

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

June 30, 2006

Table of 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	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-35
Required Supplementary Information:		
Budgetary Comparison of Revenue, Expenditures, and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		37
Notes to Required Supplementary Information - Budgetary Reporting		38
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42-43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	44
Schedule of Expenditures of Federal Awards	5	45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		46-47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133		48-49
Schedule of Findings and Questioned Costs		50-53

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Independent Auditor's Report

To the Board of Education of
Allamakee 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 Allamakee Community School District, Waukon, 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 Allamakee 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 18, 2006, on our consideration of Allamakee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 37 through 38 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 Allamakee 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 opinions on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 18, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Allamakee 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 follows.

2006 Financial Highlights

- * General fund revenues increased from \$11,077,752 in fiscal 2005 to \$11,609,185 in fiscal 2006 and General Fund expenditures increased from \$11,095,856 in fiscal 2005 to \$11,509,186 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$585,400 in fiscal 2005 to \$689,723 in fiscal 2006 a 17.8% increase from the prior year.
- * 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 increases in negotiated salaries and benefits and restricted grant expenditures.
- * A QZAB Loan of \$1,000,000 was applied for and received September 30, 2004. This loan is being used to make building and maintenance repairs to East Elementary, West Elementary and Waterville Elementary. This loan will be repaid with funds received from the voter approved Physical Plant and Equipment Levy over the next 10 years.
- * The District began receiving Sales Tax Revenue during September 2002, which is being used for building repair and maintenance.
- * On April 8, 2003 voters of the District passed a Physical Plant and Equipment Levy of \$1.10 per thousand. This levy is being funded with a combination of income surtax and property tax. This is the first voter approved levy in the District since 1964. These funds are being used to make needed building repairs.
- * On December 13, 2005 the District passed a \$9,700,000 bond issue to build an addition to the high school building. Currently the high school building consists of grades 10-12 with the addition the junior high building will be closed and the 9th grade will join the high school for classes and 7th and 8th will be housed in a separate area of the building. \$950,000 of the general obligation money will be used to construct a Northeast Iowa Community College, which will be attached to a Wellness Center funded by the City of Waukon.
- * With the passage of the bond issue the District will have \$394,382 from a Harkin Grant to use toward the building project.
- * The District will be using \$500,000 of sales tax money to buy down the bond payment each year. This will result in a much lower tax asking for the local taxpayer.

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 Allamakee 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 Allamakee 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 Allamakee Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

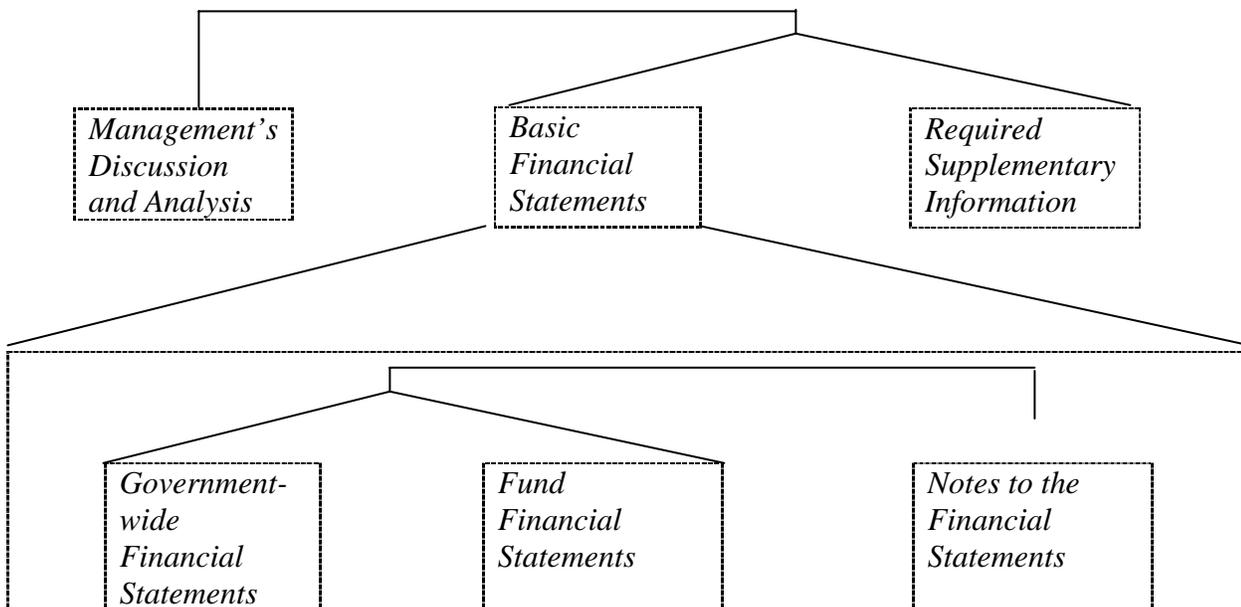
Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

Figure A-1
Allamakee Community School District Annual Financial Report



Summary ←-----→ Detail

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 Financial Statements	
		Governmental Funds	Propriety 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: food services
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, expenditures, and changes in fund balances * 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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, 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, 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 taxes 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 would be 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 funds statements provide a detailed short-term view that helps you 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; Special Revenue Funds and the Capital Projects Funds.

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

- 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 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.

Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Statements

Net assets. The District's combined net assets showed an increase ending June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets
(Expressed in thousands)

	Governmental Activities		Business-Type Activities		Total Allamakee CSD		Total Change %
	2006	2005	2006	2005	2006	2005	
Current & other assets	19,142	8,626	209	219	19,351	8,845	118.8%
Capital assets	3,343	2,604	80	76	3,423	2,680	27.7%
Total assets	22,485	11,230	289	295	22,774	11,525	97.6%
Current Liabilities	5,855	5,542	11	9	5,866	5,551	5.7%
Long-term obligations	10,854	1,039			10,854	1,039	944.7%
Total liabilities	16,709	6,581	11	9	16,720	6,590	153.7%
Net Assets							
Invested in capital assets, net of debt	1,906	1,604	80	76	1,986	1,680	18.2%
Restricted	3,221	2,511			3,221	2,511	28.3%
Unrestricted	649	534	198	210	847	744	13.8%
Total net assets	5,776	4,649	278	286	6,054	4,935	22.7%

The District's total combined net assets increased by approximately \$1,119,000, over the prior year. The largest portion of the District's net assets is the restricted assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$710,000 or 28.3% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$103,000.

The District's improved financial position is attributed to the District receiving the general obligation proceeds, which have not been expended yet. The District has also been trying to control expenditures to avoid having to use additional carryover fund balances to meet its financial obligations during the year.

Changes in net assets – Figure A-4 shows the changes in net assets for year ended June 30, 2006 and 2005.

Figure A-4
 Changes in Net Assets
 (Expressed in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities		Allamakee CSD	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for service and sales	\$732	\$719	\$328	\$337	\$1,060	\$1,056
Operating grants, contributions and restricted interest	\$2,349	\$2,043	\$277	\$262	\$2,626	\$2,305
Capital grants, contributions and restricted interest	\$142				\$142	
General revenues						
Property taxes	\$3,950	\$3,866			\$3,950	\$3,866
Local option sales tax	\$718	\$745			\$718	\$745
Income Surtax	\$398	\$675			\$398	\$675
Unrestricted state grants	\$5,253	\$5,139			\$5,253	\$5,139
Unrestricted investment earnings	\$134	\$76	\$5	\$3	\$139	\$79
Other	\$12	\$144			\$12	\$144
Total revenues	\$13,688	\$13,407	\$610	\$602	\$14,298	\$14,009
Program expenses:						
Governmental activities:						
Instruction	\$7,833	\$7,586			\$7,833	\$7,586
Support services	\$3,972	\$3,746			\$3,972	\$3,746
Non-instructional program			617	605	\$617	\$605
Other expenses	\$759	\$647			\$759	\$647
Total expenses	\$12,564	\$11,979	617	605	\$13,181	\$12,584
Change in net assets	\$1,124	\$1,428	-\$7	-\$3	\$1,117	\$1,425

Property tax and unrestricted state grant account for 67% of the total revenue this remains the same as Fiscal 2005. The District's expenses primarily relate to instruction and support services, which account for 94% of total expenses, which is the same as Fiscal, 2005. (See Figure A-4 Governmental Revenues and Governmental Expenditures)

Governmental Activities

Revenues for governmental activities were \$13,687,513 while expenses amounted to \$12,564,845.

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

Figure A-5

Total and Net Cost of Governmental Activities

(Expressed in thousands)

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$7,833	\$7,589	\$5,291	\$5,463
Support Services	\$3,972	\$3,746	\$3,893	\$3,565
Non-instructional programs				
Other expenses	\$759	\$647	\$158	\$187

- * A portion of the cost financed by users of the District’s programs was \$731,756.
- * The federal and state government subsidized certain programs with grants and contributions totaling \$2,348,797.
- * The net cost portion of governmental activities was financed with \$3,949,773 in property tax and other taxes, \$5,253,479 in state foundation aid and \$134,472 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities had a slight increase to \$609,347 while expenses increased to \$616,578. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Individual Fund Analysis

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

The strong 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 \$12,926,688 above last year’s ending fund balance of \$2,793,608. The primary reasons for the increase in revenues was due to the continued funding of a federal grant for funding of after school activities and the proceeds from the general obligation bond that had not been spent at year-end.

Governmental Fund Highlights

- * The District did apply for a QZAB loan and received the funds in September, 2003. This loan was deposited in the Physical Plant and Equipment Fund and is being repaid with the voter approved Physical Plant and Equipment levy that was approved in April, 2003. These funds are raised through income surtax and began being generated during 2003 with the first payment being made to the school in December 2004. The QZAB loan allows the District to make needed repairs to East, West and Waterville in a timelier manner.
- * The District’s General Fund’s fund balance increased by \$104,323 due to containment of expenses and the availability of the Voter Approved Physical Plant and Equipment Levy and the Local Option Sales Tax Levy for repair needs.

- * In December 2001 the residents of Allamakee County approved a School Infrastructure Local Option Tax (Sales Tax). The levy began July 1, 2002 and the District began receiving the money in September 2002. These additional funds are making improvements and updates to the buildings in the District including: asbestos removal, roof repairs and boiler replacement.
- * The District was awarded a Safe Schools/Healthy Students Federal Grant of during the 2004-05 school year to fund after school programs by the three school districts in the county. The grant award is for a three-year period and the additional revenue received during the 2005-06 fiscal year was \$854,484.
- * The District participated in the Series A ISCAP program to cover any short falls in cash flow during the year.

Proprietary Fund Highlights

- * The District began replacing old and obsolete equipment in the food service department, which accounted for expenses increasing at a higher rate than revenue.
- * The District raised lunch prices that will take effective for the 2005-06 school year, which will increase revenue.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating one time to reflect additional expenditures in the instructional, support services, non-instructional programs and other expenditure areas. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The 2005-06 budget was amended in May, 2006 to cover additional disbursements but disbursements in the support services area exceeded the amended amount. This was due to the bond issue costs incurred in May.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal 2006, the District had invested in Governmental Activities \$3,423,281 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. More detailed information is available in Note 4 of the financial statement. Depreciation expense for the year was \$275,129.

