

ALBURNETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Net Assets	H	22
Statement of Cash Flows	I	23
Notes to Financial Statements		24-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		33-34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	39
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		40-41
Schedule of Findings		42-45

Alburnett Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Dee Lillie Luedtke	President	2006
Barry Woodson	Vice President	2006
Robert Walters	Board Member	2005
Duane Bolton	Board Member	2007
Kent Wright	Board Member	2007
Board of Education (After September 2005 Election)		
Dee Lillie Luedtke	President	2006
Barry Woodson	Vice President	2006
Duane Bolton	Board Member	2007
Kent Wright	Board Member	2007
David Kirk	Board Member	2008
School Officials		
Angel-Dianne Melendez	Superintendent	2006
Rhonda Lange	District Secretary/Treasurer and Business Manager	2006
Hines, Pence, Jackson, Day and Powers	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2006 on our consideration of the Alburnett Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 through 35 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion 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.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

July 25, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,568,118 in fiscal 2005 to \$4,658,791 in fiscal 2006, while General Fund expenditures increased from \$4,809,182 in fiscal 2005 to \$5,168,485 in fiscal 2006. The increase in revenues was not large enough to offset the District's already high expenditures. This resulted in a decrease in the District's General Fund balance from \$241,282 in fiscal 2005 to a deficit balance \$268,252 in fiscal 2006, a 211.18% decrease in fiscal 2006.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2006.
- The increase in expenditures was due primarily to the following:
 - 1) Increase in special education costs.
 - 2) Increase in support services expenditures, due in part to the increase in fuel prices.

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.

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.

