

ALBURNETT 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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Alburnett Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Kirk	President	2011
Jennifer Slife	Vice President	2013
Duane Bolton	Board Member	2011
Cindy Francois	Board Member	2011
Avery Reed	Board Member	2013

**School Officials**

Michael Harrold	Superintendent	2011
Rhonda Lange	District Secretary/Treasurer and Business Manager	2011
Day, Rettig, Peiffer, P.C.	Attorney	2011

**ALBURNETT COMMUNITY SCHOOL DISTRICT**

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Alburnett Community School District at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2012 on our consideration of the Alburnett Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 48 are not required parts of the basic financial statements, but are supplementary 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial

statements for the 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 Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and 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 the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 13, 2012

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

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Alburnett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$5,370,164 in fiscal 2010 to \$5,888,413 in fiscal 2011, while General Fund expenditures increased from \$5,506,960 in fiscal 2010 to \$5,577,534 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a deficit balance \$952,180 in fiscal 2010 to a deficit balance \$641,301 in fiscal 2011, a 32.65% increase in fiscal 2011.
- The increase in General Fund revenues was attributable to increases in property tax revenue, state sources of revenue and federal sources of revenues in fiscal 2011.
- The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

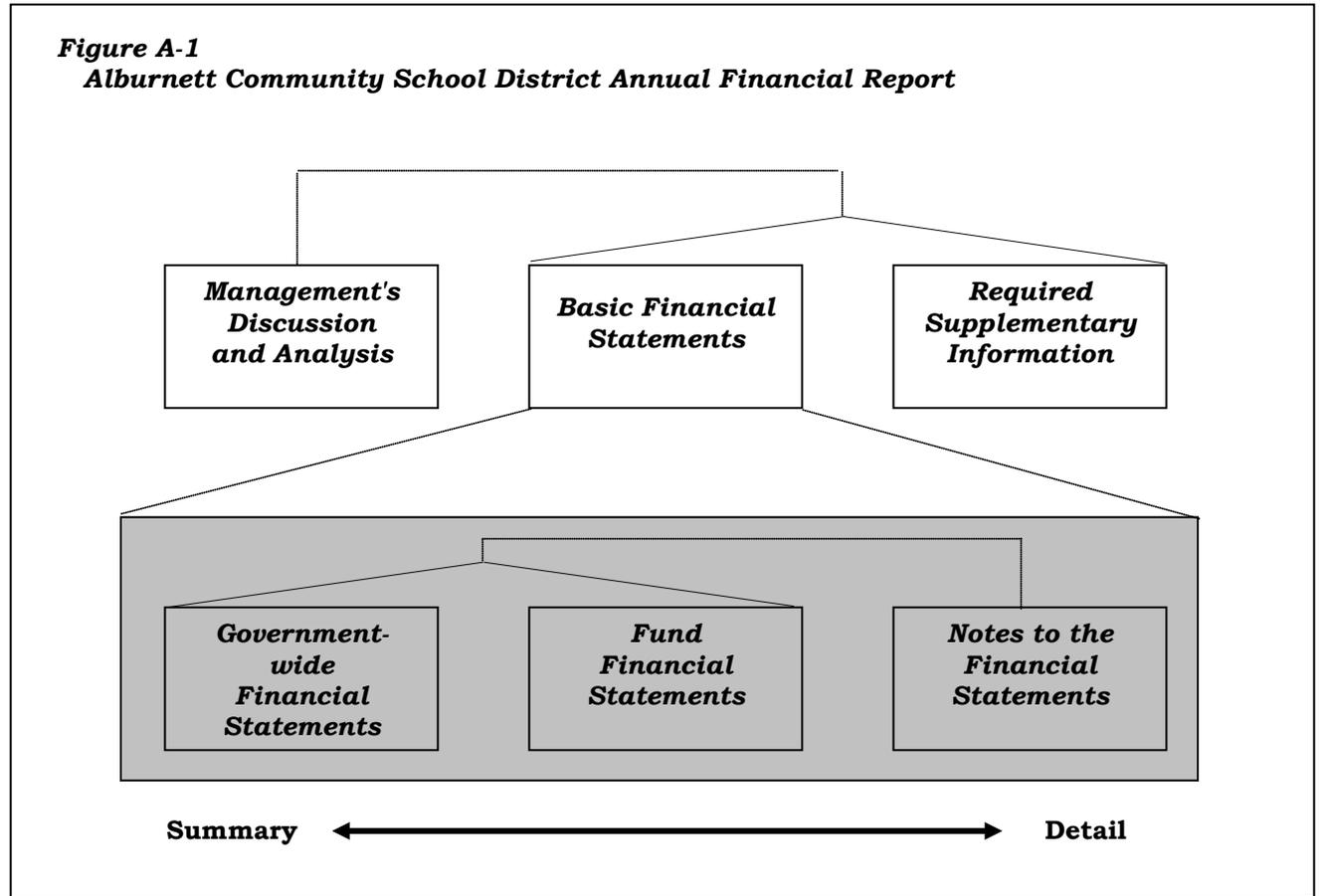


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 5,164,661	4,392,788	47,629	34,823	5,212,290	4,427,611	17.72%
Capital assets	6,764,533	6,820,058	11,567	10,237	6,776,100	6,830,295	-0.79%
Total assets	<u>11,929,194</u>	<u>11,212,846</u>	<u>59,196</u>	<u>45,060</u>	<u>11,988,390</u>	<u>11,257,906</u>	<u>6.49%</u>
Long-term obligations	4,237,464	4,619,410	-	-	4,237,464	4,619,410	-8.27%
Other liabilities	3,988,109	3,764,446	5,105	5,360	3,993,214	3,769,806	5.93%
Total liabilities	<u>8,225,573</u>	<u>8,383,856</u>	<u>5,105</u>	<u>5,360</u>	<u>8,230,678</u>	<u>8,389,216</u>	<u>-1.89%</u>
Net assets:							
Invested in capital assets, net of related debt	3,235,840	2,937,185	11,567	10,237	3,247,407	2,947,422	10.18%
Restricted	1,716,592	1,253,030	-	-	1,716,592	1,253,030	37.00%
Unrestricted	(1,248,811)	(1,361,225)	42,524	29,463	(1,206,287)	(1,331,762)	9.42%
Total net assets	<u>\$ 3,703,621</u>	<u>2,828,990</u>	<u>54,091</u>	<u>39,700</u>	<u>3,757,712</u>	<u>2,868,690</u>	<u>30.99%</u>

The District's combined net assets increased by 30.99%, or \$889,022, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$463,562, or 37.00% over the prior year. This primarily due to

the increase in the capital projects fund balance and the increase in the restricted categorical fund balances.