Several construction commitments from the 2004-05 fiscal year carried into and were completed in the 2005-06 school year. At June 30, 2006 the District had entered into one \$260,000 contract for a roof replacement at Waterville Elementary. \$127,400 of the project was completed at June 30. At June 30, 2006 the District has also incurred architect fees for the construction project at the High School, which are included in Construction in Progress.

Figure A-6

Capital Assets, net of depreciation

	Governmental Activities		Business-Type Activities		Total Allamakee CSD		Total Change %
	2006	2005	2006	2005	2006	2005	
Land	\$277,641	\$277,641			\$277,641	\$277,641	0.0%
Construction in Progress	\$660,948	\$254,502			\$660,948	\$254,502	159.7%
Buildings	\$1,284,077	\$958,361			\$1,284,077	\$958,361	34.0%
Improvements other than buildings	\$473,814	\$464,519			\$473,814	\$464,519	2.0%
Furniture and Equipment	\$646,626	\$649,241	\$80,175	\$76,021	\$726,801	\$725,262	0.2%
Totals	\$3,343,106	\$2,604,264	\$80,175	\$76,021	\$3,423,281	\$2,680,285	27.7%

Long Term Debt

At year-end, the district had \$10,760,553 in other long-term liabilities. This reflects \$33,102 owed in salary and benefits for termination benefits and \$27,451 owed to staff for earned but not used vacation. The District also issued \$9,700,000 in general obligation bonds in May of 2006 for a construction projected scheduled to start in the fall of 2006.

The District issued \$1,000,000 of qualified zone academy bonds in September 2003. The bonds were issued to finance remodeling of existing school facilities at East Elementary, West Elementary and Waterville Elementary. The bonds are interest free and the entire balance is due on May 1, 2013. Beginning May 1, 2005 the District began placing the first of 10 payments of \$98,327 into an escrow account, which has a 3% interest rate. Payments will be made from the Voter Approved Physical Plant and Equipment Levy to an escrow account at the Bank of America. (See Figure A-7.)

Figure A-7

Outstanding Long-Term Obligations

	2006	2005	Total Change % 2005-2006
General obligation bonds	\$9,700,000		100.00%
Qualified Zone Academy Bonds	\$1,000,000	\$1,000,000	0.0%
Termination Benefits	\$33,102	\$15,231	117.3%
Compensated absences	\$27,451	\$23,339	17.6%
Total	\$10,760,553	\$1,038,570	936.1%

Factors Bearing on the District’s Future

At the time these financial statement were prepared, the District was aware of two circumstances that could significantly affect its financial health in the future:

- * The official student enrollment count taken in September, 2006 showed a decline of 34.1 students. Projections show smaller declines for the following three years with stabilization of enrollment after that.
- * The District issued \$1,000,000 of qualified zone academy bonds during fiscal 2004. These funds are being used to fund building repairs in the three District elementary buildings that qualify. Those buildings are East Elementary, West Elementary and Waterville Elementary.
- * On December 13, 2005 the District patrons past a bond issue for \$9,700,000. The funds from this bond passage will be used to put an addition on the high school building, which will house 7-12 students, and to build a Northeast Iowa Community College satellite center. The passage of the bond issue is the first one past in over 40 years and shows the strong commitment of the community with a 75.7% positive vote.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customer, and 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 Janice Rea, School Board Secretary/Treasurer/Business Manager, Allamakee Community School District, 1059 Third Avenue N.W., Waukon, Iowa 52172.

BASIC FINANCIAL STATEMENTS

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	299,583	-	299,583
Other	13,818,269	194,286	14,012,555
Receivables:			
Property tax:			
Delinquent	74,726	-	74,726
Succeeding year	4,159,112	-	4,159,112
Accounts	20,923	2,261	23,184
Accrued interest:			
ISCAP	93	-	93
Other	33,014	-	33,014
Due from other governments	655,932	-	655,932
Inventories	-	12,496	12,496
Unamortized bond issue costs	80,311	-	80,311
Capital assets, net of accumulated depreciation	3,343,106	80,175	3,423,281
Total assets	22,485,069	289,218	22,774,287
Liabilities			
Accounts payable	395,489	90	395,579
Salaries and benefits payable	849,095	2,302	851,397
Accrued interest payable	65,825	-	65,825
Deferred revenue:			
Succeeding year property tax	4,159,112	-	4,159,112
Other	83,577	8,112	91,689
ISCAP warrants payable	300,000	-	300,000
ISCAP accrued interest payable	74	-	74
ISCAP premium	2,283	-	2,283
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	310,000	-	310,000
Termination benefits	13,102	-	13,102
Compensated absences	23,333	-	23,333
Portion due more than one year:			
Termination benefits	20,000	-	20,000
Compensated absences	4,118	-	4,118
General obligation bonds payable	9,390,000	-	9,390,000
Unamortized bond premium	93,107	-	93,107
Qzab bonds payable	1,000,000	-	1,000,000
Total liabilities	16,709,115	10,504	16,719,619