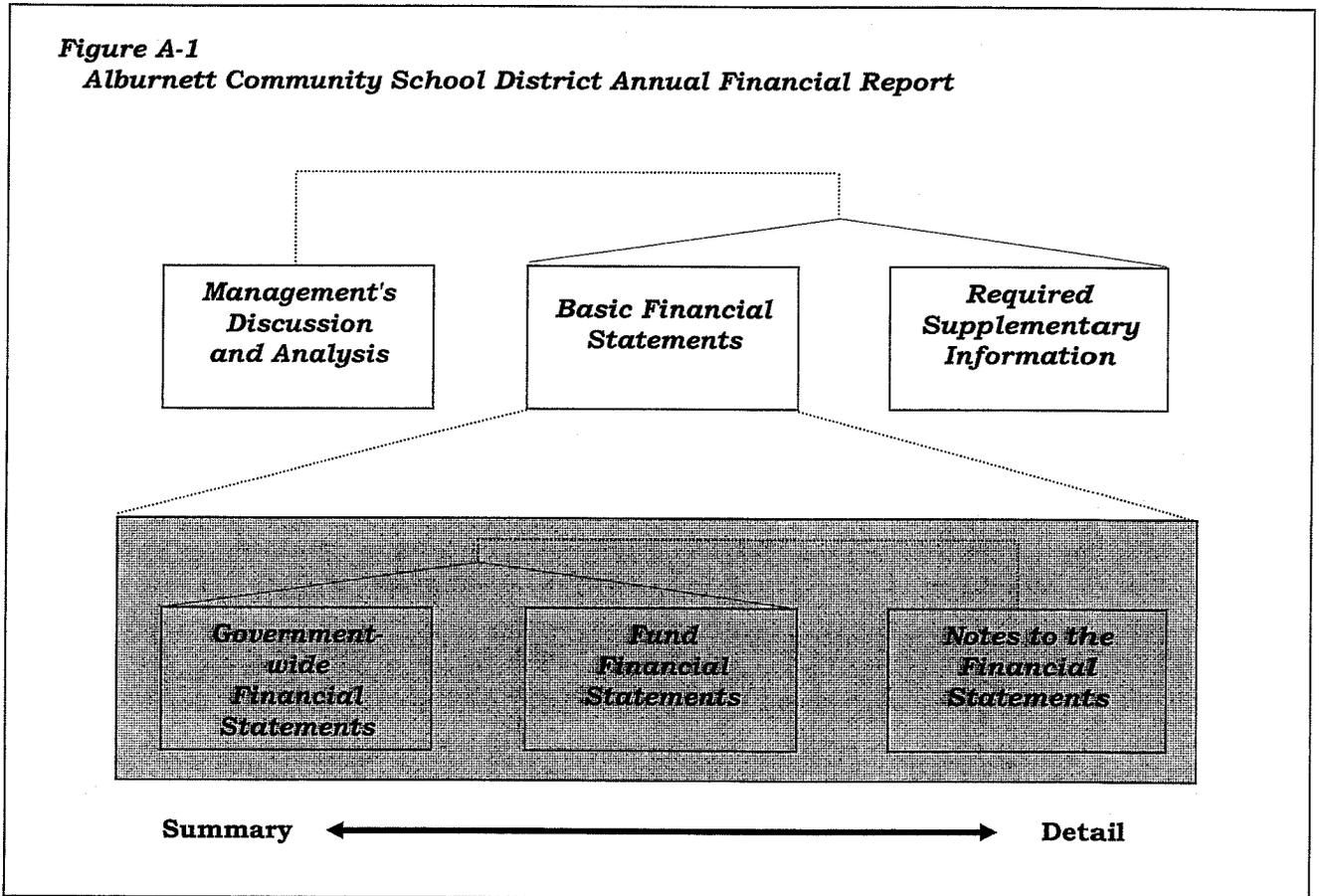


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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
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
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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

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 two 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, and 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.

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, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
	Current and other assets	\$ 2,528,555	2,659,592	15,321	11,858	2,543,876	2,671,450
Capital assets	1,093,304	1,158,780	4,503	12,721	1,097,807	1,171,501	-6.29%
Total assets	3,621,859	3,818,372	19,824	24,579	3,641,683	3,842,951	-5.24%
Long-term obligations	29,000	8,000	0	0	29,000	8,000	262.50%
Other liabilities	2,570,371	2,294,221	9,799	8,787	2,580,170	2,303,008	12.03%
Total liabilities	2,599,371	2,302,221	9,799	8,787	2,609,170	2,311,008	12.90%
Net assets:							
Invested in capital assets	1,093,304	1,158,780	4,503	12,721	1,097,807	1,171,501	-6.29%
Restricted	315,378	295,015	0	0	315,378	295,015	6.90%
Unrestricted	(386,194)	62,356	5,522	3,071	(380,672)	65,427	-681.83%
Total net assets	\$ 1,022,488	1,516,151	10,025	15,792	1,032,513	1,531,943	-32.60%

The District's combined net assets decreased by 32.6%, or \$499,430, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, which decreased \$73,694 or 6.29%. This decrease was a result of the current year depreciation.

Restricted net assets represents 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 \$20,363, or 6.9% over the prior year. The increase was primarily a result of the District improving fund balances in the Special Revenue - Management and Physical Plant and Equipment Levy.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$446,099, or 681.83%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 848,081	850,443	124,387	130,352	972,468	980,795	-0.85%
Operating grants and contributions and restricted interest	464,033	444,081	62,387	56,189	526,420	500,270	5.23%
General revenues:							
Local tax	1,562,509	1,517,880	0	0	1,562,509	1,517,880	2.94%
Unrestricted state grants	2,282,865	2,252,433	0	0	2,282,865	2,252,433	1.35%
Other	14,440	7,172	200	75	14,640	7,247	102.01%
Total revenues	5,171,928	5,072,009	186,974	186,616	5,358,902	5,258,625	1.91%
Program expenses:							
Governmental activities:							
Instructional	3,843,538	3,611,951	0	0	3,843,538	3,611,951	6.41%
Support services	1,611,570	1,548,525	0	0	1,611,570	1,548,525	4.07%
Non-instructional programs	0	0	192,741	184,209	192,741	184,209	4.63%
Other expenses	210,483	204,986	0	0	210,483	204,986	2.68%
Total expenses	5,665,591	5,365,462	192,741	184,209	5,858,332	5,549,671	5.56%
Changes in net assets	(493,663)	(293,453)	(5,767)	2,407	(499,430)	(291,046)	71.60%
Beginning net assets	1,516,151	1,809,604	15,792	13,385	1,531,943	1,822,989	-15.97%
Ending net assets	\$ 1,022,488	1,516,151	10,025	15,792	1,032,513	1,531,943	-32.60%

