ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
	Board of Education	
	(Before September 2005 Election)	
Brent Moens	President	2006
Doug Rebhuhn	Vice President	2006
Gary Hogrefe	Board Member	2005
Deb Clausen	Board Member	2007
Shelly Buse	Board Member	2007
	(After September 2005 Election)	
Brent Moens	President	2006
Shelly Buse	Vice President	2007
Doug Rebhuhn	Board Member	2006
Deb Clausen	Board Member	2007
Jared Hays	Board Member	2008
	School Officials	
Dr. Marlin Lode	Superintendent	
Sandra Otto	District Secretary/Treasurer	

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

Gary E. Horton CPA

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Clarion, IA 50525-0384
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District, Albert City, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2006, on our consideration of Albert City-Truesdale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Albert City-Truesdale Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 12, 2006

Albert City - Truesdale Community School District

Management Discussion and Analysis

This section of the Albert City – Truesdale Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- General Fund revenues decreased from $2,535,722 in fiscal year 2005 to $2,364,056 in 2006. General Fund expenditures decreased from $2,220,246 in fiscal 2005 to $2,115,714 in 2006. The District's General Fund balance increased from $741,561 in 2005 to $959,953 in 2006, a 29.45% increase.

- The increase in General Fund balance was attributable to the reduction in expenditures comparable to revenue. Grant income related to the original Reading First Grant ended in 2006.

- The district's certified enrollment count taken on September 15, 2005, was 238.7. This count represents a reduction of 14.5 students from September 2004 count.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-*1*