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	1,905,596	80,175	1,985,771
Restricted for:			
Management levy	91,376	-	91,376
Physical plant and equipment levy	1,226,712	-	1,226,712
Other special revenue purposes	114,443	-	114,443
Local option sales taxes capital projects	1,653,486	-	1,653,486
Debt service	134,865	-	134,865
Unrestricted	<u>649,476</u>	<u>198,539</u>	<u>848,015</u>
Total net assets	<u><u>5,775,954</u></u>	<u><u>278,714</u></u>	<u><u>6,054,668</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	5,164,637	270,179	1,437,795	-
Special instruction	1,418,881	36,271	166,611	-
Other instruction	1,249,843	396,751	234,957	-
	<u>7,833,361</u>	<u>703,201</u>	<u>1,839,363</u>	<u>-</u>
Support services:				
Student services	441,909	-	-	-
Instructional staff services	444,330	-	-	-
Administration services	1,234,406	-	-	-
Operation and maintenance of plant services	946,715	3,443	-	-
Transportation services	904,823	25,112	50,468	-
	<u>3,972,183</u>	<u>28,555</u>	<u>50,468</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	131,470	-	-	142,506
Long-term debt interest	65,043	-	3,521	-
AEA flowthrough	455,445	-	455,445	-
Depreciation (unallocated)*	107,343	-	-	-
	<u>759,301</u>	<u>-</u>	<u>458,966</u>	<u>142,506</u>
Total governmental activities	12,564,845	731,756	2,348,797	142,506
Business type activities:				
Non-instructional programs:				
Food service operations	616,578	328,231	276,589	-
Total	<u>13,181,423</u>	<u>1,059,987</u>	<u>2,625,386</u>	<u>142,506</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(3,456,663)	-	(3,456,663)
(1,215,999)	-	(1,215,999)
<u>(618,135)</u>	-	<u>(618,135)</u>
<u>(5,290,797)</u>	-	<u>(5,290,797)</u>
(441,909)	-	(441,909)
(444,330)	-	(444,330)
(1,234,406)	-	(1,234,406)
(943,272)	-	(943,272)
<u>(829,243)</u>	-	<u>(829,243)</u>
<u>(3,893,160)</u>	-	<u>(3,893,160)</u>
11,036	-	11,036
(61,522)	-	(61,522)
-	-	-
<u>(107,343)</u>	-	<u>(107,343)</u>
<u>(157,829)</u>	-	<u>(157,829)</u>
(9,341,786)	-	(9,341,786)
-	<u>(11,758)</u>	<u>(11,758)</u>
<u>(9,341,786)</u>	<u>(11,758)</u>	<u>(9,353,544)</u>
3,804,746	-	3,804,746
145,027	-	145,027
398,330	-	398,330
717,783	-	717,783
5,253,479	-	5,253,479
134,472	4,527	138,999
14,941	-	14,941
<u>10,468,778</u>	<u>4,527</u>	<u>10,473,305</u>
1,126,992	(7,231)	1,119,761
<u>4,648,962</u>	<u>285,945</u>	<u>4,934,907</u>
<u>5,775,954</u>	<u>278,714</u>	<u>6,054,668</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments:					
ISCAP	299,583	-	-	-	299,583
Other	1,522,216	1,008,373	10,843,910	443,770	13,818,269
Receivables:					
Property tax:					
Delinquent	68,228	2,693	-	3,805	74,726
Succeeding year	3,595,743	148,419	-	414,950	4,159,112
Accounts	19,337	-	1,586	-	20,923
Accrued interest - ISCAP	93	-	-	-	93
Accrued interest - other	-	-	31,983	1,031	33,014
Due from other governments	161,320	345,334	149,278	-	655,932
Total assets	5,666,520	1,504,819	11,026,757	863,556	19,061,652
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	146,025	129,688	110,781	8,995	395,489
Salaries and benefits payable	849,095	-	-	-	849,095
ISCAP warrants payable	300,000	-	-	-	300,000
ISCAP accrued interest payable	74	-	-	-	74
ISCAP premium	2,283	-	-	-	2,283
Deferred revenue:					
Succeeding year property tax	3,595,743	148,419	-	414,950	4,159,112
Other	83,577	345,334	-	-	428,911
Total liabilities	<u>4,976,797</u>	<u>623,441</u>	<u>110,781</u>	<u>423,945</u>	<u>6,134,964</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	200,690	200,690
Unreserved, reported in:					
General fund	689,723	-	-	-	689,723
Special revenue funds	-	881,378	-	238,921	1,120,299
Capital project funds	-	-	10,915,976	-	10,915,976
Total fund balances	<u>689,723</u>	<u>881,378</u>	<u>10,915,976</u>	<u>439,611</u>	<u>12,926,688</u>
Total liabilities and fund balances	5,666,520	1,504,819	11,026,757	863,556	19,061,652