Local tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 93% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the decrease in capital grant monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements. The District also noted a decrease in expenditures for the Nutrition program, due to a decrease in commodities received from the State.

Governmental Activities

Revenues for governmental activities were \$5,171,928 and expenses were \$5,665,591.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,843,538	2,722,595
Support services	1,611,570	1,599,769
Other expenses	210,483	31,113
Totals	<u>\$ 5,665,591</u>	<u>4,353,477</u>

- The cost financed by users of the District's programs was \$848,081.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$464,033.
- The net cost of governmental activities was financed with \$1,562,509 in local tax, \$2,282,865 in unrestricted state grants and \$14,280 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$186,974 and expenses were \$192,741. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of a deficit \$41,816, compared to last year's ending fund balances of a \$365,371. However, the primary reason for the decrease was the increased expenses in the General Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increase in tax levy during the year in tax and grants resulted in an increase in revenues. The District's increase in General Fund expenditures ensured a decrease in the District's financial position. The District spent more than the District received.
- The Student Activity fund balance increased from \$148,598 in 2005, to \$151,303 in 2006, due to the decrease in expenditures.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from a deficit \$31,972 to a positive \$41,348, due to controlled spending in order to reduce the deficit.

- The Management fund balance increased from a deficit \$5,830 to a positive \$20,613, due an increased tax levy.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$15,792 at June 30, 2005 to \$10,025 at June 30, 2006, representing a decrease of 36.5%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$73,421 more than budgeted revenues, a variance of 1.4%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1.1 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 6.71% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$118,248.

The original cost of the District's capital assets was \$2.7 million. Governmental funds account for \$2.6 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$157,753 at June 30, 2006, compared to \$243,308 reported at June 30, 2005. This decrease resulted from current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 1,000	1,000	0	0	1,000	1,000	0.00%
Buildings	897,067	918,844	0	0	897,067	918,844	-2.43%
Land improvements	41,987	8,349	0	0	41,987	8,349	80.12%
Machinery and equipment	153,250	230,587	4,503	12,721	157,753	243,308	-54.23%
Total	\$ 1,093,304	1,158,780	4,503	12,721	1,097,807	1,171,501	-6.71%

Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding of \$29,000 in other long-term debt outstanding. This represents a change of 262.5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$29,000 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
Early retirement	\$ 29,000	8,000	262.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 657,157	4,801	661,958
Receivables:			
Property tax:			
Delinquent	22,678	0	22,678
Succeeding year	1,776,618	0	1,776,618
Accounts	1,765	0	1,765
Due from other governments	70,337	0	70,337
Inventories	0	10,520	10,520
Capital assets, net of accumulated depreciation (Note 3)	1,093,304	4,503	1,097,807
TOTAL ASSETS	3,621,859	19,824	3,641,683
LIABILITIES			
Accounts payable	87,175	0	87,175
Salaries and benefits payable	705,133	5,817	710,950
Deferred revenue:			
Succeeding year property tax	1,776,618	0	1,776,618
Other	1,445	0	1,445
Unearned revenues	0	3,982	3,982
Long-term liabilities (Note 4):			
Portion due within one year:			
Early retirement payable	29,000	0	29,000
TOTAL LIABILITIES	2,599,371	9,799	2,609,170
NET ASSETS			
Investment in capital assets	1,093,304	4,503	1,097,807
Restricted for:			
Early Intervention	13,148	0	13,148
Talented and Gifted	71,897	0	71,897
State Technology	19,301	0	19,301
Salary Improvement Program	1,434	0	1,434
Phase III	3,775	0	3,775
Physical Plant and Equipment Levy	41,348	0	41,348
Other special revenue purposes	164,475	0	164,475
Unrestricted	(386,194)	5,522	(380,672)
TOTAL NET ASSETS	\$ 1,022,488	10,025	1,032,513