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 \$125,475, or 9.42%. This decrease in unrestricted net assets was a result of the District’s increase in the General Fund balance.

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 in Net Assets							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,259,073	1,283,077	160,695	153,993	1,419,768	1,437,070	-1.20%
Operating grants, contributions and restricted interest	799,207	830,736	94,811	96,409	894,018	927,145	-3.57%
Capital grants, contributions and restricted interest	93,640	108,066	-	-	93,640	108,066	-13.35%
General revenues:							
Local tax	2,506,665	2,319,264	-	-	2,506,665	2,319,264	8.08%
Statewide sales, services and use tax	509,394	594,184	-	-	509,394	594,184	-14.27%
Unrestricted state grants	2,057,385	1,798,108	-	-	2,057,385	1,798,108	14.42%
Nonspecific program federal revenue	148,922	-	-	-	148,922	-	100.00%
Other	29,330	33,533	176	836	29,506	34,369	-14.15%
Total revenues	<u>7,403,616</u>	<u>6,966,968</u>	<u>255,682</u>	<u>251,238</u>	<u>7,659,298</u>	<u>7,218,206</u>	<u>6.11%</u>
Program expenses:							
Governmental activities:							
Instruction	4,086,555	3,971,667	-	-	4,086,555	3,971,667	2.89%
Support services	2,044,158	1,759,303	446	2,119	2,044,604	1,761,422	16.08%
Non-instructional programs	-	-	240,845	240,224	240,845	240,224	0.26%
Other expenses	398,272	522,437	-	-	398,272	522,437	-23.77%
Total expenses	<u>6,528,985</u>	<u>6,253,407</u>	<u>241,291</u>	<u>242,343</u>	<u>6,770,276</u>	<u>6,495,750</u>	<u>4.23%</u>
Changes in net assets	874,631	713,561	14,391	8,895	889,022	722,456	1.88%
Beginning net assets	2,828,990	2,115,429	39,700	30,805	2,868,690	2,146,234	33.66%
Ending net assets	<u>\$ 3,703,621</u>	<u>2,828,990</u>	<u>54,091</u>	<u>39,700</u>	<u>3,757,712</u>	<u>2,868,690</u>	<u>30.99%</u>

Local tax, statewide sales, services and use tax, unrestricted state grants and nonspecific program federal revenue account for 70.54% of the total revenue. The District’s expenses primarily relate to instruction and support services which account for 93.90% of the total expenses.

The District’s total revenues were \$7,659,298 of which \$7,403,616 was for governmental activities and \$255,682 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.11% increase in revenues and a 4.23% increase in expenses. Revenues increased primarily due to a receiving more in property tax revenue and state sources than anticipated. The increase in expenses was due to an increase in negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$7,403,616 and expenses were \$6,528,985.

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

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 4,086,555	3,971,667	2.89%	2,284,804	2,087,406	9.46%
Support services	2,044,158	1,759,303	16.19%	1,919,281	1,754,657	9.38%
Other expenses	398,272	522,437	-23.77%	172,980	189,465	191.30%
Totals	<u>\$ 6,528,985</u>	<u>6,253,407</u>	<u>4.41%</u>	<u>4,377,065</u>	<u>4,031,528</u>	<u>8.57%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,259,073.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$892,847.
- The net cost of governmental activities was financed with \$2,506,665 in local tax, \$509,394 in statewide sales and services tax, \$2,057,385 in unrestricted state grants, \$148,922 in nonspecific program federal revenue, \$4,546 in interest income and \$24,784 in other revenues.

### Business Type Activities

Revenues of the District's business type activities were \$255,682 and expenses were \$241,291. 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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,198,802, compared to last year's ending fund balances of \$649,238. The primary reason for the increase was the increase in the General Fund balance.

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### **Governmental Fund Highlights**

- The District had increases in almost all revenues during the year most notably in property taxes, state sourced revenues and federal sourced revenues. The District spent less than it received in the General Fund, which resulted in an increase of the fund balance.
- The Capital Projects Fund balance increased \$214,427 in fiscal 2010. The increase in fund balance was due to construction and debt costs being less than statewide sales and service tax revenue.
- The Debt Service fund balance increased from \$414,435 to \$420,238.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$39,700 at June 30, 2010 to \$54,091 at June 30, 2011, due to an increase in revenues and a decrease in expenses.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$342,220 less than budgeted revenues, a variance of 4.28%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

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

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2011, the District had invested \$6.78 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 decrease of .79% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$114,220.

The original cost of the District's capital assets was \$8.78 million. Governmental funds account for \$8.69 million with the remainder of \$0.09 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in machinery and equipment. The District's machinery and equipment totaled \$301,744 at June 30, 2011, compared to \$336,706 reported at June 30, 2010.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 1,000	1,000	-	-	1,000	1,000	0.00%
Construction in progress	5,653,509	5,645,591	-	-	5,653,509	5,645,591	0.14%
Buildings	774,841	800,655	-	-	774,841	800,655	-3.22%
Land improvements	33,439	36,106	-	-	33,439	36,106	-7.39%
Machinery and equipment	301,744	336,706	11,567	10,237	313,311	346,943	-9.69%
Total	\$ 6,764,533	6,820,058	11,567	10,237	6,776,100	6,830,295	-0.79%

### Long-Term Debt

At June 30, 2011, the District had \$4,237,464 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 8.27% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,480,000 at June 30, 2011.

The District had total outstanding Revenue Bonds payable of \$1,470,000 at June 30, 2011.

As of June 30, 2011, the District had two bus lease payables totaling \$183,277. These leases are payable from the Special Revenue - Physical Plant and Equipment Levy Fund.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$104,187 at June 30, 2011.

Figure A-7 Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 2,480,000	2,580,000	-3.88%
Revenue bonds	1,470,000	1,680,000	-12.50%
Bus leases	183,277	227,862	-19.57%
Early retirement	104,187	131,548	-20.80%
Totals	\$ 4,237,464	4,619,410	-8.27%

### 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 budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period which began in fiscal year 2005.

