest | \$ 504 |
| Membership dues | 18,858 |
| Concessions | 62,049 |
| Athletics | 89,918 |
| Tournaments | 5,732 |
| Other | 16,141 |
| TOTAL REVENUES | 193,202 |
| EXPENSES: | |
| Reimbursements | 535 |
| Apparel | 864 |
| Athletics | 114,569 |
| Concessions | 34,434 |
| Event expenses | 2,881 |
| Other | 31,592 |
| TOTAL EXPENSES | 184,875 |
| Change in net assets | 8,327 |
| Net assets beginning of year | 101,441 |
| Net assets end of year | \$ 109,768 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

| | Special Revenue | | | | Total Nonmajor Governmental Funds |
|--|-------------------------|---------------------|--------------------------------------|-----------------|--|
| | Manage- ment Levy | Student Activity | Total Special Revenue Funds | Debt Service | |
| ASSETS | | | | | |
| Cash and pooled investments | \$ 252,693 | 84,704 | 337,397 | 877,410 | 1,214,807 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 5,962 | 0 | 5,962 | 0 | 5,962 |
| Succeeding year | 274,856 | 0 | 274,856 | 0 | 274,856 |
| TOTAL ASSETS | \$ 533,511 | 84,704 | 618,215 | 877,410 | 1,495,625 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Deferred revenue: | | | | | |
| Succeeding year property tax | \$ 274,856 | 0 | 274,856 | 0 | 274,856 |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Management levy purposes | 258,655 | 0 | 258,655 | 0 | 258,655 |
| Student activities | 0 | 84,704 | 84,704 | 0 | 84,704 |
| Debt service | 0 | 0 | 0 | 877,410 | 877,410 |
| Total fund balances | 258,655 | 84,704 | 343,359 | 877,410 | 1,220,769 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 533,511 | 84,704 | 618,215 | 877,410 | 1,495,625 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

| | Special Revenue | | | | Total Nonmajor Governmental Funds |
|--|-------------------------|---------------------|--------------------------------------|-----------------|--|
| | Manage- ment Levy | Student Activity | Total Special Revenue Funds | Debt Service | |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 272,823 | 0 | 272,823 | 0 | 272,823 |
| Other | 16,116 | 260,037 | 276,153 | 1,395 | 277,548 |
| Total revenues | <u>288,939</u> | <u>260,037</u> | <u>548,976</u> | <u>1,395</u> | <u>550,371</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 65,102 | 0 | 65,102 | 0 | 65,102 |
| Special | 11,957 | 0 | 11,957 | 0 | 11,957 |
| Other | 14,282 | 267,467 | 281,749 | 0 | 281,749 |
| Support services: | | | | | |
| Student | 10,140 | 0 | 10,140 | 0 | 10,140 |
| Instructional staff | 13,288 | 0 | 13,288 | 0 | 13,288 |
| Administration | 49,973 | 0 | 49,973 | 0 | 49,973 |
| Operation and maintenance of plant | 58,816 | 0 | 58,816 | 0 | 58,816 |
| Transportation | 40,387 | 0 | 40,387 | 0 | 40,387 |
| Non-instructional programs: | | | | | |
| Food service operations | 12,123 | 0 | 12,123 | 0 | 12,123 |
| Other expenditures: | | | | | |
| Long-term debt: | | | | | |
| Principal | 0 | 0 | 0 | 149,000 | 149,000 |
| Interest and fiscal charges | 0 | 0 | 0 | 277,287 | 277,287 |
| Total expenditures | <u>276,068</u> | <u>267,467</u> | <u>543,535</u> | <u>426,287</u> | <u>969,822</u> |
| Excess(Deficiency) of revenues over(under) expenditures | 12,871 | (7,430) | 5,441 | (424,892) | (419,451) |
| Other financing sources: | | | | | |
| Transfers in | 0 | 0 | 0 | 599,997 | 599,997 |
| Total other financing sources | <u>0</u> | <u>0</u> | <u>0</u> | <u>599,997</u> | <u>599,997</u> |
| Net change in fund balances | 12,871 | (7,430) | 5,441 | 175,105 | 180,546 |
| Fund balance beginning of year, as restated | <u>245,784</u> | <u>92,134</u> | <u>337,918</u> | <u>702,305</u> | <u>1,040,223</u> |
| Fund balance end of year | <u>\$ 258,655</u> | <u>84,704</u> | <u>343,359</u> | <u>877,410</u> | <u>1,220,769</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