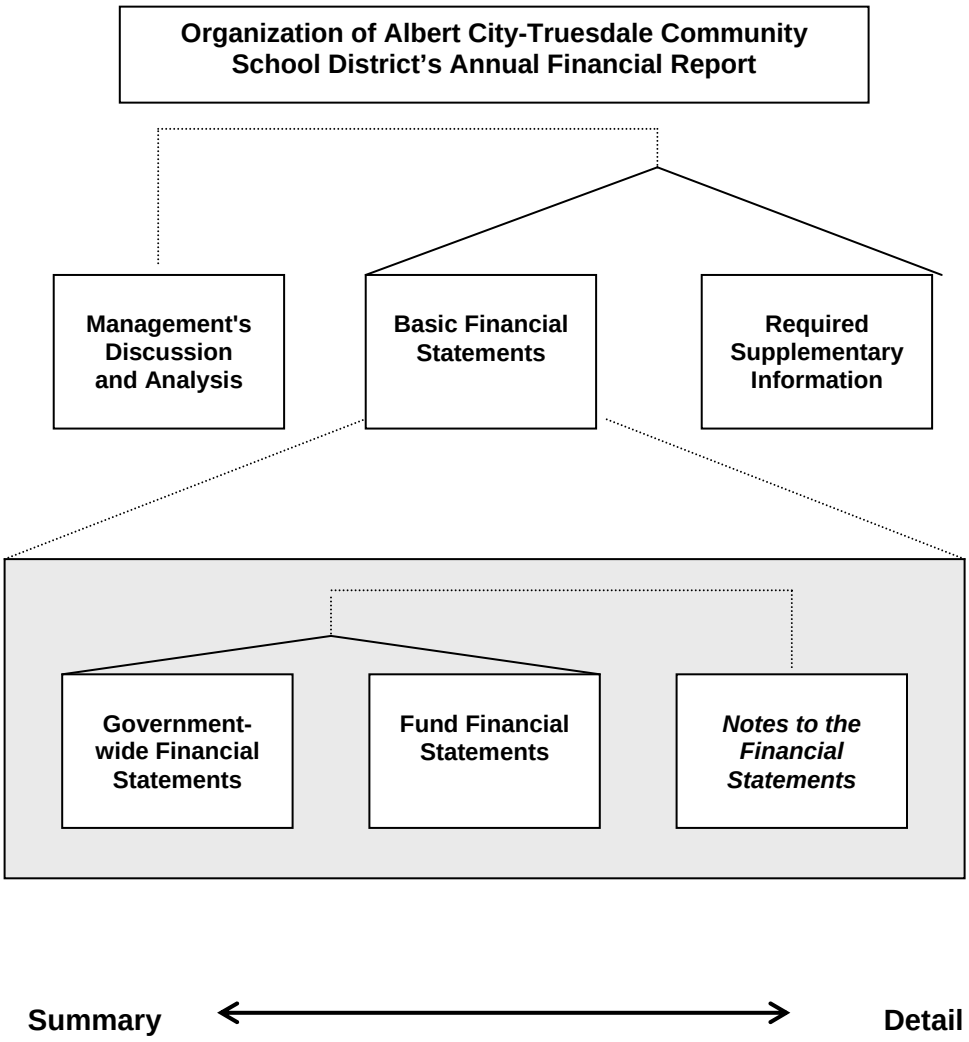

Organization of Albert City-Truesdale Community School District's Annual Financial Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Government-wide Financial Statements
Fund Financial Statements
Notes to the Financial Statements
Summary
Detail

Figure A-2 below 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. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses: school nutrition	Instances in which the district administers resources on behalf of someone else, such as scholarship programs.
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, an changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability	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 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 and payable	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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. Table A-3 below provides a summary of the District's net assets as of June 30, 2006

Table A-3 Condensed Statement of Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2005 to 2006
	2005	2006	2005	2006	2005	2006	
Current & Other Assets	2,522.89	2,827.65	21.37	31.58	2,544.26	2,859.23	12.38%
Capital Assets net of Accumulated Depreciation	726.02	730.57	7.51	9.32	733.53	739.89	0.87%
Total Assets	3,248.91	3,558.22	28.88	40.89	3,277.79	3,599.11	9.80%
Total Liabilities	1,431.51	1,435.11	6.71	6.81	1,438.22	1,441.92	0.26%
Net Assets:							
Invested in Capital Assets net of related Debt	726.03	730.57	7.51	9.32	733.54	739.89	0.87%
Restricted for:							
Management Levy	85.98	87.44			85.98	87.44	1.70%
Physical Plant and Equipment Levy	118.63	59.11			118.63	59.11	-50.17%
Other Special Revenue Purpose	21.39	22.45			21.39	22.45	4.96%
Local Option Sales Tax	123.81	263.58			123.81	263.58	112.89%
Unrestricted	741.56	959.95	14.65	24.76	756.21	984.71	30.22%
Total Net Assets as of June 30, 2006	1,817.40	2,123.11	22.17	34.08	1,839.57	2,157.19	17.27%

The District's combined net assets increased by 17.27%, or approximately $317,627, over the prior year. A large percentage of the District's net assets are capital assets (e.g., land, infrastructure, buildings and equipment), less related debt.

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 relating to Physical Plant and Equipment Levy reflect changes due to major purchases from the fund while the postponement of anticipated expenditures and continued revenue to prepare for anticipated expenditures resulted in an increase in the Local Option Sales Tax. Business-Type Activities (School Nutrition) benefited from a fund transfer.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of $1,201,670 and related unearned revenue liability on the Statement of Net Assets (Exhibit A) result from this requirement. The unearned revenue liability of those taxes account for 83.73% of the total liabilities. The balance would relate to salaries, benefits, accounts payable, and liabilities related to retirement.

Table A-4 Changes in Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2005	2006	2005	2006	2005	2006	2005 to 2006
Revenues:							
Program Revenues:							
Charges for Services	98.40	52.70	26.54	24.21	124.94	76.91	-38.44%
Operating grants, Contributions & Restricted Interest	356.45	361.15	23.51	19.84	379.96	380.99	0.27%
Capital grants, Contributions & Restricted Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
General Revenue:							
Property taxes	1,341.33	1,263.75			1,341.33	1,263.75	-5.78%
Income Surtax	0.00	0.00			0.00	0.00	
Local Option Sales Tax	132.37	132.66			132.37	132.66	0.22%
Unrestricted State Grants	883.17	778.51			883.17	778.51	-11.85%
Unrestricted Investment Earnings	26.49	59.08	0.17	0.19	26.66	59.27	122.32%
Other Revenue	34.10	4.22			34.10	4.22	-87.62%
Total Revenue	2,872.31	2,652.07	50.22	44.24	2,922.53	2,696.31	-7.74%
Expenses:							
Instruction	1,619.81	1,562.58			1,619.81	1,562.58	-3.53%
Support Services	682.31	591.23			682.31	591.23	-13.35%
Non-instructional Programs	0.00	0.00	70.97	64.69	70.97	64.69	-8.85%
Other expenditures	168.05	162.55			168.05	162.55	-3.27%
Total Expenses	2,470.17	2,316.36	70.97	64.69	2,541.14	2,381.05	-6.30%
Transfers		-30.00		30.00		0.00	
Change in Net Assets	402.14	305.71	-20.75	9.55	381.39	315.26	-17.34%
Net assets beginning of year	1,415.26	1,817.40	42.92	24.53	1,458.18	1,841.93	26.32%
Net assets end of year	1,817.40	2,123.11	22.16	34.08	1,839.57	2,157.19	17.27%