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- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
  - Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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

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

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments:	\$ 2,142,924	44,403	2,187,327
Receivables:			
Property tax:			
Delinquent	30,664	-	30,664
Succeeding year	2,678,195	-	2,678,195
Accounts	93,641	-	93,641
Due from other governments	189,728	-	189,728
Inventories	-	3,226	3,226
Capital assets, net of accumulated depreciation	6,764,533	11,567	6,776,100
Net OPEB asset	29,509	-	29,509
<b>Total assets</b>	<b>11,929,194</b>	<b>59,196</b>	<b>11,988,390</b>
<b>Liabilities</b>			
Accounts payable	313,530	-	313,530
Salaries and benefits payable	700,081	-	700,081
Accrued interest payable	51,759	-	51,759
Deferred revenue:			
Succeeding year property tax	2,678,195	-	2,678,195
Other	244,544	-	244,544
Unearned revenues	-	5,105	5,105
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	105,000	-	105,000
Revenue bonds payable	220,000	-	220,000
Bus leases	22,846	-	22,846
Early retirement payable	32,729	-	32,729
Portion due after one year:			
General obligation bonds payable	2,375,000	-	2,375,000
Revenue bonds payable	1,250,000	-	1,250,000
Bus leases	160,431	-	160,431
Early retirement payable	71,458	-	71,458
<b>Total liabilities</b>	<b>8,225,573</b>	<b>5,105</b>	<b>8,230,678</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,235,840	11,567	3,247,407
Restricted for:			
Categorical funding	513,090	-	513,090
Debt service	420,238	-	420,238
Student activities	115,542	-	115,542
School infrastructure	526,785	-	526,785
Physical plant and equipment levy	140,937	-	140,937
Unrestricted	(1,248,811)	42,524	(1,206,287)
<b>Total net assets</b>	<b>\$ 3,703,621</b>	<b>54,091</b>	<b>3,757,712</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,565,243	743,440	369,291	-	(1,452,512)	-	(1,452,512)
Special	685,842	76,366	108,147	-	(501,329)	-	(501,329)
Other	835,470	439,267	65,240	-	(330,963)	-	(330,963)
	<u>4,086,555</u>	<u>1,259,073</u>	<u>542,678</u>	<u>-</u>	<u>(2,284,804)</u>	<u>-</u>	<u>(2,284,804)</u>
Support services:							
Student	139,658	-	11,350	-	(128,308)	-	(128,308)
Instructional staff	194,949	-	6,425	-	(188,524)	-	(188,524)
Administration	646,283	-	-	-	(646,283)	-	(646,283)
Operation and maintenance of plant	663,478	-	-	93,640	(569,838)	-	(569,838)
Transportation services	399,790	-	13,462	-	(386,328)	-	(386,328)
	<u>2,044,158</u>	<u>-</u>	<u>31,237</u>	<u>93,640</u>	<u>(1,919,281)</u>	<u>-</u>	<u>(1,919,281)</u>
Other expenditures:							
Long-term debt interest	144,499	-	-	-	(144,499)	-	(144,499)
AEA flowthrough	225,292	-	225,292	-	-	-	-
Depreciation(unallocated)*	28,481	-	-	-	(28,481)	-	(28,481)
	<u>398,272</u>	<u>-</u>	<u>225,292</u>	<u>-</u>	<u>(172,980)</u>	<u>-</u>	<u>(172,980)</u>
Total governmental activities	6,528,985	1,259,073	799,207	93,640	(4,377,065)	-	(4,377,065)
Business Type activities:							
Support services:							
Administration	446	-	-	-	-	(446)	(446)
Non-instructional programs:							
Food service operations	240,845	160,695	94,811	-	-	14,661	14,661
Total business type activities	<u>241,291</u>	<u>160,695</u>	<u>94,811</u>	<u>-</u>	<u>-</u>	<u>14,215</u>	<u>14,215</u>
Total	<u>\$ 6,770,276</u>	<u>1,419,768</u>	<u>894,018</u>	<u>93,640</u>	<u>(4,377,065)</u>	<u>14,215</u>	<u>(4,362,850)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 2,154,573	-	2,154,573	
Debt service				209,864	-	209,864	
Capital outlays				142,228	-	142,228	
Statewide sales, services and use tax				509,394	-	509,394	
Unrestricted state grants				2,057,385	-	2,057,385	
Nonspecific program federal revenues				148,922	-	148,922	
Unrestricted investment earnings				4,546	75	4,621	
Other				24,784	101	24,885	
Total general revenues				<u>5,251,696</u>	<u>176</u>	<u>5,251,872</u>	
Changes in net assets				874,631	14,391	889,022	
Net assets beginning of year				<u>2,828,990</u>	<u>39,700</u>	<u>2,868,690</u>	
Net assets end of year				<u>\$ 3,703,621</u>	<u>54,091</u>	<u>3,757,712</u>	

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments:					
Other	487,801	1,081,636	417,518	155,969	2,142,924
Receivables:					
Property tax					
Delinquent	24,585	1,844	2,720	1,515	30,664
Succeeding year	2,169,113	148,000	211,082	150,000	2,678,195
Accounts	-	93,641	-	-	93,641
Due from other governments	91,478	98,250	-	-	189,728
<b>Total Assets</b>	<b>\$ 2,772,977</b>	<b>1,423,371</b>	<b>631,320</b>	<b>307,484</b>	<b>5,135,152</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	300,540	3,065	-	9,925	313,530
Salaries and benefits payable	700,081	-	-	-	700,081
Deferred revenue:					
Succeeding year property tax	2,169,113	148,000	211,082	150,000	2,678,195
Other	244,544	-	-	-	244,544
Total liabilities	3,414,278	151,065	211,082	159,925	3,936,350
Fund balances:					
Reserved for:					
Categorical funding	513,090	-	-	-	513,090
Debt service	-	-	420,238	-	420,238
Management levy purposes	-	-	-	34,700	34,700
Student activities	-	-	-	115,542	115,542
School infrastructure	-	526,785	-	-	526,785
Construction	-	604,584	-	-	604,584
Physical plant and equipment levy	-	140,937	-	-	140,937
Unassigned:					
General fund	(1,154,391)	-	-	-	(1,154,391)
Student activities	-	-	-	(2,683)	(2,683)
Total fund balances	(641,301)	1,272,306	420,238	147,559	1,198,802
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,772,977</b>	<b>1,423,371</b>	<b>631,320</b>	<b>307,484</b>	<b>5,135,152</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>		\$ 1,198,802
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,764,533
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.		(51,759)
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		29,509
Long-term liabilities, including bonds payable, bus lease payable, and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,237,464)</u>
<b>Net assets of governmental activities(page 18)</b>		<u><u>\$ 3,703,621</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 2,029,553	651,622	209,864	125,020	3,016,059
Tuition	803,134	-	-	-	803,134
Other	56,987	5,191	355	429,511	492,044
State sources	2,648,815	11,016	-	-	2,659,831
Federal sources	349,924	82,624	-	-	432,548
Total revenues	<u>5,888,413</u>	<u>750,453</u>	<u>210,219</u>	<u>554,531</u>	<u>7,403,616</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	2,579,937	-	-	39,207	2,619,144
Special	687,399	-	-	-	687,399
Other	417,622	-	-	422,988	840,610
	<u>3,684,958</u>	<u>-</u>	<u>-</u>	<u>462,195</u>	<u>4,147,153</u>
Support services:					
Student	140,437	-	-	-	140,437
Instructional staff	195,282	-	-	-	195,282
Administration	584,926	1,200	61,050	-	647,176
Operation and maintenance of plant	406,119	3,896	-	64,982	474,997
Transportation	340,520	-	-	8,899	349,419
	<u>1,667,284</u>	<u>5,096</u>	<u>61,050</u>	<u>73,881</u>	<u>1,807,311</u>
Other expenditures:					
Facilities acquisitions	-	218,648	-	-	218,648
Long-term debt:					
Principal	-	-	354,585	-	354,585
Interest and fiscal charges	-	750	122,813	-	123,563
AEA flowthrough	225,292	-	-	-	225,292
	<u>225,292</u>	<u>219,398</u>	<u>477,398</u>	<u>-</u>	<u>922,088</u>
Total expenditures	<u>5,577,534</u>	<u>224,494</u>	<u>538,448</u>	<u>536,076</u>	<u>6,876,552</u>
Excess(deficiency) of revenues over(under) expenditures	310,879	525,959	(328,229)	18,455	527,064
Other financing sources(uses):					
Transfers in	-	4,350	334,032	-	338,382
Transfers out	-	(338,382)	-	-	(338,382)
Sale of land	-	22,500	-	-	22,500
Total other financing sources(uses)	<u>-</u>	<u>(311,532)</u>	<u>334,032</u>	<u>-</u>	<u>22,500</u>
Net change in fund balances	310,879	214,427	5,803	18,455	549,564
Fund balance beginning of year	(952,180)	1,057,879	414,435	129,104	649,238
Fund balance end of year	<u>\$ (641,301)</u>	<u>1,272,306</u>	<u>420,238</u>	<u>147,559</u>	<u>1,198,802</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 549,564