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,164,977	425,505	228,159
Special instruction	812,648	97,462	44,703
Other instruction	865,913	325,114	0
	<u>3,843,538</u>	<u>848,081</u>	<u>272,862</u>
Support services:			
Student services	202,995	0	0
Instructional staff services	182,669	0	0
Administration services	522,236	0	0
Operation and maintenance of plant services	384,466	0	0
Transportation services	319,204	0	11,801
	<u>1,611,570</u>	<u>0</u>	<u>11,801</u>
Other expenditures:			
Facilities acquisitions	5,835	0	0
AEA flowthrough	179,370	0	179,370
Depreciation(unallocated)*	25,278	0	0
	<u>210,483</u>	<u>0</u>	<u>179,370</u>
Total governmental activities	5,665,591	848,081	464,033
Business-Type activities:			
Non-instructional programs:			
Food service operations	192,741	124,387	62,387
Total	<u>\$ 5,858,332</u>	<u>972,468</u>	<u>526,420</u>

General Revenues:
Property tax levied for:
 General purposes
 Capital outlays
Unrestricted state grants
Unrestricted investment earnings
Proceeds from disposal of equipment

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,511,313)	0	(1,511,313)
(670,483)	0	(670,483)
(540,799)	0	(540,799)
<u>(2,722,595)</u>	<u>0</u>	<u>(2,722,595)</u>
(202,995)	0	(202,995)
(182,669)	0	(182,669)
(522,236)	0	(522,236)
(384,466)	0	(384,466)
(307,403)	0	(307,403)
<u>(1,599,769)</u>	<u>0</u>	<u>(1,599,769)</u>
(5,835)	0	(5,835)
0	0	0
(25,278)	0	(25,278)
<u>(31,113)</u>	<u>0</u>	<u>(31,113)</u>
(4,353,477)	0	(4,353,477)
0	(5,967)	(5,967)
<u>(4,353,477)</u>	<u>(5,967)</u>	<u>(4,359,444)</u>
\$ 1,446,247	0	1,446,247
116,262	0	116,262
2,282,865	0	2,282,865
14,280	200	14,480
160	0	160
<u>3,859,814</u>	<u>200</u>	<u>3,860,014</u>
(493,663)	(5,767)	(499,430)
<u>1,516,151</u>	<u>15,792</u>	<u>1,531,943</u>
<u>\$ 1,022,488</u>	<u>10,025</u>	<u>1,032,513</u>

ALBURNETT COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2006

	General	Student Activity	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 428,483	156,676	71,998	657,157
Receivables:				
Property tax				
Delinquent	19,543	0	3,135	22,678
Succeeding year	1,555,693	0	220,925	1,776,618
Accounts	1,265	500	0	1,765
Due from other governments	70,337	0	0	70,337
TOTAL ASSETS	\$ 2,075,321	157,176	296,058	2,528,555
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 81,302	5,873	0	87,175
Salaries and benefits payable	705,133	0	0	705,133
Deferred revenue:				
Succeeding year property tax	1,555,693	0	220,925	1,776,618
Other	1,445	0	0	1,445
Total liabilities	2,343,573	5,873	220,925	2,570,371
Fund balances:				
Reserved for:				
Early Intervention	13,148	0	0	13,148
Talented and Gifted	71,897	0	0	71,897
State Technology	19,301	0	0	19,301
Salary Improvement Program	1,434	0	0	1,434
Phase III	3,775	0	0	3,775
Unreserved	(377,807)	151,303	75,133	(151,371)
Total fund balances	(268,252)	151,303	75,133	(41,816)
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,075,321	157,176	296,058	2,528,555

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT 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 (page 17) \$ (41,816)

*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 report as
assets in in the governmental funds. 1,093,304