Table A-4 recasts the Statement of Activities (Exhibit B) into a traditional revenue and expenses format. Unrestricted state grants accounts for 29.35 percent of total revenue and property tax accounts for 47.65 percent. The balance of funding is received as categorical grants and contributions from state, federal and private sources and charges for services (mainly tuition), for a net decrease of 226.22 thousand over the previous year. (See Figure A-5).

The District's expenses are predominately related to the instruction of students (67.46 percent). (See Figure A-6) Support services, non-instructional programs, and unallocated depreciation categories account for the balance. These categories contain many line items directly supporting students and instruction such as: guidance, health, media, technology, improvement of instruction, and student transportation, food service program costs, and depreciation expense not directly allocated to any functional area.

Operations, maintenance, and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency. These AEA support dollars equate to $84,489 of other expenditures.

Figure A-5
Source of District Revenue for Fiscal Year 2006

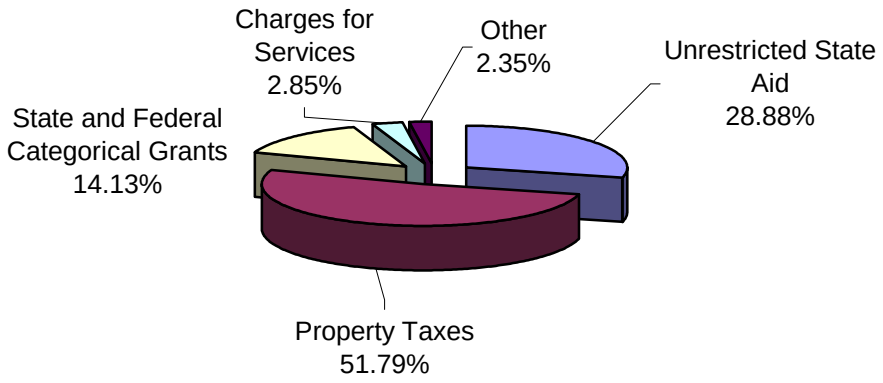
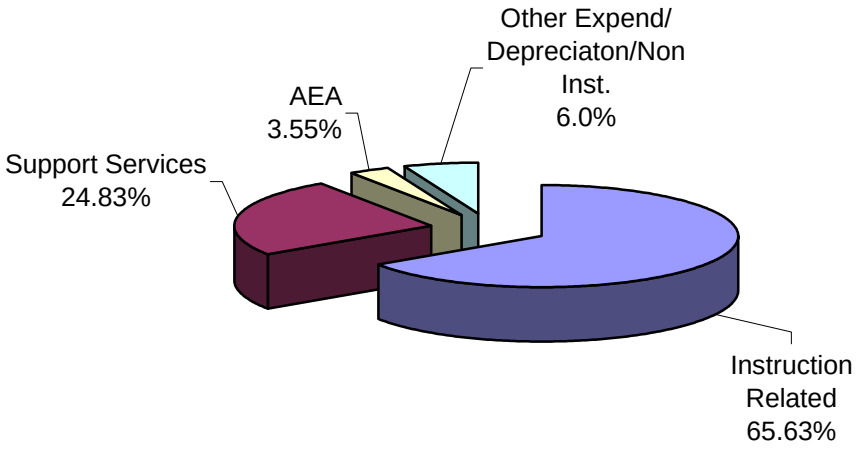


Figure A-6
District's Expenses for Fiscal Year 2006



Governmental Activities

Table A -7 presents the cost of six major District activities: instruction, support services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A-7
Net Cost of District's Governmental Activities
(in thousands of dollars)