ALLAMAKEE 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)	12,926,688
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the Governmental Funds.	3,343,106
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	345,334
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.	80,311
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(65,825)
Long-term liabilities, including bonds payable, unamortized bond premiums, termination benefits and compensated absences are not due and payable in the current period and therefore, are not reported as liabilities in the Governmental Funds.	<u>(10,853,660)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,775,954</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,603,786	487,683	717,783	200,960	5,010,212
Tuition	145,314	-	-	-	145,314
Other	268,732	37,081	175,206	403,639	884,658
State sources	6,201,881	127	-	175	6,202,183
Federal sources	1,389,472	-	-	-	1,389,472
Total revenues	<u>11,609,185</u>	<u>524,891</u>	<u>892,989</u>	<u>604,774</u>	<u>13,631,839</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	5,067,888	-	-	63,417	5,131,305
Special instruction	1,418,881	-	-	-	1,418,881
Other instruction	863,058	-	-	376,231	1,239,289
	<u>7,349,827</u>	<u>-</u>	<u>-</u>	<u>439,648</u>	<u>7,789,475</u>
Support services:					
Student services	439,809	-	-	2,100	441,909
Instructional staff services	428,639	-	-	1,525	430,164
Administration services	1,228,861	20	80,986	4,850	1,314,717
Operation and maintenance of plant services	848,897	12,047	-	83,937	944,881
Transportation services	757,708	122,186	-	25,254	905,148
	<u>3,703,914</u>	<u>134,253</u>	<u>80,986</u>	<u>117,666</u>	<u>4,036,819</u>
Other expenditures:					
Facilities acquisition	-	434,932	580,301	-	1,015,233
AEA flowthrough	455,445	-	-	-	455,445
	<u>455,445</u>	<u>434,932</u>	<u>580,301</u>	<u>-</u>	<u>1,470,678</u>
Total expenditures	<u>11,509,186</u>	<u>569,185</u>	<u>661,287</u>	<u>557,314</u>	<u>13,296,972</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,999</u>	<u>(44,294)</u>	<u>231,702</u>	<u>47,460</u>	<u>334,867</u>
Other financing sources (uses):					
Sale of equipment	4,324	-	-	-	4,324
Bonds issued	-	-	9,700,000	-	9,700,000
Bond premium	-	-	93,889	-	93,889
Operating transfers in	-	-	-	98,347	98,347
Operating transfers out	-	(98,347)	-	-	(98,347)
Total other financing sources (uses)	<u>4,324</u>	<u>(98,347)</u>	<u>9,793,889</u>	<u>98,347</u>	<u>9,798,213</u>
Net change in fund balances	104,323	(142,641)	10,025,591	145,807	10,133,080
Fund balances beginning of year	<u>585,400</u>	<u>1,024,019</u>	<u>890,385</u>	<u>293,804</u>	<u>2,793,608</u>
Fund balances end of year	<u><u>689,723</u></u>	<u><u>881,378</u></u>	<u><u>10,915,976</u></u>	<u><u>439,611</u></u>	<u><u>12,926,688</u></u>

ALLAMAKEE 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)		10,133,080
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	1,014,466	
Depreciation expense	<u>(275,624)</u>	738,842
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		55,674
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due and includes the amortization of bond premiums		(65,043)
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	(17,871)	
Compensated absences	<u>(4,112)</u>	(21,983)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(9,793,889)
Bond issue costs are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		<u>80,311</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,126,992</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	194,286
Accounts receivable	2,261
Inventories	12,496
Capital assets, net of accumulated depreciation	<u>80,175</u>
Total assets	<u>289,218</u>
Liabilities	
Accounts payable	90
Salaries and benefits payable	2,302
Deferred revenue	<u>8,112</u>
Total liabilities	<u>10,504</u>
Net assets	
Invested in capital assets, net of related debt	80,175
Unrestricted	<u>198,539</u>
Total net assets	<u><u>278,714</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>328,231</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	214,887
Benefits	73,545
Purchased services	35,179
Supplies	280,146
Other expenses	1,259
Depreciation	<u>11,562</u>
	<u>616,578</u>
Operating loss	<u>(288,347)</u>
Non-operating revenue (expense):	
State sources	7,664
Federal sources	268,925
Interest income	4,527
Total non-operating revenue	<u>281,116</u>
Changes in net assets	(7,231)
Net assets beginning of year	<u>285,945</u>
Net assets end of year	<u><u>278,714</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	326,205
Cash payments to employees for services	(287,443)
Cash payments to suppliers for goods or services	(272,151)
Net cash used by operating activities	<u>(233,389)</u>
Cash flows from non-capital financing activities:	
State grants received	7,664
Federal grants received	224,744
Net cash provided by non-capital financing activities	<u>232,408</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(15,716)</u>
Cash flows from investing activities:	
Interest on investments	<u>4,527</u>
Net increase (decrease) in cash and cash equivalents	(12,170)
Cash and cash equivalents at beginning of year	<u>206,456</u>
Cash and cash equivalents at end of year	<u><u>194,286</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating gain (loss)	(288,347)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	44,181
Depreciation	11,562
Decrease (increase) in inventories	162
Decrease (increase) in accounts receivable	(2,261)
(Decrease) increase in accounts payable	90
(Decrease) increase in salaries and benefits payable	989
(Decrease) increase in deferred revenue	235
Net cash used in operating activities	<u><u>(233,389)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$44,181 of federal commodities.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2006

1. Summary of Significant Accounting Policies

The Allamakee 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 City of Waukon, Iowa and areas of Allamakee and Winneshiek 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, Allamakee 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 Allamakee 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 and proprietary funds. 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 instruction, 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 Capital Projects fund is used to account for all resources used in the acquisition and construction of capital facilities.

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 that 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 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
	\$
Buildings	25-50 years
Improvements other than buildings	20-25 years
Furniture and equipment	5-20 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 or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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. Expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the support services function.

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:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	<u>7,387,380</u>

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 was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Nonmajor Governmental Funds:		
Debt Service Fund	Physical Plant and Equipment Levy Fund	<u>98,347</u>

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
			\$	\$	\$	\$
2006-07A	6/28/06	6/28/07	<u>299,583</u>	<u>93</u>	<u>300,000</u>	<u>74</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006, is as follows:

	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Total	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2005-06A	4.000	3.903
2006-07A	4.500	5.676