Long-term liabilities, including early retirement payable,
are not due and payable in the current period and,
therefore, are not reported as liabilities in the
governmental funds. (29,000)

Net assets of governmental activites (page 14) \$ 1,022,488

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special			Total
	General	Revenue - Activity Fund	Other Governmental Funds	
REVENUES:				
Local sources:				
Local tax	\$ 1,346,270	0	216,239	1,562,509
Tuition	522,967	0	0	522,967
Other	42,656	282,118	14,620	339,394
State sources	2,657,564	0	0	2,657,564
Federal sources	89,334	0	0	89,334
Total revenues	<u>4,658,791</u>	<u>282,118</u>	<u>230,859</u>	<u>5,171,768</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,101,108	0	19,832	2,120,940
Special instruction	811,393	0	0	811,393
Other instruction	576,393	279,413	0	855,806
	<u>3,488,894</u>	<u>279,413</u>	<u>19,832</u>	<u>3,788,139</u>
Support services:				
Student services	202,823	0	0	202,823
Instructional staff services	181,200	0	0	181,200
Administration services	519,019	0	657	519,676
Operation and maintenance of plant services	326,167	0	54,939	381,106
Transportation services	271,012	0	12,815	283,827
	<u>1,500,221</u>	<u>0</u>	<u>68,411</u>	<u>1,568,632</u>
Other expenditures:				
Facilities acquisitions	0	0	42,974	42,974
AEA flowthrough	179,370	0	0	179,370
	<u>179,370</u>	<u>0</u>	<u>42,974</u>	<u>222,344</u>
Total expenditures	<u>5,168,485</u>	<u>279,413</u>	<u>131,217</u>	<u>5,579,115</u>
Excess (deficiency) of revenues over (under) expenditures	(509,694)	2,705	99,642	(407,347)
Other financing sources:				
Proceeds from the disposal of equipment	160	0	0	160
Net change in fund balances	(509,534)	2,705	99,642	(407,187)
Fund balance beginning of year	241,282	148,598	(24,509)	365,371
Fund balance end of year	<u>\$ (268,252)</u>	<u>151,303</u>	<u>75,133</u>	<u>(41,816)</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, 2006

Net change in fund balances - total governmental funds(page 19) \$ (407,187)

*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	\$ 44,554	
Depreciation expense	<u>(110,030)</u>	(65,476)

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.

Early Retirement		<u>(21,000)</u>
------------------	--	-----------------

Changes in net assets of governmental activities(page 16) \$ (493,663)

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 4,801
Inventories	10,520
Capital assets, net of accumulated depreciation(Note 3)	<u>4,503</u>
TOTAL ASSETS	<u>19,824</u>
LIABILITIES	
Salaries and benefits payable	5,817
Unearned revenues	<u>3,982</u>
TOTAL LIABILITES	<u>9,799</u>
NET ASSETS	
Invested in capital assets	4,503
Unrestricted	<u>5,522</u>
TOTAL NET ASSETS	<u>\$ 10,025</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, 2006

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 124,387
TOTAL OPERATING REVENUES	124,387
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	74,983
Benefits	9,727
Services	1,071
Supplies	98,742
Depreciation	8,218
TOTAL OPERATING EXPENSES	192,741
OPERATING LOSS	(68,354)
NON-OPERATING REVENUES:	
State sources	2,977
Federal sources	59,410
Interest on investments	200
TOTAL NON-OPERATING REVENUES	62,587
Net loss	(5,767)
Net assets beginning of year	15,792
Net assets end of year	\$ 10,025

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 125,112
Cash received from miscellaneous operating activities	46
Cash payments to employees for services	(84,469)
Cash payments to suppliers for goods or services	(82,786)
Net cash used in operating activities	(42,097)
Cash flows from non-capital financing activities:	
State grants received	2,977
Federal grants received	40,761
Net cash provided by non-capital financing activities	43,738
Cash flows from investing activities:	
Interest on investments	200
Net cash provided by investing activities	200
Net increase in cash and cash equivalents	1,841
Cash and cash equivalents at beginning of year	2,960
Cash and cash equivalents at end of year	\$ 4,801
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (68,354)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,649
Depreciation	8,218
Increase in inventories	(1,622)
Increase in salaries and benefits payable	241
Increase in unearned revenue	771
Net cash used in operating activities	\$ (42,097)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 4,801

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$18,649.