**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	\$ 57,360	
Depreciation expense	<u>(112,885)</u>	(55,525)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 354,585

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. (20,936)

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

Other Postemployment Benefits	19,582	
Early Retirement	<u>27,361</u>	<u>46,943</u>

**Changes in net assets of governmental activities(page 19) \$ 874,631**

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 44,403
Inventories	3,226
Capital assets, net of accumulated depreciation	11,567
TOTAL ASSETS	<u>59,196</u>
LIABILITIES	
Unearned revenues	5,105
TOTAL LIABILITES	<u>5,105</u>
NET ASSETS	
Invested in capital assets	11,567
Unrestricted	42,524
TOTAL NET ASSETS	<u>\$ 54,091</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 160,695
Miscellaneous	101
TOTAL OPERATING REVENUES	160,796
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant	
Services:	446
Non-instructional programs:	
Food service operations:	
Salaries	68,875
Benefits	9,891
Services	20,743
Supplies	140,001
Depreciation	1,335
TOTAL OPERATING EXPENSES	241,291
OPERATING LOSS	(80,495)
NON-OPERATING REVENUES:	
State sources	2,839
Federal sources	91,972
Interest on investments	75
TOTAL NON-OPERATING REVENUES	94,886
Excess of revenues over expenditures	14,391
Net assets beginning of year	39,700
Net assets end of year	\$ 54,091

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT 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	\$ 160,440
Cash received from miscellaneous operating activities	101
Cash payments to employees for services	(78,766)
Cash payments to suppliers for goods or services	(140,984)
Net cash used in operating activities	(59,209)
Cash flows from non-capital financing activities:	
State grants received	2,839
Federal grants received	74,254
Net cash provided by non-capital financing activities	77,093
Cash flows from investing activities:	
Interest on investments	75
Cash flows from capital financing activities:	
Purchase of assets	(2,665)
Net increase in cash and cash equivalents	15,294
Cash and cash equivalents at beginning of year	29,109
Cash and cash equivalents at end of year	\$ 44,403
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (80,495)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,718
Depreciation	1,335
Decrease in inventories	2,488
Decrease in unearned revenue	(255)
Net cash used in operating activities	\$ (59,209)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$17,718.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>	
	Trust	
	<u>Scholarship</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 13,060	13,066
Accounts receivable	1,697	-
TOTAL ASSETS	<u>14,757</u>	<u>13,066</u>
<b>LIABILITIES</b>		
Accounts payable	1,197	-
Due to other groups	-	13,066
TOTAL LIABILITIES	<u>1,197</u>	<u>13,066</u>
<b>NET ASSETS</b>		
Reserved for scholarships	<u>\$ 13,560</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions	
Local sources:	
Gifts and contributions	\$ 72,863
Deductions	
Instruction:	
Scholarships awarded	92,868
Changes in net assets	(20,005)
Net assets beginning of year	33,565
Net assets end of year	<u>\$ 13,560</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts. 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 to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net

assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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 - committed, assigned 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 Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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	\$ 500
Buildings	500
Land improvements	500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

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

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

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

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

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

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

Fund 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 at June 30, 2011 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$865,895 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects: Building Projects	Capital Projects: Statewide Sales and Services Tax	\$ 4,350
Debt Service	Special Revenue - Physical Plant and Equipment Levy	57,566
Debt Service	Capital Projects: Statewide Sales and Services Tax	276,466
Total		<u>\$ 338,382</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's participation in ISCAP as of June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/30/2010	6/23/2011	\$ -	1,300,000	1,300,000	-
2010-11B	1/26/2011	1/25/2012	-	750,000	750,000	-
Total			\$ -	2,050,000	2,050,000	-

During the year ended June 30, 2011, the District paid \$12,023 of interest on the ISCAP warrants.