5. 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	277,641	-	-	277,641
Construction in progress	254,502	660,948	254,502	660,948
Total capital assets not being depreciated	<u>532,143</u>	<u>660,948</u>	<u>254,502</u>	<u>938,589</u>
Capital assets being depreciated:				
Buildings	3,238,360	400,424	-	3,638,784
Improvements other than buildings	688,294	41,930	-	730,224
Furniture and equipment	2,443,536	165,666	-	2,609,202
Total capital assets being depreciated	<u>6,370,190</u>	<u>608,020</u>	<u>-</u>	<u>6,978,210</u>
Less accumulated depreciation for:				
Buildings	2,279,999	74,708	-	2,354,707
Improvements other than buildings	223,775	32,635	-	256,410
Furniture and equipment	1,794,295	168,281	-	1,962,576
Total accumulated depreciation	<u>4,298,069</u>	<u>275,624</u>	<u>-</u>	<u>4,573,693</u>
Total capital assets being depreciated, net	<u>2,072,121</u>	<u>332,396</u>	<u>-</u>	<u>2,404,517</u>
Governmental activities capital assets, net	<u>2,604,264</u>	<u>993,344</u>	<u>254,502</u>	<u>3,343,106</u>

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Business type activities:				
Furniture and equipment	167,773	15,716	-	183,489
Less accumulated depreciation	91,752	11,562	-	103,314
Business type activities capital assets, net	<u>76,021</u>	<u>4,154</u>	<u>-</u>	<u>80,175</u>

Depreciation expense was charged to the following functions:

Governmental activities:	\$
Instruction:	
Regular	11,349
Other	10,554
Support Services:	
Instructional staff services	18,433
Operation and maintenance of plant	6,084
Transportation	121,861
	<u>168,281</u>
Unallocated depreciation	<u>107,343</u>
Total depreciation expense – governmental activities	<u>275,624</u>
Business type activities:	
Food service operations	<u>11,562</u>

6. 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
	\$	\$	\$	\$	\$
General obligation bonds	-	9,700,000	-	9,700,000	310,000
Qualified Zone Academy Bonds	1,000,000	-	-	1,000,000	-
Termination benefits	15,231	30,000	12,129	33,102	13,102
Compensated absences	23,339	23,950	19,838	27,451	23,333
Total	1,038,570	9,753,950	31,967	10,760,553	346,435

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2006. Eligible employees must have completed at least fifteen 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 was due by March 1, 2006 and the board reserved the right to limit the number of participants.

Early retirement incentive was \$15,000 payable in three yearly installments of \$5,000.

At June 30, 2006, the District has obligations to three participants with a total liability of \$33,102. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$12,129.

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2007	3.75	310,000	394,953	704,953
2008	3.75	330,000	383,327	713,327
2009	3.75	340,000	370,953	710,953
2010	3.75	360,000	358,202	718,202
2011	3.75	375,000	344,703	719,703
2012-2016	3.75-5.00	2,135,000	1,490,200	3,625,200
2017-2021	3.85-4.00	2,630,000	987,812	3,617,812
2022-2026	4.05-4.25	3,220,000	413,630	3,633,630
		<u>9,700,000</u>	<u>4,743,780</u>	<u>14,443,780</u>

Qualified Zone Academy Bonds – The District issued \$1,000,000 of qualified zone academy bonds in September 2003. The bonds were issued to finance remodeling of existing school facilities that have been designated qualified zone academy projects. The bonds are interest free and the entire balance is due on May 1, 2013. Beginning May 1, 2005 the District is required to place nine annual payments of \$98,347 into an escrow account, which has a 3% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature. The annual payments to the

escrow account will be made from the Physical Plant and Equipment Levy Fund and the escrow account is recorded in the Debt Service Fund.

Year Ending June 30,	Interest Rates	Principal
	%	\$
2007	-	-
2008	-	-
2009	-	-
2010	-	-
2011	-	-
2012-2013		<u>1,000,000</u>
		<u>1,000,000</u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 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 \$397,925, \$382,841, and \$360,389 respectively, equal to the required contributions for each year.

8. Risk Management

Allamakee Community School District is a member in the Northeast Iowa Conference Schools 28E Retention Pool Trust, an Iowa Code Chapter 28E organization. The Northeast Iowa Conference school 28E Retention Pool Trust (Trust) is a local government risk-sharing pool whose members include various schools throughout northeast Iowa. The primary purpose of the Trust is to provide medical and dental benefits to the School employees and retirees, and their dependents.

Each member's contributions to the Trust fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Trust's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the Trust. District contributions to the Trust for the year ended June 30, 2006 were \$1,363,918.

Payments from participating schools are the sole source for paying claims and establishing reserves for the Trust's self-funded programs. Stop loss insurance is purchased to cover claims in excess of \$85,000 per individual and aggregate stop loss insurance is purchased to limit the total cost to the group, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the District's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$455,445 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.

10. Construction Commitment

The District has entered into a \$260,000 roof replacement contract. As of June 30, 2006, costs of \$127,400 had been incurred against the contract. The balance remaining will be paid as work on the project progresses.

The District issued \$9,700,000 of bonds in May 2006. The bids for these construction projects were awarded after year-end.

11. Lease Commitment

The District entered into a 5 year contracts to lease copy machines. The remaining payments the District will make over the next two years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2007	26,784
2008	22,320