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(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 and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue - Activity Fund is utilized to account for the resources used in student driven accounts.

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.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, machinery, 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 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
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
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, 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 in the other expenditures functional area exceeded the amount 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 Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at June 30, 2006.

(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
Business-type activities:				
Machinery and equipment	\$ 83,495	0	0	83,495
Less accumulated depreciation	70,774	8,218	0	78,992
Business-type activities capital assets, net	<u>\$ 12,721</u>	<u>(8,218)</u>	<u>0</u>	<u>4,503</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	0	0	1,000
Total capital assets not being depreciated	1,000	0	0	1,000
Capital assets being depreciated:				
Buildings	1,094,811	0	0	1,094,811
Land improvements	163,037	37,139	0	200,176
Machinery and equipment	1,392,175	7,415	84,225	1,315,365
Total capital assets being depreciated	2,650,023	44,554	84,225	2,610,352
Less accumulated depreciation for:				
Buildings	175,967	21,777	0	197,744
Land improvements	154,688	3,501	0	158,189
Machinery and equipment	1,161,588	84,752	84,225	1,162,115
Total accumulated depreciation	1,492,243	110,030	84,225	1,518,048
Total capital assets being depreciated, net	1,157,780	(65,476)	0	1,092,304
Governmental activities capital assets, net	\$ 1,158,780	(65,476)	0	1,093,304

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 27,001
Special		1,255
Other		10,107
Support services:		
Student services		172
Instructional staff		4,920
Administration		2,560
Operation and maintenance		3,360
Transportation		35,377
		84,752
Unallocated depreciation		25,278
Total governmental activities depreciation expense		\$ 110,030
Business-type activities:		
Food services		\$ 8,218

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 8,000	29,000	8,000	29,000	29,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employees base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum of \$8,000 per individual. Early retirement benefits paid during the year ended June 30, 2006, totaled \$8,000. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(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 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 contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$163,557, \$156,705, \$150,121 respectively, equal to the required contributions for each year.

(6) 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.

(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 \$179,370 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) Deficit Fund Balance

The General fund had a deficit unreserved fund balance of \$377,807 at June 30, 2006.

(9) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2006, expenditures in the other expenditures functional area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

ALBURNETT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 2,424,870	124,587
State sources	2,657,564	2,977
Federal sources	89,334	59,410
Total revenues	5,171,768	186,974
Expenditures:		
Instruction	3,788,139	0
Support services	1,568,632	0
Non-instructional programs	0	192,741
Other expenditures	222,344	0
Total expenditures	5,579,115	192,741
Excess(deficiency) of revenues over (under) expenditures	(407,347)	(5,767)
Other financing sources, net	160	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(407,187)	(5,767)
Balance beginning of year	365,371	15,792
Balance end of year	\$ (41,816)	10,025

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,549,457	2,494,020	2,494,020	55,437
2,660,541	2,663,927	2,663,927	(3,386)
148,744	127,374	127,374	21,370
<u>5,358,742</u>	<u>5,285,321</u>	<u>5,285,321</u>	<u>73,421</u>
3,788,139	3,802,217	3,902,217	114,078
1,568,632	1,477,755	1,777,755	209,123
192,741	195,000	195,000	2,259
222,344	204,058	204,058	(18,286)
<u>5,771,856</u>	<u>5,679,030</u>	<u>6,079,030</u>	<u>307,174</u>
(413,114)	(393,709)	(793,709)	380,595
160	0	0	160
(412,954)	(393,709)	(793,709)	380,755
381,163	691,505	691,505	(310,342)
<u>(31,791)</u>	<u>297,796</u>	<u>(102,204)</u>	<u>70,413</u>

ALBURNETT 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 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, the District adopted one budget amendment increasing budgeted expenditures by \$400,000.