| | Capital Projects | | | |
|--|--|--------------------------|--|------------------|
| | Statewide Sales, Services and Use Tax | Construction Projects | Physical Plant and Equipment Levy | Total |
| Assets | | | | |
| Cash and pooled investments | \$ 624,696 | 2,443,795 | 92,540 | 3,161,031 |
| Due from other governments | 64,630 | 0 | 0 | 64,630 |
| Total Assets | \$ 689,326 | 2,443,795 | 92,540 | 3,225,661 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 0 | 234,129 | 0 | 234,129 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| School infrastructure | 689,326 | 0 | 0 | 689,326 |
| Construction | 0 | 2,209,666 | 0 | 2,209,666 |
| Physical plant and equipment | 0 | 0 | 92,540 | 92,540 |
| Total fund balances | 689,326 | 2,209,666 | 92,540 | 2,991,532 |
| Total Liabilities and Fund Balances | \$ 689,326 | 2,443,795 | 92,540 | 3,225,661 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

| | Capital Projects | | | |
|--|--|--------------------------|--|------------------|
| | Statewide Sales, Services and Use Tax | Construction Projects | Physical Plant and Equipment Levy | Total |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 892,474 | 0 | 0 | 892,474 |
| Other | 72,099 | 35,219 | 528 | 107,846 |
| Federal sources | 0 | 450,000 | 0 | 450,000 |
| Total revenues | <u>964,573</u> | <u>485,219</u> | <u>528</u> | <u>1,450,320</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Support services: | | | | |
| Transportation | 48,936 | 0 | 0 | 48,936 |
| Other expenditures: | | | | |
| Facilities acquisitions | 525,159 | 4,142,993 | 0 | 4,668,152 |
| Total expenditures | <u>574,095</u> | <u>4,142,993</u> | <u>0</u> | <u>4,717,088</u> |
| Excess(Deficiency) of revenues over(under) expenditures | 390,478 | (3,657,774) | 528 | (3,266,768) |
| Other financing uses: | | | | |
| Transfer out | (520,525) | 0 | 0 | (520,525) |
| Total other financing uses | <u>(520,525)</u> | <u>0</u> | <u>0</u> | <u>(520,525)</u> |
| Net change in fund balances | (130,047) | (3,657,774) | 528 | (3,787,293) |
| Fund balance beginning of year, as restated | 819,373 | 5,867,440 | 92,012 | 6,778,825 |
| Fund balance end of year | <u>\$ 689,326</u> | <u>2,209,666</u> | <u>92,540</u> | <u>2,991,532</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET FOR DEBT SERVICE FUNDS
 JUNE 30, 2011

| | Debt Service Funds | | |
|--|--------------------|-----------------|----------------|
| | Debt Service | Debt Reserve | Total |
| Assets | | | |
| Cash and pooled investments | \$ 249,210 | 628,200 | 877,410 |
| Fund balances: | | | |
| Reserved for debt service | \$ 249,210 | 628,200 | 877,410 |
| Total liabilities and fund balances | \$ 249,210 | 628,200 | 877,410 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2011

| | Debt Service Funds | | |
|---|--------------------|-----------------|-----------|
| | Debt Service | Debt Reserve | Total |
| Revenues: | | | |
| Local sources: | | | |
| Other | \$ 1,395 | 0 | 1,395 |
| Total revenues | 1,395 | 0 | 1,395 |
| Expenditures: | | | |
| Other expenditures: | | | |
| Principal | 149,000 | 0 | 149,000 |
| Interest and fiscal charges | 277,287 | 0 | 277,287 |
| Total expenditures | 426,287 | 0 | 426,287 |
| Deficiency of revenues under expenditures | (424,892) | 0 | (424,892) |
| Other financing sources: | | | |
| Transfers in | 599,997 | 0 | 599,997 |
| Total other financing sources | 599,997 | 0 | 599,997 |
| Excess of revenues and other financing sources over expenditures | 175,105 | 0 | 175,105 |
| Fund balance beginning of year | 74,105 | 628,200 | 702,305 |
| Fund balance end of year | \$ 249,210 | 628,200 | 877,410 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Albia Community School District