**(5) 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
Business type activities:				
Machinery and equipment	\$ 87,978	2,665	-	90,643
Less accumulated depreciation	77,741	1,335	-	79,076
Business type activities capital assets, net	\$ 10,237	1,330	-	11,567

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	1,500	1,500	1,000
Construction in progress	5,645,591	7,918	-	5,653,509
Total capital assets not being depreciated	5,646,591	9,418	1,500	5,654,509
Capital assets being depreciated:				
Buildings	1,101,657	-	-	1,101,657
Land improvements	208,591	-	-	208,591
Machinery and equipment	1,677,961	49,442	-	1,727,403
Total capital assets being depreciated	2,988,209	49,442	-	3,037,651
Less accumulated depreciation for:				
Buildings	301,002	25,814	-	326,816
Land improvements	172,485	2,667	-	175,152
Machinery and equipment	1,341,255	84,404	-	1,425,659
Total accumulated depreciation	1,814,742	112,885	-	1,927,627
Total capital assets being depreciated, net	1,173,467	(63,443)	-	1,110,024
Governmental activities capital assets, net	\$ 6,820,058	(54,025)	1,500	6,764,533

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 26,425
Other	2,506
Support services:	
Administration	3,441
Operation and maintenance	1,371
Transportation	50,661
	84,404
Unallocated depreciation	28,481
Total governmental activities depreciation expense	\$ 112,885
Business type activities:	
Food services	\$ 1,335

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,580,000	-	100,000	2,480,000	105,000
Revenue bonds	1,680,000	-	210,000	1,470,000	220,000
Bus leases	227,862	-	44,585	183,277	22,846
Early retirement	131,548	-	27,361	104,187	32,729
Total	\$ 4,619,410	-	381,946	4,237,464	380,575

#### General Obligation Bonds

Details of the District's June 30, 2011 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of May 2007		
		Principal	Interest	Total
2012	4.25	105,000	105,582	210,582
2013	4.30	110,000	101,120	211,120
2014	4.50	115,000	96,390	211,390
2015	4.50	120,000	91,215	211,215
2016	4.50	125,000	85,815	210,815
2017-2021	3.90-4.15	740,000	345,423	1,085,423
2022-2026	4.25-4.40	945,000	175,800	1,120,800
2027	4.45	220,000	9,790	229,790
Total		\$ 2,480,000	1,011,135	3,491,135

#### 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,	Interest Rate	Bond issue of June 2009		
		Principal	Interest	Total
2012	4.00	220,000	52,450	272,450
2013	4.00	230,000	43,450	273,450
2014	4.00	190,000	35,050	225,050
2015	4.00	195,000	28,325	223,325
2016	4.00	205,000	21,300	226,300
2017-2018	4.00	430,000	17,400	447,400
Total		\$ 1,470,000	197,975	1,667,975

The District has pledged future statewide sales and services tax revenues to repay the \$1,680,000 of bonds issued in June 2010. The bonds were issued for the purpose of financing a portion of the costs of a building project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2018. The bonds are not a general obligation of the District. However,

the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,667,975. For the current year, \$210,000 was paid on the bonds and total statewide sales, services and use tax revenues were \$509,394.

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

\$168,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

All proceeds from the statewide sales and services tax shall be placed in a revenue account.

Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Bus Lease

During the year ended June 30, 2010, the District entered into two bus leases with Blue Bird Body Company for three buses. Details of the District's June 30, 2011 bus lease indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bus lease dated December 22, 2009		
		Principal	Interest	Total
2012	4.53 %	\$ 22,846	5,647	28,493
2013	4.53	107,146	4,653	111,799
Total		\$ 129,992	10,300	140,292

During the year ended June 30, 2011 the District paid the 2011 and the 2012 principal and interest payments on the July 10, 2009 bus lease.

Year Ending June 30,	Interest Rate	Bus lease dated July 10, 2009		
		Principal	Interest	Total
2013	4.35 %	\$ 53,285	2,415	55,700

## Early Retirement

The District offered a voluntary early retirement plan to its certified employees in the past. Eligible employees must have been at least age fifty-nine. Employees completed an application which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee was equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum of \$8,000 per individual. Early retirement benefits paid during the year ended June 30, 2011, totaled \$27,361. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

### **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$215,728, \$205,556, and \$203,558, respectively, equal to the required contributions for each year.

### **(8) Other Postemployment Benefits**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 55 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 32,904
Interest on net OPEB obligation	(248)
Adjustment to annual required contribution	<u>1,917</u>
Annual OPEB cost	30,739
Contributions made	<u>(50,321)</u>
Increase in net OPEB obligation	(19,582)
Net OPEB obligation beginning of year	<u>(9,927)</u>
Net OPEB obligation end of year	<u><u>\$ (29,509)</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 \$50,321 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	\$ 32,914	130.16%	\$ (9,927)
2011	30,739	163.70%	(29,509)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$384,964, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$384,964. The covered payroll (annual payroll of active employees covered by the plan) was \$2,703,995, and the ratio of the UAAL to covered payroll was 14.24%. 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 \$578 for single and \$1,445 for family under Protector 100 and \$493 for single and \$1,239 for family under Protector 750, for retirees less than age 65 and \$2,960 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$225,292 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.

**(11) Categorical Funding**

The District's ending balances reserved for categorical funding by project as of June 30, 2011 are as follows:

Project	Amount
Gifted and talented	\$ 143,334
Home school assistance	956
Dropout prevention programs	267,117
Salary improvement program	70,749
Educator Quality, Prof Development	7,239
Market factor	174
Professional development for model core curriculum	19,799
Market factor incentives	3,722
Total reserved for categorical funding	<u>\$ 513,090</u>

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

The General Fund had deficit unassigned fund balance at June 30, 2011 of \$1,154,391. The District had a deficit unrestricted net assets balance in the governmental activities of \$1,248,811. And two accounts in the Special Revenue - Student Activity Fund had negative balances totaling \$2,683.

**(13) Carl Rockwood Scholarship Fund**

The Carl Rockwood Scholarship Fund is a legally separate 501(c)(3) organization that donates funds to the Alburnett Community School District to award scholarships to graduating seniors. Although the fund entirely benefits scholarships for Alburnett seniors, no District officials have a contributing interest in the fund and therefore the fund is not considered a component unit of the District. As of December 31, 2010 the net assets of the fund was \$294,718.

**(14) Construction Commitment**

As of June 30, 2011, costs of \$5,653,509 had been incurred on various construction contracts for the remodeling project. The balance of \$286,166 remaining at June 30, 2011 will be paid as work on the projects progress.