During the year ended June 30, 2006, expenditures in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Manage- ment Levy	Physical Plant and Equipment Levy	Expendable Trust	Total
Assets				
Cash and pooled investments	\$ 19,162	39,664	13,172	71,998
Receivables:				
Property tax:				
Current year delinquent	1,451	1,684	0	3,135
Succeeding year	100,000	120,925	0	220,925
Total assets	\$ 120,613	162,273	13,172	296,058
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	100,000	120,925	0	220,925
Total Liabilities	100,000	120,925	0	220,925
Unreserved fund balance	20,613	41,348	13,172	75,133
Total liabilities and fund balances	\$ 120,613	162,273	13,172	296,058

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, 2006

	Manage- ment	Physical Plant and Equipment Levy	Expendable Trust	Total
REVENUES:				
Local sources:				
Local tax	\$ 99,977	116,262	0	216,239
Other	4,952	689	8,979	14,620
TOTAL REVENUES	104,929	116,951	8,979	230,859
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	10,732	0	9,100	19,832
Support services:				
Administration services	0	657	0	657
Operation and maintenance of plant services	54,939	0	0	54,939
Student transportation	12,815	0	0	12,815
Other expenditures:				
Facilities acquisitions	0	42,974	0	42,974
TOTAL EXPENDITURES	78,486	43,631	9,100	131,217
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,443	73,320	(121)	99,642
FUND BALANCE BEGINNING OF YEAR	(5,830)	(31,972)	13,293	(24,509)
FUND BALANCE END OF YEAR	\$ 20,613	41,348	13,172	75,133

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 0	255	255	0
Athletics	4,317	45,120	47,086	2,351
Class Funds	1,497	3,919	2,499	2,917
Student Project-Ven	5,085	6,335	7,729	3,691
Class of 2005	1,314	(1,314)	0	0
Class of 2006	813	1,863	2,149	527
Class of 2007	2,089	2,724	3,332	1,481
Class of 2008	1,978	1,408	932	2,454
Class of 2009	1,304	698	0	2,002
Class of 2010	618	754	215	1,157
Class of 2011	0	519	0	519
FFA	7,956	17,544	17,954	7,546
Project oxygen- FFA	14	0	0	14
National honor society	785	1,354	846	1,293
Booster club	64,903	86,491	83,154	68,240
Math counts	235	8	0	243
Pom pons	1,340	14,588	14,943	985
Color guard	74	3	0	77
Football squad	1,771	3,168	3,385	1,554
Science club	1,488	384	318	1,554
Wrestling club	589	401	990	0
FBLA	0	10,800	10,800	0
Renaissance	1,361	3,450	4,811	0
Spanish club	830	1,001	910	921
Volleyball squad	1,316	164	720	760
Baseball	1,257	8,365	9,531	91
Sunshine club	313	1,714	1,848	179
Interest & misc.	7,334	3,553	5,339	5,548
FSB donation	0	1,400	1,309	91
Marketing	0	3,356	3,175	181
Book fair	1,415	7,126	6,617	1,924
Home Economics	0	2,342	2,342	0
Annual	126	938	1,064	0
Student council	509	8,784	8,246	1,047
Art	10,379	3,189	3,368	10,200
Music parents	8,009	16,143	15,797	8,355
Band boosters	252	2,763	2,634	381
Elementary club	7,697	4,496	2,945	9,248
Cheerleaders	298	4,200	4,225	273
Peer group	702	152	0	854
Wrestling cheerleading	(1,155)	1,991	1,061	(225)
School cents	8,021	6,331	5,237	9,115
Soda program	375	14	0	389
Shop	0	2,006	1,166	840
Paper & pencils	1,281	48	0	1,329
Health careers	27	1	0	28
Tattler	81	3	21	63
Archery in Iowa School	0	528	460	68
Character counts	0	1,038	0	1,038
Total	<u>\$ 148,598</u>	<u>282,118</u>	<u>279,413</u>	<u>151,303</u>