	Total Cost of Services 2005	Total Cost of Services 2006	Net Cost of Services 2005	Net Cost of Services 2006	Percentage Change 2005-2006
Instruction	1,619.81	1,562.58	1,253.40	1,236.22	-1.37%
Support Services	114.31	75.59	114.01	75.59	-33.70%
Administration and Business	256.82	190.58	256.82	190.58	-25.79%
Maintenance and Operations	170.89	175.98	170.43	174.46	2.36%
Transportation	140.30	149.08	138.67	148.03	6.75%
Other	168.04	162.55	81.98	77.62	-5.32%
	2,470.17	2,316.36	2,015.31	1,902.50	-5.60%

- The cost of all governmental activities for the year 2006 was $2.32 million.
- Users of the District's programs financed some of the cost, $52.71 thousand.
- Federal and state grants (restricted/unrestricted) and investment earning accounted for $1.2 million.
- Taxpayers of the District and the state financed $1.4 million.
- The District's net assets increased by $305.71 thousand.
- The most significant decline was in support services for staff and students and administration/business expenses.

Business - Type Activities

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

- Business-type activity expenses again exceeded revenues by $20,643 in 2006, comparable to 2005. $30,000 was transferred to the food service program to offset this loss.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. (Refer to the Governmental Funds Balance Sheet (Exhibit C) and Statement of Revenue, Expenditures and Changes in Fund Balances (Exhibit E))

The General Fund ended the year with $250,000 in designated fund balances. This represents operating capital for the district during July, August and the first two weeks of September when salary and benefits payable as well as accounts payable are due but state funds are not received and tax receipts are at a minimum. The district held $709,953 in unreserved fund balances in the General fund and $449,531 in Nonmajor Governmental Funds. Nonmajor Governmental funds are restricted in use and cannot be used for General Fund expenses.

The District's School Nutrition Funds' revenues and expenditures were each slightly less than the prior year. Funds were transferred from the General Fund to the Nutrition Fund to offset the deficiency of revenue.

Budgetary Highlights

- The District continues to budget on a GAAP basis.
- The District levied an additional $114,830 in cash reserves to support a special education deficit, unfunded open enrollment expenditures and cash reserves. These are property tax only dollars.
- Over the course of the 2006 budget year, the District managed and revised its operating budget in that informal budget revisions were made when changes in programs became apparent. These amounts would add to the revenues and/or the expenditures.
- The District's budget versus actual results was within acceptable management planning parameters. It is district policy to budget for worst-case scenario to preserve fund balances for unforeseen events.

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

Capital Asset and Debt Administration

Capital Assets

By the end of 2006, the District had invested more than $730,000 (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. (Detailed information about capital assets can be found in Note 3 to the financial statements).

During fiscal year 2006, the District made major purchases included a bus for $59,500, boiler related equipment for $9,000, and a portable computer lab for $17,000.

Long – Term Debt

The District's only long term debt is in its early retirement program. The District has no current plans to issue new debt in 2007. (Detailed information about long-term debt can be found in Note 4 to the financial statements.

Bond Ratings

The District does not have a General Obligation Bond Rating from Moody's for fiscal year 2006 as the District does not have any general obligation bonds outstanding. If the District were to issue general obligation bonds, it would at that time obtain a Moody's rating.

Factors Bearing on the District's Future

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

- During the 2005-2006 school year the district completed it's second successful year of whole grade sharing with Sioux Central School District. A long-term contract to continue the sharing agreement has already been signed.
- One of the key elements of the Iowa state school aid formula is certified enrollment. The enrollment count of September 2004, which generated funding for this year (2006), was 10.78% lower than the previous year. The enrollment count of Sept 2005, FY07's fund generator is 6.07% lower yet. Declining enrollment means less state aid even with funding guarantees in place. Stability or even increases in enrollment are critical to maintaining a solid financial picture.
- The District's primary source of revenue is the State of Iowa's school aid formula. The allowable growth in aid to schools was 4% for fiscal year 2006. Costs of providing a quality education program continue to rise. Funding increases need to continue to support our high quality education program.
- In the 2005 – 2006 school year, the district paid an insurance premium of approximately $122,300 for its teaching and administrative staff. Insurance costs is an area that could cause the District major financial concerns with teacher contract mandates for coverage. The impending mandate for districts to account for the cost of future insurance and retirement commitments made to retirees will contribute to district liability issues.
- In 2001, two important legislative acts were passed into law that affects public school education. The federal government passed *"No Child Left Behind"* and Iowa passed the *"Student Achievement and Teacher Quality Act".* The District continues working with the various requirements of these laws.
- The taxpayers of the district have passed a Local Option Sales Tax initiative. These dollars give the District additional funding for the same items as the Physical Plant and Equipment Levy. In addition to building needs, Local Option Sales Tax dollars can be used for technology for the district.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Exhibit A