**(15) 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 reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 919,854	138,025
Changes in fund type classification per implementation of GASB Statement No. 54	138,025	(138,025)
Balances July 1, 2010, as restated	<u>\$ 1,057,879</u>	<u>-</u>

**Alburnett Community School District**

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,311,237	160,871	4,472,108	4,491,515	4,491,515	(19,407)
State sources	2,659,831	2,839	2,662,670	2,999,003	2,999,003	(336,333)
Federal sources	432,548	91,972	524,520	511,000	511,000	13,520
Total revenues	<u>7,403,616</u>	<u>255,682</u>	<u>7,659,298</u>	<u>8,001,518</u>	<u>8,001,518</u>	<u>(342,220)</u>
Expenditures/Expenses:						
Instruction	4,147,153	-	4,147,153	4,386,383	4,636,383	489,230
Support services	1,807,311	446	1,807,757	5,054,025	3,054,025	1,246,268
Non-instructional programs	-	240,845	240,845	270,045	295,045	54,200
Other expenditures	922,088	-	922,088	709,304	2,709,304	1,787,216
Total expenditures/expenses	<u>6,876,552</u>	<u>241,291</u>	<u>7,117,843</u>	<u>10,419,757</u>	<u>10,694,757</u>	<u>3,576,914</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	527,064	14,391	541,455	(2,418,239)	(2,693,239)	3,234,694
Other financing sources, net	<u>22,500</u>	<u>-</u>	<u>22,500</u>	<u>-</u>	<u>-</u>	<u>22,500</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	549,564	14,391	563,955	(2,418,239)	(2,693,239)	3,257,194
Balance beginning of year	<u>649,238</u>	<u>39,700</u>	<u>688,938</u>	<u>1,868,867</u>	<u>1,868,867</u>	<u>(1,179,929)</u>
Balance end of year	<u>\$ 1,198,802</u>	<u>54,091</u>	<u>1,252,893</u>	<u>(549,372)</u>	<u>(824,372)</u>	<u>2,077,265</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2011, the District had one budget amendment for \$275,000.

ALBURNETT 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	\$ -	\$ 384,964	\$ 384,964	0.00%	\$ 2,577,773	14.93%
2011	July 1, 2009	-	384,964	384,964	0.00%	2,703,995	14.24%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 33,185	122,784	155,969
Receivables:			
Property tax:			
Delinquent	1,515	-	1,515
Succeeding year	150,000	-	150,000
<b>Total assets</b>	<b>\$ 184,700</b>	<b>122,784</b>	<b>307,484</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	9,925	9,925
Deferred revenue:			
Succeeding year property tax	150,000	-	150,000
Total liabilities	150,000	9,925	159,925
Fund balances:			
Restricted for:			
Management levy purposes	34,700	-	34,700
Student activities	-	115,542	115,542
Unassigned	-	(2,683)	(2,683)
Total fund balances	34,700	112,859	147,559
<b>Total liabilities and fund balances</b>	<b>\$ 184,700</b>	<b>122,784</b>	<b>307,484</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds		
	Manage- ment	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 125,020	-	125,020
Other	10,370	419,141	429,511
Total revenues	135,390	419,141	554,531
Expenditures:			
Current:			
Instruction:			
Regular	39,207	-	39,207
Other	-	422,988	422,988
Support services:			
Operation and maintenance of plant	64,982	-	64,982
Student transportation	8,899	-	8,899
Total expenditures	113,088	422,988	536,076
Excess (deficiency) of revenues over (under) expenditures	22,302	(3,847)	18,455
Fund balances beginning of year, as restated	12,398	116,706	129,104
Fund balances end of year	\$ 34,700	112,859	147,559

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 334,894	604,584	142,158	1,081,636
Receivables:				
Property tax:				
Delinquent	-	-	1,844	1,844
Succeeding year	-	-	148,000	148,000
Accounts	93,641	-	-	93,641
Due from other governments	98,250	-	-	98,250
<b>Total Assets</b>	<b>\$ 526,785</b>	<b>604,584</b>	<b>292,002</b>	<b>1,423,371</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	3,065	3,065
Deferred revenue:				
Succeeding year property tax	-	-	148,000	148,000
Total liabilities	-	-	151,065	151,065
Fund balances:				
Restricted for:				
School infrastructure	526,785	-	-	526,785
Construction	-	604,584	-	604,584
Physical plant and equipment levy	-	-	140,937	140,937
Total fund balances	526,785	604,584	140,937	1,272,306
<b>Total Liabilities and Fund Balances</b>	<b>\$ 526,785</b>	<b>604,584</b>	<b>292,002</b>	<b>1,423,371</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 509,394	-	142,228	651,622
Other	617	4,363	211	5,191
State sources	11,016	-	-	11,016
Federal sources	82,624	-	-	82,624
Total revenues	<u>603,651</u>	<u>4,363</u>	<u>142,439</u>	<u>750,453</u>
<b>EXPENDITURES:</b>				
Current:				
Support services:				
Administration	-	1,200	-	1,200
Operation and maintenance of plant	-	-	3,896	3,896
	<u>-</u>	<u>1,200</u>	<u>3,896</u>	<u>5,096</u>
Other expenditures:				
Facilities acquisitions	110,165	7,918	100,565	218,648
Debt service	750	-	-	750
	<u>110,915</u>	<u>7,918</u>	<u>100,565</u>	<u>219,398</u>
Total expenditures	<u>110,915</u>	<u>9,118</u>	<u>104,461</u>	<u>224,494</u>
Excess(deficiency)of revenues over(under) expenditures	492,736	(4,755)	37,978	525,959
Other financing uses:				
Proceeds from the disposal of property	-	-	22,500	22,500
Transfers in	-	4,350	-	4,350
Transfers out	(280,816)	-	(57,566)	(338,382)
Total other financing uses	<u>(280,816)</u>	<u>4,350</u>	<u>(35,066)</u>	<u>(311,532)</u>
Net change in fund balances	211,920	(405)	2,912	214,427
Fund balance beginning of year, as restated	314,865	604,989	138,025	1,057,879
Fund balance end of year	<u>\$ 526,785</u>	<u>604,584</u>	<u>140,937</u>	<u>1,272,306</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ -	1,467	1,467	-
Music Parents	7,812	10,071	12,280	5,603
Band Boosters	-	4,999	2,983	2,016
Dugout Club	665	1	201	465
Basketball Club	86	-	-	86
Athletics	472	51,375	41,648	10,199
Track Club	526	461	716	271
Pom Pons	2,733	19,487	20,379	1,841
Football Squad	341	-	-	341
Baseball	-	70	-	70
Volleyball Squad	544	3,548	3,808	284
Class Funds	205	1,373	381	1,197
Student Project-Ven	-	9,768	5,754	4,014
Class of 2010	330	-	330	-
Class of 2011	1,733	23,045	24,354	424
Class of 2012	153	8,331	7,167	1,317
Class of 2013	1,151	-	1,183	(32)
Class of 2014	1,226	2	500	728
Class of 2015	176	643	197	622
Marketing	83	2,589	2,672	-
FFA	31,815	39,718	53,712	17,821
Project Oxygen-FFA	15	-	-	15
National Honor Society	526	1,007	731	802
Booster Club	43,603	147,692	149,077	42,218
Mathcounts	2,356	79	1,069	1,366
Wrestling Club	2,625	2,037	2,502	2,160
FBLA	641	43,531	43,316	856
Renaissance	-	-	1,497	(1,497)
Spanish Club	1,161	1,018	987	1,192
Sunshine Club	(45)	574	529	-
Interest & Misc.	26	253	275	4
FSB Donation	198	2,002	1,334	866
Field Trip	439	4,611	3,197	1,853
Book Fines	11	-	-	11
Book Fair	848	7,541	7,218	1,171
Polly Pearson Mem	292	-	292	-
Jimmy D Martin	502	1	-	503
Annual	-	5,251	2,374	2,877
Student Council	(560)	1,241	846	(165)
Art	-	450	-	450
Elementary Club	8,514	2,931	2,318	9,127
Cheerleaders	1,452	723	899	1,276
Wrestling Cheerleading	979	6,049	8,017	(989)
Archery in Iowa Schools	476	1	-	477
Character Counts	494	1	98	397
Children's Miracle/Dance-a-thon	1,804	14,499	16,127	176
Morale Committee	298	701	553	446
Totals	\$ 116,706	419,141	422,988	112,859