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Intrafund Transfers | Balance End of Year |
|-------------------------------|---------------------------------|----------|-------------------|------------------------|---------------------------|
| High school co-curricular | \$ 26,546 | 15,048 | 15,495 | (26,099) | 0 |
| High school athletics | (23,403) | 139,807 | 141,734 | 26,621 | 1,291 |
| 7th/8th grade co-curricular | 18,328 | 960 | 192 | (19,096) | 0 |
| 7th/8th grade athletics | 17,385 | 11,418 | 13,535 | (12,592) | 2,676 |
| High school clubs | 39,296 | 12,970 | 9,497 | (42,769) | 0 |
| 7th/8th grade clubs | 11,558 | 848 | 910 | (11,496) | 0 |
| Lincoln center clubs | 2,424 | 34 | 0 | (2,458) | 0 |
| HS Drama | 0 | 3,257 | 632 | 215 | 2,840 |
| JH Drama | 0 | 1,065 | 336 | 652 | 1,381 |
| HS Speech | 0 | 0 | 1,022 | 1,022 | 0 |
| HS Vocal | 0 | 1,725 | 1,228 | (497) | 0 |
| Band | 0 | 1,645 | 624 | (284) | 737 |
| HS Swimming | 0 | 1,080 | 500 | 0 | 580 |
| HS Milk for Athletes | 0 | 1,600 | 1,846 | 2,202 | 1,956 |
| HS Class of 2010 | 0 | 0 | 500 | 739 | 239 |
| HS Class of 2011 | 0 | 1,193 | 3,548 | 2,861 | 506 |
| HS Class of 2012 | 0 | 4,360 | 1,603 | (271) | 2,486 |
| HS Class of 2013 | 0 | 2,673 | 0 | (263) | 2,410 |
| HS Class of 2014 | 0 | 1,552 | 0 | (74) | 1,478 |
| HS FFA | 0 | 37,293 | 45,188 | 15,101 | 7,206 |
| HS National Honor Society | 0 | 2,702 | 2,195 | 1,330 | 1,837 |
| HS Student Council | 0 | 1,770 | 2,983 | 2,945 | 1,732 |
| JH Student Council | 0 | 3,412 | 3,030 | 13,793 | 14,175 |
| JH Magazine Sales | 0 | 0 | 4,246 | 16,173 | 11,927 |
| HS Christmas Club | 0 | 1,040 | 2,609 | 2,053 | 484 |
| HS Student Pop | 0 | 2,210 | 2,238 | 2,585 | 2,557 |
| HS Interest Account | 0 | 108 | 1,388 | 2,015 | 735 |
| HS FCCLA | 0 | 577 | 2,117 | 1,540 | 0 |
| HS Mass Media | 0 | 94 | 0 | 1,959 | 2,053 |
| HS Art Club | 0 | 0 | 42 | 1,500 | 1,458 |
| JH Art Club | 0 | 75 | 0 | 130 | 205 |
| HS Ascape Club | 0 | 71 | 0 | 500 | 571 |
| HS International Club | 0 | 943 | 1,461 | 1,595 | 1,077 |
| HS Yearbook | 0 | 7,660 | 5,419 | 13,756 | 15,997 |
| HS Principal Student Advisory | 0 | 551 | 761 | 2,250 | 2,040 |
| HS Blue Pride | 0 | 296 | 588 | 2,362 | 2,070 |
| Total | \$ 92,134 | 260,037 | 267,467 | 0 | 84,704 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2011

| | AA Webb Scholarship | Currie Scholarship | Shalley Scholarship | Lizzie Alexander Trust | Pepsi Scholarship |
|-----------------------------|------------------------|-----------------------|------------------------|------------------------------|----------------------|
| ASSETS | | | | | |
| Cash and pooled investments | \$ 18,978 | 8,149 | 3,496 | 25,854 | (500) |
| Accounts receivable | 0 | 0 | 0 | 0 | 500 |
| TOTAL ASSETS | 18,978 | 8,149 | 3,496 | 25,854 | 0 |
| LIABILITIES | 0 | 0 | 0 | 0 | 0 |
| NET ASSETS | | | | | |
| Reserved for scholarships | 18,384 | 7,500 | 3,311 | 25,765 | 0 |
| Unreserved | 594 | 649 | 185 | 89 | 0 |
| TOTAL NET ASSETS | \$ 18,978 | 8,149 | 3,496 | 25,854 | 0 |