REQUIRED SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison 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	6,040,184	332,758	6,372,942	6,265,819	6,265,819	107,123
Intermediate sources	-	-	-	10,000	10,000	(10,000)
State sources	6,202,183	7,664	6,209,847	6,115,647	6,115,647	94,200
Federal sources	1,389,472	268,925	1,658,397	1,505,000	1,505,000	153,397
Total revenues	<u>13,631,839</u>	<u>609,347</u>	<u>14,241,186</u>	<u>13,896,466</u>	<u>13,896,466</u>	<u>344,720</u>
Expenditures:						
Instruction	7,789,475	-	7,789,475	7,864,638	8,100,000	310,525
Support services	4,036,819	-	4,036,819	3,530,700	4,000,000	(36,819)
Non-instructional programs	-	616,578	616,578	624,500	700,000	83,422
Other expenditures	1,470,678	-	1,470,678	1,922,416	2,500,000	1,029,322
Total expenditures	<u>13,296,972</u>	<u>616,578</u>	<u>13,913,550</u>	<u>13,942,254</u>	<u>15,300,000</u>	<u>1,386,450</u>
Excess (deficiency) of revenues over (under) expenditures	334,867	(7,231)	327,636	(45,788)	(1,403,534)	1,731,170
Other financing sources net	<u>9,798,213</u>	<u>-</u>	<u>9,798,213</u>	<u>-</u>	<u>-</u>	<u>9,798,213</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	10,133,080	(7,231)	10,125,849	(45,788)	(1,403,534)	11,529,383
Balance beginning of year	<u>2,793,608</u>	<u>285,945</u>	<u>3,079,553</u>	<u>2,750,836</u>	<u>2,750,836</u>	<u>328,717</u>
Balance end of year	<u><u>12,926,688</u></u>	<u><u>278,714</u></u>	<u><u>13,205,402</u></u>	<u><u>2,705,048</u></u>	<u><u>1,347,302</u></u>	<u><u>11,858,100</u></u>

ALLAMAKEE 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 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 \$1,357,746.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity Fund	Service	
	\$	\$	\$	\$
Cash and pooled investments	121,673	122,438	199,659	443,770
Receivables:				
Property tax:				
Delinquent	3,805	-	-	3,805
Succeeding year	209,998	-	204,952	414,950
Accrued interest	-	-	1,031	1,031
Total assets	335,476	122,438	405,642	863,556
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	1,000	7,995	-	8,995
Deferred revenue:				
Succeeding year property tax	209,998	-	204,952	414,950
Total liabilities	210,998	7,995	204,952	423,945
Fund balances:				
Reserved for debt service	-	-	200,690	200,690
Unreserved fund balance, reported in:				
Special revenue funds	124,478	114,443	-	238,921
Total fund equity	124,478	114,443	200,690	439,611
Total liabilities and fund balances	335,476	122,438	405,642	863,556

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	<u>Special Revenue Funds</u>			<u>Total</u>
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	200,960	-	-	200,960
Other	11,953	388,165	3,521	403,639
State sources	175	-	-	175
Total revenues	<u>213,088</u>	<u>388,165</u>	<u>3,521</u>	<u>604,774</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	63,417	-	-	63,417
Other instruction	-	376,231	-	376,231
Support services:				
Student services	2,100	-	-	2,100
Instructional staff services	1,525	-	-	1,525
Administration services	4,850	-	-	4,850
Operation and maintenance of plant services	83,937	-	-	83,937
Transportation services	25,254	-	-	25,254
Total expenditures	<u>181,083</u>	<u>376,231</u>	<u>-</u>	<u>557,314</u>
Excess (deficiency) of revenues over (under) expenditures	32,005	11,934	3,521	47,460
Other financing sources (uses):				
Operating transfers in	-	-	98,347	98,347
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	32,005	11,934	101,868	145,807
Fund balances beginning of year	<u>92,473</u>	<u>102,509</u>	<u>98,822</u>	<u>293,804</u>
Fund balances end of year	<u>124,478</u>	<u>114,443</u>	<u>200,690</u>	<u>439,611</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u> \$	<u>Revenues</u> \$	<u>Expenditures</u> \$	<u>Intra-Fund Transfers</u> \$	<u>Balance End of Year</u> \$
East Elementary					
Unallocated interest	7,679	5,266	5,262	-	7,683
BK fund raiser	433	1,153	1,153	-	433
Waterville					
Unallocated interest	8,643	4,234	4,405	-	8,472
BK fund raiser	65	-	65	-	-
Waterville prairie	435	1	-	-	436
Junior High					
Drama	-	247	392	145	-
Boys athletics	-	514	514	-	-
Boys basketball	-	1,523	1,523	-	-
Boys football	-	2,406	2,779	373	-
Boys track	-	936	1,190	254	-
Boys cross country	-	-	40	40	-
Boys wrestling	-	-	467	467	-
Girls athletics	-	505	505	-	-
Girls basketball	-	1,982	1,982	-	-
Girls volleyball	-	1,516	1,689	173	-
Girls track	-	241	241	-	-
Girls cross country	-	35	35	-	-
Annual	-	5,364	5,364	-	-
Cheerleaders	-	856	239	-	617
Juice machine	36	67	-	-	103
Milk vendor	1,014	1,136	1,941	-	209
Interest	318	-	-	(318)	-
Student council	2,524	3,584	3,575	-	2,533
Unallocated interest	61	3,648	1,775	(1,134)	800
West Elementary					
Unallocated interest	4,861	1,619	2,726	-	3,754
BK fund raiser	1,320	1,555	1,269	-	1,606
High School					
Rewards club	320	-	-	-	320
Drama	2,875	985	497	-	3,363
Musical	5,358	8,506	6,019	-	7,845
Boys athletics	-	3,063	2,626	-	437
Boys basketball	-	5,267	5,267	-	-
Boys basketball club	632	1,888	2,520	-	-
Boys basketball camp	34	-	-	-	34
Boys football	-	15,846	15,846	-	-
Football club	164	17,881	18,045	-	-
Boys baseball	-	10,176	10,176	-	-
Boys track	-	3,375	3,375	-	-