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	$	$	$
Assets			
Cash and cash equivalents	1,552,948	28,709	1,581,657
Receivables:			
Property tax:			
Delinquent	19,979	-	19,979
Succeeding year	1,201,670	-	1,201,670
Accounts	409	20	429
Due from other governments	52,644	-	52,644
Inventories	-	2,846	2,846
Capital assets, net of accumulated depreciation	730,571	9,318	739,889
Total assets	3,558,221	40,893	3,599,114
Liabilities			
Warrants issued in excess of bank balance	100,200	-	100,200
Salaries and benefits payable	116,296	6,444	122,740
Deferred revenue:			
Succeeding year property tax	1,201,670	-	1,201,670
Other	-	372	372
Long-term liabilities:			
Portion due within one year:			
Termination benefits	9,872	-	9,872
Portion due after one year:			
Termination benefits	7,070	-	7,070
Total liabilities	1,435,108	6,816	1,441,924
Net assets			
Invested in capital assets, net of related debt	730,571	9,318	739,889
Restricted for:			
Management levy	87,439	-	87,439
Physical plant and equipment levy	59,112	-	59,112
Other special revenue purposes	22,454	-	22,454
Local option sales tax capital projects	263,584	-	263,584
Unrestricted	959,953	24,759	984,712
Total net assets	2,123,113	34,077	2,157,190

See notes to financial statements.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	$	$	$	$
Governmental activities:				
Instruction:				
Regular instruction	1,170,343	46,001	225,260	-
Special instruction	345,814	-	13,054	-
Other instruction	46,427	5,187	36,857	-
	1,562,584	51,188	275,171	-
Support services:				
Student services	59,567	-	-	-
Instructional staff services	16,023	-	-	-
Administration services	190,577	-	-	-
Operation and maintenance of plant services	175,977	1,519	-	-
Transportation services	149,084	-	1,052	-
	591,228	1,519	1,052	-
Other expenditures:				
Facilities acquisition	56,569	-	439	-
AEA flowthrough	84,489	-	84,489	-
Depreciation (unallocated)*	21,488	-	-	-
	162,546	-	84,928	-
Total governmental activities	2,316,358	52,707	361,151	-
Business type activities:				
Non-instructional programs:				
Food service operations	64,693	24,207	19,843	-
Total	2,381,051	76,914	380,994	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$	$	$
(899,082)	-	(899,082)
(332,760)	-	(332,760)
(4,383)	-	(4,383)
(1,236,225)	-	(1,236,225)
(59,567)	-	(59,567)
(16,023)	-	(16,023)
(190,577)	-	(190,577)
(174,458)	-	(174,458)
(148,032)	-	(148,032)
(588,657)	-	(588,657)
(56,130)	-	(56,130)
-	-	-
(21,488)	-	(21,488)
(77,618)	-	(77,618)
(1,902,500)	-	(1,902,500)
-	(20,643)	(20,643)
(1,902,500)	(20,643)	(1,923,143)
1,181,676	-	1,181,676
82,075	-	82,075
132,655	-	132,655
778,510	-	778,510
59,081	190	59,271
4,217	-	4,217
2,238,214	190	2,238,404
(30,000)	30,000	-
2,208,214	30,190	2,238,404
305,714	9,547	315,261
1,817,399	24,530	1,841,929
2,123,113	34,077	2,157,190

See notes to financial statements.

Exhibit C

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Physical Plant and Equipment Levy Fund	Nonmajor Governmental Funds	Total
	$	$	$	$
Assets				
Cash and pooled investments	1,127,224	57,814	367,910	1,552,948
Receivables:				
Property tax:				
Delinquent	17,896	1,298	785	19,979
Succeeding year	1,008,350	143,320	50,000	1,201,670
Accounts	409	-	-	409
Due from other governments	30,920	-	21,724	52,644
Total assets	2,184,799	202,432	440,419	2,827,650
Liabilities and Fund Balances				
Liabilities:				
Warrants issued in excess of bank balance	100,200	-	-	100,200
Salaries and benefits payable	116,296	-	-	116,296
Deferred revenue:				
Succeeding year property tax	1,008,350	143,320	50,000	1,201,670
Total liabilities	1,224,846	143,320	50,000	1,418,166
Fund balances:				
Unreserved, undesignated reported in:				
General fund	709,953	-	-	709,953
Special revenue funds	-	-	126,835	126,835
Capital project funds	-	59,112	263,584	322,696
Unreserved, designated for:				
Cash flow	250,000	-	-	250,000
Total fund balances	959,953	59,112	390,419	1,409,484
Total liabilities and fund balances	2,184,799	202,432	440,419	2,827,650