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 FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 1,562,509	1,517,880	1,474,010	1,459,639
Tuition	522,967	487,143	470,432	438,291
Other	339,394	386,472	310,651	342,156
Intermediate sources	0	0	300	2,075
State sources	2,657,564	2,600,046	2,436,976	2,520,123
Federal sources	89,334	80,468	117,374	118,838
Total	\$ 5,171,768	5,072,009	4,809,743	4,881,122
Expenditures:				
Instruction:				
Regular instruction	\$ 2,120,940	2,276,140	2,265,072	2,043,082
Special instruction	811,393	650,055	570,669	567,495
Other instruction	855,806	605,003	614,222	572,396
Support services:				
Student services	202,823	186,239	172,100	128,642
Instructional staff services	181,200	161,357	159,331	280,299
Administration services	519,676	499,878	455,873	436,401
Operation and maintenance of plant services	381,106	372,588	476,911	352,635
Transportation services	283,827	275,890	290,981	307,218
Central support services	0	0	0	544
Other expenditures:				
Facilities acquisitions	42,974	0	53,697	8,188
AEA flow-through	179,370	176,022	172,940	185,287
Total	\$ 5,579,115	5,203,172	5,231,796	4,882,187

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated July 25, 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 Alburnett 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 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 item I-A-05 is a material weakness.

Compliance and Other Matters

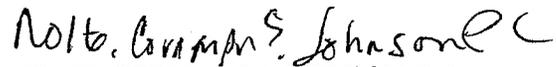
As part of obtaining reasonable assurance about whether Alburnett Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have 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 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 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.

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.

July 25, 2006

ALBURNETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial balance of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-06 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets sold.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We will review our procedures for collecting gate admissions.

Conclusion - Response accepted.

I-C-06 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - The interest earned each year should be allocated at least on an annual basis to the individual activity accounts.

Response - In the future, interest will be allocated annually. The current balance will be allocated to negative accounts over a period of years to reduce the balance.

Conclusion - Response accepted.

I-D-06 Purchase Orders - We noted during our audit that purchase orders in the Activity Fund were dated after the invoices. Purchase orders are typically used to document approval prior to the purchase as well as documenting which account will be paying for the invoice. The fact the purchase orders are completed after the invoice arrives, indicates that purchases are being made without proper approval.

Recommendation - The district should review procedures in place with regard to use of purchase orders, placing the order and subsequent payment. The district should require purchase orders be completed prior to ordering.

Response - The District will have discussions plus an in-service on proper use of purchase orders with all personnel and activity boosters members associated with the Activity Fund. A system will be put in place to correct this item for fiscal 2007.

Conclusion - Response accepted.

I-E-06 Concession Purchases - We noted during our audit that there were purchases made from the concession stand cash box for food for District events. These purchases were not approved by the board and are not included on the District's financial records. These purchases would reduce the profits brought in by the District when the deposits were made.

Recommendation - These purchases must be approved by the Board, and expensed through the Districts financials.

Response - All concession stand purchases will follow the same purchase order procedure used through out the Alburnett School District.

Conclusion - Response accepted.

ALBURNETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the other expenditures functional area.

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

Response - In the future, we will amend our budget if necessary.

Conclusion - Response accepted.

II-B-06 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.

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

II-D-06 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	Snow removal	\$1,817

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

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

II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-06 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were open enrolled out was overstated by 5.1 students and tuitioned out was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Department of Education and Department of Management on this matter.

Conclusion - Response accepted.

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

II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-06 Financial Condition - The District had a deficit unreserved fund balance of \$377,807 in the General fund. The District also had a negative account within the Student Activity Fund.

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 will monitor its fund balances and the student activity funds. A workout plan is being developed that will include sharing programs or teachers with other districts, reduction of work force and close monitoring of supplies and materials.

Conclusion - Response accepted.