| Hope Scholarship | Mick Scholarship | Frances Edgington Scholarship | Anonymous Annuity | Sylvia Rosenthal Scholarship | Class of 1933 Scholarship | Total |
|---------------------|---------------------|-------------------------------------|----------------------|------------------------------------|---------------------------------|--------|
| 978 | (3,300) | 14,427 | 20,829 | 500 | 200 | 89,611 |
| 0 | 3,300 | 0 | 0 | 0 | 0 | 3,800 |
| 978 | 0 | 14,427 | 20,829 | 500 | 200 | 93,411 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 54,960 |
| 978 | 0 | 14,427 | 20,829 | 500 | 200 | 38,451 |
| 978 | 0 | 14,427 | 20,829 | 500 | 200 | 93,411 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2011

| | AA Webb Scholarship | Currie Scholarship | Shalley Scholarship | Lizzie Alexander Trust | Pepsi Scholarship |
|------------------------------|------------------------|-----------------------|------------------------|------------------------------|----------------------|
| ADDITIONS: | | | | | |
| Local sources: | | | | | |
| Interest on investment | \$ 245 | 79 | 13 | 192 | 0 |
| Donations | 0 | 0 | 0 | 0 | 500 |
| TOTAL ADDITIONS | 245 | 79 | 13 | 192 | 500 |
| DEDUCTIONS: | | | | | |
| Instruction: | | | | | |
| Regular: | | | | | |
| Scholarships awarded | 0 | 0 | 0 | 0 | 500 |
| Support services: | | | | | |
| Community service operations | | | | | |
| Services | 0 | 0 | 0 | 222 | 0 |
| TOTAL DEDUCTIONS | 0 | 0 | 0 | 222 | 500 |
| Change in net assets | 245 | 79 | 13 | (30) | 0 |
| Net assets beginning of year | 18,733 | 8,070 | 3,483 | 25,884 | 0 |
| Net assets end of year | \$ 18,978 | 8,149 | 3,496 | 25,854 | 0 |

| Hope Scholarship | Mick Scholarship | Frances Edgington Scholarship | Anonymous Annuity | Sylvia Rosenthal Scholarship | Class of 1933 Scholarship | Total |
|---------------------|---------------------|-------------------------------------|----------------------|------------------------------------|---------------------------------|---------|
| 0 | 0 | 0 | 1,047 | 0 | 0 | 1,576 |
| 0 | 12,900 | 0 | 0 | 0 | 0 | 13,400 |
| 0 | 12,900 | 0 | 1,047 | 0 | 0 | 14,976 |
| 800 | 10,200 | 1,000 | 5,000 | 0 | 0 | 17,500 |
| 0 | 0 | 0 | 0 | 0 | 0 | 222 |
| 800 | 10,200 | 1,000 | 5,000 | 0 | 0 | 17,722 |
| (800) | 2,700 | (1,000) | (3,953) | 0 | 0 | (2,746) |
| 1,778 | (2,700) | 15,427 | 24,782 | 500 | 200 | 96,157 |
| 978 | 0 | 14,427 | 20,829 | 500 | 200 | 93,411 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUND
YEAR ENDED JUNE 30, 2011