See notes to financial statements.

Exhibit D

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	$
Total fund balances of governmental funds (Exhibit C)	1,409,484
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	730,571
Long-term liabilities, including early termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(16,942)
Net assets of governmental activities (Exhibit A)	2,123,113

See notes to financial statements.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Physical Plant and Equipment Levy Fund	Nonmajor Governmental Funds	Total
	$	$	$	$
Revenues:				
Local sources:				
Local tax	1,132,021	82,075	182,310	1,396,406
Tuition	28,717	-	-	28,717
Other	65,676	4,559	19,021	89,256
State sources	962,707	-	-	962,707
Federal sources	174,935	-	-	174,935
Total revenues	2,364,056	86,634	201,331	2,652,021
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,146,536	-	14,821	1,161,357
Special instruction	345,814	-	-	345,814
Other instruction	40,691	-	4,236	44,927
	1,533,041	-	19,057	1,552,098
Support services:				
Student services	59,567	-	-	59,567
Instructional staff services	12,715	17,896	-	30,611
Administration services	177,978	-	11,749	189,727
Operation and maintenance of plant services	135,301	-	31,207	166,508
Transportation services	112,623	62,228	5,177	180,028
	498,184	80,124	48,133	626,441
Other expenditures:				
Facilities acquisition	-	66,033	-	66,033
AEA flowthrough	84,489	-	-	84,489
	84,489	66,033	-	150,522
Total expenditures	2,115,714	146,157	67,190	2,329,061
Excess (deficiency) of revenues over (under) expenditures	248,342	(59,523)	134,141	322,960
Other financing sources (uses):				
Sales of materials and equipment	50	-	-	50
Sales of real property	-	1	-	1
Operating transfers out	(30,000)	-	-	(30,000)
Total other financing sources (uses)	(29,950)	1	-	(29,949)
Net change in fund balances	218,392	(59,522)	134,141	293,011
Fund balances beginning of year	741,561	118,634	256,278	1,116,473
Fund balances end of year	959,953	59,112	390,419	1,409,484

See notes to financial statements.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	$	$
Net change in fund balances - total governmental funds (Exhibit E)		293,011
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 not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	88,515	
Depreciation expense	(83,970)	4,545
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		8,158
Changes in net assets of governmental activities (Exhibit B)		305,714

See notes to financial statements.

Exhibit G

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2006

	Nonmajor School Nutrition
	$
Assets	
Cash and cash equivalents	28,709
Accounts receivable	20
Inventories	2,846
Capital assets, net of accumulated depreciation	9,318
Total assets	40,893
Liabilities	
Salaries and benefits payable	6,444
Deferred revenue	372
Total liabilities	6,816
Net assets	
Invested in capital assets, net of related debt	9,318
Unrestricted	24,759
Total net assets	34,077

See notes to financial statements

Exhibit H

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2006

	Nonmajor School Nutrition
	$
Operating revenue:	
Local sources:	
Charges for service	24,207
Operating expenses:	
Non-instructional programs:	
Salaries	31,127
Benefits	8,002
Purchased services	2,158
Supplies	22,839
Depreciation	567
	64,693
Operating gain (loss)	(40,486)
Non-operating revenue:	
State sources	600
Federal sources	19,243
Interest income	190
Total non-operating revenue	20,033
Gain (loss) before transfers	(20,453)
Transfers in	30,000
Change in net assets	9,547
Net assets beginning of year, as restated	24,530
Net assets end of year	34,077

See notes to financial statements.