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
<b>Assets</b>			
Cash and pooled investments	\$ 973	416,545	417,518
Receivables:			
Property tax:			
Delinquent	2,720	-	2,720
Succeeding year	211,082	-	211,082
<b>Total assets</b>	<b>\$ 214,775</b>	<b>416,545</b>	<b>631,320</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 211,082	-	211,082
Fund balances:			
Reserved for debt service	3,693	416,545	420,238
<b>Total liabilities and fund balances</b>	<b>\$ 214,775</b>	<b>416,545</b>	<b>631,320</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 209,864	-	209,864
Other	44	311	355
Total revenues	<u>209,908</u>	<u>311</u>	<u>210,219</u>
Expenditures:			
Current:			
Support services:			
Student			
Administration	-	61,050	61,050
Other expenditures:			
Principal	144,585	210,000	354,585
Interest and fiscal charges	122,813	-	122,813
Total expenditures	<u>267,398</u>	<u>210,000</u>	<u>477,398</u>
Deficiency of revenues under expenditures	<u>(57,490)</u>	<u>(270,739)</u>	<u>(328,229)</u>
Other financing sources:			
Transfers in	57,566	276,466	334,032
Excess of revenues and other financing sources over expenditures	76	5,727	5,803
Fund balance beginning of year	<u>3,617</u>	<u>410,818</u>	<u>414,435</u>
Fund balance end of year	<u>\$ 3,693</u>	<u>416,545</u>	<u>420,238</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 PRIVATE PURPOSE TRUST ACCOUNTS  
 JUNE 30, 2011

	Floyd S. Etzel Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	Dyer Family Scholarship	School Cents	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 97	(500)	1,050	7,500	4,913	13,060
Accounts receivable	-	500	1,197		-	1,697
	97	-	2,247	7,500	4,913	14,757
<b>LIABILITIES</b>						
Accounts Payable	-	-	1,197	-	-	1,197
<b>NET ASSETS</b>						
Reserved for scholarships	\$ 97	-	1,050	7,500	4,913	13,560

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN  
 FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Floyd S. Etzel Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	Rockwood Supplemental Scholarship	Dyer Family Scholarship	School Cents	Total
Additions:							
Local sources:							
Gifts and contributions	\$ -	500	58,126	-	7,500	6,737	72,863
Deductions:							
Instruction:							
Scholarships awarded	-	-	58,128	25,000	7,500	2,240	92,868
Changes in net assets	-	500	(2)	(25,000)	-	4,497	(20,005)
Net assets beginning of year	97	(500)	1,052	25,000	7,500	416	33,565
Net assets end of year	\$ 97	-	1,050	-	7,500	4,913	13,560

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 14,252	-	1,186	13,066
Liabilities				
Due to other groups	\$ 14,252	-	1,186	13,066

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,016,059	2,913,448	2,599,494	2,513,117	1,774,897	1,562,509	1,517,880	1,474,010
Tuition	803,134	783,710	734,437	666,045	629,665	522,967	487,143	470,432
Other	492,044	514,900	542,976	578,058	393,055	339,394	386,472	310,651
Intermediate sources	-	-	-	-	-	-	-	300
State sources	2,659,831	2,386,104	2,905,207	2,928,044	2,650,067	2,657,564	2,600,046	2,436,976
Federal sources	432,548	350,806	485,233	84,038	142,670	89,334	80,468	117,374
<b>Total</b>	<b>\$ 7,403,616</b>	<b>6,948,968</b>	<b>7,267,347</b>	<b>6,769,302</b>	<b>5,590,354</b>	<b>5,171,768</b>	<b>5,072,009</b>	<b>4,809,743</b>
Expenditures:								
Instruction:								
Regular	\$ 2,619,144	2,362,906	2,521,474	2,705,950	2,556,469	2,120,940	2,276,140	2,265,072
Special	687,399	668,749	573,491	583,646	699,192	811,393	650,055	570,669
Other	840,610	986,356	970,270	678,129	675,071	855,806	605,003	614,222
Support services:								
Student	140,437	135,181	189,808	218,259	204,796	202,823	186,239	172,100
Instructional staff	195,282	168,134	198,509	198,980	181,380	181,200	161,357	159,331
Administration	647,176	592,275	651,203	651,062	563,538	519,676	499,878	455,873
Operation and maintenance of plant	474,997	482,889	447,658	412,168	465,995	381,106	372,588	476,911
Transportation	349,419	591,818	367,443	329,471	434,288	283,827	275,890	290,981
Other expenditures:								
Facilities acquisitions	218,648	663,200	4,195,081	808,449	41,071	42,974	-	53,697
Long-term debt:								
Principal	354,585	171,068	108,224	102,328	23,099	-	-	-
Interest and fiscal charges	123,563	155,169	123,152	127,079	-	-	-	-
AEA flow-through	225,292	224,906	205,226	200,662	191,048	179,370	176,022	172,940
<b>Total</b>	<b>\$ 6,876,552</b>	<b>7,202,651</b>	<b>10,551,539</b>	<b>7,016,183</b>	<b>6,035,947</b>	<b>5,579,115</b>	<b>5,203,172</b>	<b>5,231,796</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Direct:			
Rural Education Achievement Program	84.358	FY 11	\$ 53,839
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	12,470
National School Lunch Program	10.555	FY 11	79,502 *
			<u>91,972</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 11	30,226
Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 11	7,509
			<u>37,735</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 11	750
Improving Teacher Quality State Grants	84.367	FY 11	15,880
Grants for State Assessments and Related Activities (Title VI A)	84.369	FY 11	3,985
State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY 11	41,653
Education Jobs Fund	84.410	FY 11	107,269
Area Education Agency:			
Special Education - Grants to States(Part B)	84.027	FY 11	28,836
Special Education - Grants to States(Part B, Recovery Act)	84.391	FY 11	56,163
			<u>84,999</u>
Vocational Education - Basic Grants to States	84.048	FY 11	3,370
Career and Technical Education	84.048	FY 11	444
			<u>3,814</u>
Department of Homeland Security:			
Hazard Mitigation Grants	97.039	FY 11	82,624
Total			<u>\$ 524,520</u>

\* - Includes \$17,718 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Alburnett 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 financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**Alburnett Community School District**

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 13, 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 Alburnett Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Alburnett Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alburnett Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11 and II-C-11 to be significant deficiencies.