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|-----------------------------|---------------------------------|----------------|----------------|---------------------------|
| ASSETS | | | | |
| Cash and pooled investments | \$ (734) | 96,504 | 87,717 | 8,053 |
| Accounts receivable | 15,313 | 0 | 15,313 | 0 |
| Due from other governments | 38,847 | 63,183 | 38,847 | 63,183 |
| | <u>\$ 53,426</u> | <u>159,687</u> | <u>141,877</u> | <u>71,236</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 38,847 | 63,183 | 38,847 | 63,183 |
| Due to other groups | 14,579 | 96,504 | 103,030 | 8,053 |
| | <u>\$ 53,426</u> | <u>159,687</u> | <u>141,877</u> | <u>71,236</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| | Modified Accrual Basis | | | | | | | |
|---|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| | Years Ended June 30, | | | | | | | |
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | | | | | |
| Local sources: | | | | | | | | |
| Local tax | \$ 4,556,238 | 4,292,276 | 4,269,650 | 3,988,298 | 3,917,887 | 3,951,152 | 4,118,763 | 3,365,343 |
| Tuition | 281,619 | 182,691 | 195,003 | 232,280 | 204,936 | 210,231 | 177,593 | 139,703 |
| Other | 614,693 | 524,273 | 608,966 | 465,750 | 546,839 | 587,492 | 395,416 | 346,660 |
| State sources | 6,604,913 | 5,826,231 | 6,334,640 | 6,537,204 | 6,094,941 | 6,079,697 | 5,891,353 | 5,558,973 |
| Federal sources | 1,004,132 | 1,137,096 | 567,500 | 389,845 | 468,729 | 323,229 | 521,793 | 472,809 |
| Total | <u>\$ 13,061,595</u> | <u>11,962,567</u> | <u>11,975,759</u> | <u>11,613,377</u> | <u>11,233,332</u> | <u>11,151,801</u> | <u>11,104,918</u> | <u>9,883,488</u> |
| Expenditures: | | | | | | | | |
| Instruction: | | | | | | | | |
| Regular | \$ 4,782,136 | 5,100,936 | 5,081,393 | 4,402,344 | 4,303,385 | 4,003,087 | 4,284,697 | 3,927,269 |
| Special | 980,121 | 1,494,686 | 1,551,960 | 1,241,840 | 1,413,475 | 1,455,258 | 1,340,465 | 1,735,912 |
| Other | 1,702,482 | 1,014,212 | 1,084,846 | 1,533,156 | 1,393,853 | 1,391,063 | 921,826 | 786,473 |
| Support services: | | | | | | | | |
| Student | 353,507 | 337,352 | 329,261 | 326,793 | 293,144 | 266,405 | 261,066 | 239,758 |
| Instructional staff | 323,872 | 295,815 | 276,874 | 312,518 | 128,962 | 140,091 | 213,495 | 209,105 |
| Administration | 1,108,076 | 1,154,757 | 1,083,639 | 1,113,779 | 1,103,978 | 1,055,302 | 923,136 | 890,723 |
| Operation and maintenance of plant | 928,608 | 902,534 | 873,358 | 936,951 | 891,349 | 811,743 | 756,098 | 748,446 |
| Transportation | 757,304 | 645,356 | 602,152 | 652,602 | 528,322 | 508,069 | 428,711 | 369,071 |
| Other support | 0 | 0 | 0 | 0 | 0 | 7,720 | 6,677 | 4,163 |
| Non-instructional: | | | | | | | | |
| Food service operations | 12,123 | 10,530 | 11,542 | 10,453 | 7,524 | 0 | 0 | 6,475 |
| Community service and education operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 71 |
| Other expenditures: | | | | | | | | |
| Facilities acquisitions | 4,668,152 | 1,129,234 | 2,046,905 | 919,438 | 674,741 | 301,292 | 214,162 | 107,065 |
| Long Term Debt: | | | | | | | | |
| Principal | 149,000 | 43,000 | 0 | 0 | 45,000 | 380,000 | 370,000 | 365,000 |
| Interest | 277,287 | 49,992 | 24,579 | 0 | 1,412 | 8,253 | 13,803 | 21,472 |
| AEA flow-through | 459,303 | 453,944 | 407,689 | 402,198 | 379,098 | 369,055 | 360,731 | 355,216 |
| Total | <u>\$ 16,501,971</u> | <u>12,632,348</u> | <u>13,374,198</u> | <u>11,852,072</u> | <u>11,164,243</u> | <u>10,697,338</u> | <u>10,094,867</u> | <u>9,766,219</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | PROGRAM EXPENDITURES |
|--|----------------|-----------------|-------------------------|
| INDIRECT: | | | |
| DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| SCHOOL NUTRITION CLUSTER PROGRAMS: | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | FY 11 | \$ 41,779 |
| NATIONAL SCHOOL LUNCH PROGRAM | 10.555 | FY 11 | 249,021 * |
| | | | <u>290,800</u> |
| FRESH FRUIT AND VEGETABLE PROGRAM | 10.582 | FY 11 | <u>1,000</u> |
| DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I CLUSTER PROGRAMS: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | FY 11 | 158,185 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT | 84.389 | FY 10 | 59,016 |
| | | | <u>217,201</u> |
| VOCATIONAL EDUCATION - BASIC GRANTS TO STATES | 84.048 | FY 11 | <u>16,975</u> |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS | 84.186 | FY 10 | 665 |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS | 84.186 | FY 11 | 1,135 |
| | | | <u>1,800</u> |
| FUND FOR THE IMPROVEMENT OF EDUCATION(IOWA DEMONSTRATION GRANT) | 84.215 | FY 11 | <u>450,000</u> |
| ENHANCING EDUCATION THROUGH TECHNOLOGY | 84.318 | FY 11 | <u>400</u> |
| TITLE IIA - FEDERAL TEACHER QUALITY PROGRAMS | 84.367 | FY 11 | <u>69,227</u> |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES | 84.369 | FY 10 | 1,483 |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES | 84.369 | FY 11 | 5,002 |
| | | | <u>6,485</u> |
| STATE FISCAL STABILIZATION FUND CLUSTER: | | | |
| STATE FISCAL STABILIZATION FUND (SFSF) EDUCATION STATE GRANTS, RECOVERY ACT | | | |
| | 84.394 | FY 10 | 60,085 |
| STATE FISCAL STABILIZATION FUND (SFSF) GOVERNMENT SERVICES, RECOVERY ACT | | | |
| | 84.397 | FY 11 | 53,593 |
| | | | <u>113,678</u> |
| AREA EDUCATION AGENCY: | | | |
| SPECIAL EDUCATION CLUSTER PROGRAMS: | | | |
| SPECIAL EDUCATION - GRANTS TO STATES (PART B) | 84.027 | FY 11 | 61,522 |
| SPECIAL EDUCATION - PRESCHOOL GRANTS | 84.173 | FY 11 | 1,714 |
| | | | <u>63,236</u> |
| TOTAL | | | <u>\$ 1,230,802</u> |