Exhibit I

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	Nonmajor School Nutrition
	$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	24,010
Cash payments to employees for services	(38,844)
Cash payments to suppliers for goods or services	(17,728)
Net cash used by operating activities	(32,562)
Cash flows from non-capital financing activities:	
Transfer from General Fund	30,000
State grants received	600
Federal grants received	13,595
Net cash provided by non-capital financing activities	44,195
Cash flows from capital and related financing activities	-
Cash flows from investing activities:	
Interest on investments	190
Net increase (decrease) in cash and cash equivalents	11,823
Cash and cash equivalents at beginning of year	16,886
Cash and cash equivalents at end of year	28,709
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(40,486)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,648
Depreciation	567
Decrease (increase) in inventories	1,621
Decrease (increase) in accounts receivable	(17)
(Decrease) increase in salaries and benefits payable	285
(Decrease) increase in deferred revenue	(180)
Net cash used in operating activities	(32,562)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received $5,648 of federal commodities.

See notes to financial statements.

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions

are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from 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, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is

based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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

Asset Class	Amount
	$
Land	3,500
Buildings	3,500
Improvements other that buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	5-15 years

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

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

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

proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	$
Diversified Portfolio	1,429,586

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

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

3. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Governmental activities:				
Capital assets not being depreciated:				
Land	31,066	-	-	31,066
Capital assets being depreciated:				
Buildings	1,217,584	-	-	1,217,584
Improvements other than buildings	130,628	-	-	130,628
Furniture and equipment	909,337	88,515	-	997,852
Total capital assets being deprec.	2,257,549	88,515	-	2,346,064
Less accumulated depreciation for:				
Buildings	840,186	19,912	-	860,098
Improvements other than buildings	113,396	1,576	-	114,972
Furniture and equipment	609,007	62,482	-	671,489
Total accumulated depreciation	1,562,589	83,970	-	1,646,559
Total capital assets being depreciated, net	694,960	4,545	-	699,505
Governmental activities capital assets, net	726,026	4,545	-	730,571

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	$	$	$	$
Business type activities:				
Furniture and equipment	66,111	-	-	66,111
Less accumulated depreciation	56,226	567	-	56,793
Business type activities capital assets, net	9,885	567	-	9,318

Depreciation expense was charged to the following functions:

	$
Governmental activities:	
Instruction:	
Regular	17,144
Other instruction	1,500
Support Services:	
Instructional staff services	2,235
Administration services	850
Operation and maintenance of plant	9,469
Transportation	31,284
	62,482
Unallocated depreciation	21,488
Total governmental activities depreciation expense	83,970
Business type activities:	
Food service operations	567

4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Termination benefits	25,100	-	8,158	16,942	9,872

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to the difference between the employee's regular contractual salary in effect during the employee's last year of employment and the salary schedule base.

At June 30, 2006, the District has obligations to two participants with a total liability of $16,942. Actual early retirement expenditures for the year ended June 30, 2006 totaled $8,158.

5. 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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were $46,128, $57,148, and $77,725 respectively, equal to the required contributions for each year.

6. Risk Management

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

7. 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 $84,489 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

8. Restatement of Beginning Balances

The beginning net assets for the business type activities on the Statement of Activities and the beginning net assets on the statement of revenues, expenses and changes in net assets were both increased by $2,366 because net capital assets were understated in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	$	$	$		$	$
Revenues:						
Local sources	1,514,379	24,397	1,538,776	1,501,283	1,501,283	37,493
State sources	962,707	600	963,307	1,022,815	1,022,815	(59,508)
Federal sources	174,935	19,243	194,178	212,000	212,000	(17,822)
Total revenues	2,652,021	44,240	2,696,261	2,736,098	2,736,098	(39,837)
Expenditures:						
Instruction	1,552,098	-	1,552,098	2,155,684	2,155,684	603,586
Support services	626,441	-	626,441	1,036,983	1,036,983	410,542
Non-instructional programs	-	64,693	64,693	65,400	65,400	707
Other expenditures	150,522	-	150,522	190,130	190,130	39,608
Total expenditures	2,329,061	64,693	2,393,754	3,448,197	3,448,197	1,054,443
Excess (deficiency) of revenues over (under) expenditures	322,960	(20,453)	302,507	(712,099)	(712,099)	1,014,606
Other financing sources (uses) net	(29,949)	30,000	51	-	-	51
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	293,011	9,547	302,558	(712,099)	(712,099)	1,014,657
Balance beginning of year	1,116,473	24,530	1,141,003	760,670	760,670	380,333
Balance end of year	1,409,484	34,077	1,443,561	48,571	48,571	1,394,990