Compliance and Other Matters

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 13, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**  
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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 on Internal Control Over Compliance in Accordance  
with OMB Circular A-133

To the Board of Education of  
Alburnett Community School District

Compliance

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

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

In our opinion, Alburnett Community School District complied, in all material respects, with the requirements referred to above that 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 Alburnett Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Alburnett Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alburnett Community School District's internal control over compliance.

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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 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.

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 Findings and Questioned Costs as items III-A-11 to be material weakness.

A significant deficiency is deficiency, or combination of deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-B-11 to be significant deficiency.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 13, 2012

ALBURNETT 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) Significant deficiencies and a material weakness in internal control over financial reporting were 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 and material weakness in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

- Nutrition Cluster
  - CFDA Number 10.553 - School Breakfast Program
  - CFDA Number 10.555 - National School Lunch Program

- Part B Cluster
  - CFDA Number 84.027 - Special Education - Grants to States (Part B)
  - CFDA Number 84.391 - ARRA - Special Education - Grants to States (Part B)

- CFDA Number 84.410 - Education Job Funds

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Alburnett Community School District did not qualify as a low-risk auditee.

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

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

Response - Because of our financial situation we cannot hire additional personnel to segregate duties. However, we will continue to monitor our process and double check all cash receipts and bank deposits.

Conclusion - Response accepted.

II-B-11 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

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

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

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

Response - The district has made the following adjustment to our gate admissions procedure

- a. Case boxes reestablished with specified amounts
- b. At least two individuals are involved in the case collection/ticket sales process and the cash is not left unattended
- c. At the end of the event, cash is counted and reconciled by two individuals
- d. Reconciliation forms are completed and signed off by the individuals responsible for counting and reconciling the cash
- e. The cash box is turned into the person responsible for the accounting function at the event
- f. The AD or designee is required to take the cash collections to the night depository at the bank or lock the collection in the school vault. The district does prohibit individuals from taking cash collections home
- g. A pre-numbered receipt is issued by the business office the next working day in the amount of the confirmed deposit
- h. Administrative personnel will periodically review the process to ensure procedures are working as prescribed

Conclusion - Response accepted.

II-C-11 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The district is working on a procedure to keep track of the hours worked for non-certified staff coaches. The district will review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Conclusion - Response accepted.

ALBURNETT 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:

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2011  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.027: Special Education – Grants to States (Part B)  
CFDA Number 84.391: Special Education – Grants to States (Part B), Recovery Act  
Federal Award Year: 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund  
Federal Award Year: 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial balance of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - Because of our financial situation we cannot hire additional personnel to segregate duties. However, we will continue to monitor our process and double check all cash receipts and bank deposits.

Conclusion - Response accepted.

III-B-11 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The district will review the coding of bills, to ensure that so bills paid for a specific grant or project are properly coded.

Conclusion - Response accepted.

ALBURNETT 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 disbursements 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 are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Holsinger, Custodian Owner of Holinger Snow Removal	Snow removal	\$25,806

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

- 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 - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-11 Supplementary Weighting - No variances regarding the 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 instance were noted of categorical funding being 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. 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, they reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$	314,865
Revenues:			
Sales tax revenues	\$	509,394	
Other local revenues		617	
Other state revenues		11,016	
Federal revenues		82,624	
			<u>603,651</u>
			<u>918,516</u>
Expenditures/transfers out:			
Other		110,915	
Transfers to other funds:			
Debt service fund		276,466	
Other transfers		4,350	
			<u>391,731</u>
Ending balance		\$	<u>526,785</u>

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

**IV-M-11 Deficit Balances** - The District had a deficit unassigned fund balance of \$1,154,391 in the General Fund. The District had a deficit unrestricted net assets balance in the governmental activities of \$1,248,811. The District also negative account balances totaling \$2,683 in the Student Activity Fund at June 30, 2011.

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

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

Conclusion - Response accepted.

**IV-N-11 Board Policies** - We noted during our audit that the District has policies that have not been updated within five years.

Recommendation - Board policies should be reviewed by the Board at a minimum every five years.

Response - The board is currently reviewing all our Board Policies. Hopefully all policies will be review by the close of the 2012 school year.

Conclusion - Response accepted.

**IV-O-11 Student Activity Fund** - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular

activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

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

We noted Lifetouch commissions were recorded in the Student Activity Fund. Commissions can legally only be receipted in the General Fund, therefore, should be recorded in the General Fund.

We noted scholarships paid from the FFA account. These checks were also made payable to the student only. Proceeds collected for the purpose of scholarships should be receipted directly into the scholarship fund. The checks should also be payable to the school as well as the student to ensure that the scholarship is properly claimed by the student.

We noted the District made a \$5,000 donation to the Alburnett Community School District Foundation. The District can only donate to an outside organization if they specifically fundraised for that purpose. Chapter 98.70(3) lists in part, inappropriate uses of student activity fund money and states 'Payments to any private organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified.'

We noted a Sunshine Club account that generates revenues from teachers' lounge vending machines and used the money to purchase flowers for funerals, babies, etc. There appears to be no student involvement in this club. This account would be more appropriate in the General Fund.

We noted Book Fair and Polly Person Elementary Library accounts within the Student Activity Fund. These accounts appear to be more instructional in nature and, therefore, more appropriate to the General Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund.

Response - The student activity fund will only be used to account for financial transaction related to the co-curricular and extracurricular activities. The district will also review the propriety of receipts and expenditures that are recorded in the student activity fund.

Conclusion - Response accepted.

IV-P-11 Officials Contracts - We noted during our audit that the Superintendent signed the construction contract to City Construction. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The district will have the Board President sign all contacts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.