* - includes \$29,967 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albia Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

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. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiency.

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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2012

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Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Albia Community School District

Compliance

We have audited the compliance of Albia Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Albia Community School District's major federal programs for the year ended June 30, 2011. Albia Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Albia Community School District's management. Our responsibility is to express an opinion on Albia Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Albia Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Albia Community School District's compliance with those requirements.

In our opinion, Albia Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Albia Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Albia Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Albia Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Finding and Questionable Costs as item III-A-11 as a significant deficiency.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2012

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

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

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District is continuing the process started in November of 2010 of reviewing and updating all policies in the Board Policy Book. The Board has set a five (5) year schedule to keep the policies updated as required and will continue the review of the entire Board Policy Book while at the same time, maintain the review schedule.

Conclusion - Response accepted.

ALBIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

III-A-11 Davis Bacon Testing - We noted during our audit that Davis Bacon testing was not completed for the projects relating to monies received from the Iowa Demonstration Grant.

Recommendation - The District is responsible to ensure the prevailing wage has been or will be paid for work completed on this construction project under the requirements of the Davis-Bacon Act. The District should consult with the contractor in charge about the requirements of the Davis Bacon Act to ensure that the contractor is adhering to these requirements. The District may also contact Gary Schwarz at the Iowa Department of Education to discuss the grant and Davis Bacon requirements.

Response - The Board hired Septagon Construction Company as the project manager for the Grant Elementary renovation. Septagon has gathered the information and completed the verification for the Harkin Grant to ensure that the prevailing wage has been paid for work completed under the project. The District requested copies of all the required documentation and has reviewed this information to ensure that the contractor has adhered to the requirements. No discrepancies were found.

Conclusion - Response accepted.

ALBIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.
- IV-B-11 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|----------------------------|----------|
| Julie McGee, Teacher Spouse owns McGee Sanitation, LLC | Services | \$16,465 |
| DeeAnn Crall, Food Service Director Parents own Spurg's T's | Supplies | \$7,117 |
| Janice Dorpinghouse, Teacher Spouse owns Ducea Motors | Vehicles | \$41,308 |
| Robin Haselhuhn, Board President Brother owns Reed Excavaion | Services | \$95,297 |

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

- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-11 Supplementary Weighting - No variances regarding supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

| | | |
|------------------------------------|------------|--------------------------|
| Beginning balance | | \$ 819,373 |
| Revenues: | | |
| Sales tax revenues | \$ 892,474 | |
| Other local revenues | 72,099 | 964,573 |
| | | <u>1,783,946</u> |
| Expenditures/transfers out: | | |
| School infrastructure construction | \$ 208,772 | |
| Equipment | 346,323 | |
| Other | 19,000 | |
| Transfers to other funds: | | |
| Debt service fund | 520,525 | 1,094,620 |
| | | <u>1,094,620</u> |
| Ending balance | | <u><u>\$ 689,326</u></u> |

For the year ended June 30, 2011, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Student Activity Fund We noted during our audit that the District awards scholarships to students from proceeds generated from activities recorded in the HS Student Council account.

Recommendation - Scholarship awards to students are most appropriately handled through the Private Purpose Trust Fund. The District should determine the amount of scholarships to be awarded to students and receipt the proceeds and record subsequent expenditures in the Private Purpose Trust Fund.

Response - The District has set up a Trust Fund for the activity groups to award scholarships. When scholarships are awarded to the students, the funds will be disbursed from Trust Fund.

Conclusion - Response accepted.