See accompanying independent auditor's report

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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

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

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

OTHER SUPPLEMENTARY INFORMATION

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

	Special Revenue Funds			Capital Projects Funds	
Assets	Management Levy	Student Activity Fund	District Support Trust Funds	Local Option Sales and Services Tax	Total
	$	$	$	$	$
Cash and pooled investments	103,596	17,540	4,914	241,860	367,910
Receivables:					
Property tax:					
Delinquent	785	-	-	-	785
Succeeding year	50,000	-	-	-	50,000
Due from other governments	-	-	-	21,724	21,724
Total assets	154,381	17,540	4,914	263,584	440,419
Liabilities & Fund Balances					
Liabilities:					
Succeeding year property tax	50,000	-	-	-	50,000
Fund balances:					
Unreserved fund balance reported in:					
Special revenue funds	104,381	17,540	4,914	-	126,835
Capital project funds	-	-	-	263,584	263,584
Total fund balances	104,381	17,540	4,914	263,584	390,419
Total liabilities and fund balances	154,381	17,540	4,914	263,584	440,419

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds			Capital Projects Funds	
	Management Levy	Student Activity Fund	District Support Trust Funds	Local Option Sales and Services Tax	Total
	$	$	$	$	$
Revenues:					
Local sources:					
Local tax	49,655	-	-	132,655	182,310
Other	6,600	5,269	34	7,118	19,021
Total revenues	56,255	5,269	34	139,773	201,331
Expenditures:					
Current:					
Instruction:					
Regular instruction	14,821	-	-	-	14,821
Other instruction	-	4,236	-	-	4,236
Support services:					
Administration services	11,749	-	-	-	11,749
Operation and maintenance of plant services	31,207	-	-	-	31,207
Transportation services	5,177	-	-	-	5,177
Total expenditures	62,954	4,236	-	-	67,190
Excess (deficiency) of revenues over (under) expenditures	(6,699)	1,033	34	139,773	134,141
Fund balances beginning of year	111,080	16,507	4,880	123,811	256,278
Fund balances end of year	104,381	17,540	4,914	263,584	390,419

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	$	$	$	$
Commerce club	14,685	4,026	3,794	14,917
Tag club	993	-	93	900
Student council	829	1,243	349	1,723
Total	16,507	5,269	4,236	17,540

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	$	$	$	$
Revenues:				
Local sources:				
Local tax	1,396,406	1,473,703	1,394,872	1,297,688
Tuition	28,717	38,946	27,342	23,693
Other	89,256	94,918	130,910	134,090
State sources	962,707	1,082,874	1,044,191	1,037,113
Federal sources	174,935	156,744	211,949	121,758
Total revenues	2,652,021	2,847,185	2,809,264	2,614,342
Expenditures:				
Instruction:				
Regular instruction	1,161,357	1,220,301	1,154,228	1,052,173
Special instruction	345,814	368,136	356,156	331,266
Other instruction	44,927	16,314	314,617	365,200
Support services:				
Student services	59,567	59,620	90,614	92,390
Instructional staff services	30,611	52,441	44,518	50,914
Administration services	189,727	222,877	265,466	266,012
Operation and maintenance of plant services	166,508	180,753	208,378	199,883
Transportation services	180,028	165,875	70,034	112,253
Non-instructional programs	-	-	1,046	-
Other expenditures:				
Facilities acquisition	66,033	51,174	58,795	78,927
AEA flowthrough	84,489	86,066	88,365	91,805
Total expenditures	2,329,061	2,423,557	2,652,217	2,640,823

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 12, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Albert City-Truesdale Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 06-I-A and 06-I-B are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 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.

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

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

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

October 12, 2006

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

06-I-B Signature Stamp: We noted that the Board Secretary has access to a stamp bearing the signature of the Board President. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

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

Conclusion: Response accepted.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, did not exceed the amounts budgeted.

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

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

06-II-D Business Transactions: We noted that the District did about $12,348 of business with Clausen Hardware in which the spouse of board member Deb Clausen appears to have an ownership interest. However, business with the spouse of a board member is not a conflict of interest.

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

06-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

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

06-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

06-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

06-II-J Old Outstanding Checks: We noted that the District's bank reconciliations included approximately $1,100 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

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

District Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.