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u> \$	<u>Revenues</u> \$	<u>Expenditures</u> \$	<u>Intra-Fund Transfers</u> \$	<u>Balance End of Year</u> \$
Boys cross country	-	645	645	-	-
Boys golf	-	130	130	-	-
Boys wrestling	-	15,495	15,495	-	-
Girls athletics	-	2,859	2,264	-	595
Girls basketball	-	6,493	6,493	-	-
Indian girls basketball club	5,007	17,221	13,251	-	8,977
Girls volleyball	-	7,415	7,415	-	-
Girls softball	-	11,203	11,203	-	-
Girls track	-	8,759	8,759	-	-
Girls cross country	-	1,282	1,282	-	-
Girls golf	-	860	860	-	-
Annual	6,667	7,468	5,987	-	8,148
Cheerleaders	2,982	10,080	11,571	-	1,491
Milk vendor	476	535	537	-	474
Interest	196	1,976	-	-	2,172
Class of 2006	116	520	483	-	153
Class of 2007	58	2,352	1,196	-	1,214
Concessions	14,176	47,583	42,586	-	19,173
FBLA	149	17,642	17,502	-	289
FFA	13,186	60,312	57,715	-	15,783
District FFA	-	3,233	986	-	2,247
FCCLA	1,778	2,395	2,517	-	1,656
Flags	184	-	-	-	184
NHS	1,072	728	1,702	-	98
Tasty Treat club	-	831	715	-	116
SADD	56	-	-	-	56
Student council	2,162	4,171	3,262	-	3,071
The Burning W Club	275	1,574	1,826	-	23
Spanish club	17,894	45,346	47,071	-	16,169
Volunteer club	-	123	63	-	60
Unallocated interest	31	5,781	4,825	-	987
Manufacturing	-	60	60	-	-
Indian café club	934	1,363	1,640	-	657
June 30, 2006 accruals	-	-	7,995	-	(7,995)
June 30, 2005 accruals	(1,662)	(3,645)	(5,307)	-	-
Total	102,509	388,165	376,231	-	114,443

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Year

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	5,010,212	5,017,715	4,259,912	3,995,152
Tuition	145,314	172,562	192,329	136,907
Other	884,658	623,274	581,635	546,063
Intermediate sources	-	-	6,310	7,674
State sources	6,202,183	6,021,701	6,006,881	6,094,479
Federal sources	1,389,472	1,160,599	768,204	800,788
Total revenues	<u>13,631,839</u>	<u>12,995,851</u>	<u>11,815,271</u>	<u>11,581,063</u>
Expenditures:				
Instruction:				
Regular instruction	5,131,305	5,060,832	4,778,337	4,901,094
Special instruction	1,418,881	1,326,160	1,636,501	1,380,698
Other instruction	1,239,289	1,299,578	977,129	960,432
Support services:				
Student services	441,909	260,553	359,070	236,796
Instructional staff services	430,164	618,854	479,584	567,641
Administration services	1,314,717	1,151,871	950,972	843,616
Operation and maintenance of plant services	944,881	844,649	746,067	647,529
Transportation services	905,148	861,017	827,668	847,563
Other support services	-	-	-	1,818
Non-instructional programs	-	-	33,793	12,505
Other expenditures:				
Facilities acquisition	1,015,233	809,220	466,148	395,083
AEA flowthrough	455,445	450,862	459,398	486,388
Total expenditures	<u>13,296,972</u>	<u>12,683,596</u>	<u>11,714,667</u>	<u>11,281,163</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Direct:			
U.S. Department of Education:			
Safe Schools/Healthy Students Grants	84.184L	Q184L040062	854,484
U.S. Department of Justice:			
Developing, Testing, and Demonstrating Promising New Programs	16.541	2005JLFX0177	58,312
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY06	197,953
School Breakfast Program	10.553	FY06	26,790
			<u>224,743</u>
Food Distribution (non-cash)	10.550	FY06	44,181
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	0035-G-06	183,169
Title I Grants to Local Education Agencies	84.010	0035-GC-06	32,184
			<u>215,353</u>
Improving Teacher Quality State Grants	84.367	FY06	75,303
Grants for State Assessments and Related Activities	84.369	FY06	8,670
State Grants for Innovative Programs	84.298	FY06	5,359
Safe & Drug Free Schools and Communities - State Grant	84.186	FY06	5,328
Advanced Placement Program	84.330	FY06	52
Keystone AEA:			
Special Education Grants to States	84.027	FY06	<u>83,398</u>
Total			<u><u>1,575,183</u></u>

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

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
Allamakee 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 Allamakee 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 18, 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 Allamakee 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 and Questioned Costs.

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 item 06-II-A is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Allamakee Community School District and other parties to whom Allamakee 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 Allamakee 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 18, 2006

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Allamakee Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Allamakee Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Allamakee Community School District's management. Our responsibility is to express an opinion on Allamakee Community School District's compliance based on our audit.

We conducted our audit of compliance 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 and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allamakee Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Allamakee Community School District's compliance with those requirements.

In our opinion, Allamakee Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Allamakee Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Allamakee Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grant agreements. The reportable condition is described as item 06-III-A in the accompanying Schedule of Findings and Questioned Costs.

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 noncompliance with applicable requirement program 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 compliance 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, we believe item 06-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the Allamakee Community School District and other parties to whom the Allamakee 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.

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

October 18, 2006

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.184L Safe Schools/Healthy Students
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Allamakee Community School District did not qualify as a low-risk auditee.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-II-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 consider increasing its monitoring procedures 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.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

CFDA Number 84.184L: Safe Schools/Healthy Students
Award Number Q184L040062
Federal Award Year: 2006
U.S. Department of Education
Direct Grant

06-III-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 increase monitoring procedures 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.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Statutory Reporting:

06-IV-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the support services function.

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

District Response: We did amend our budget but bond issue costs incurred in May caused the support services area to go over budget.

Conclusion: Response accepted.

06-IV-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-IV-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-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>
Dwight Watkins, board member, loan officer at local bank	School banking

Recommendation: The District should consult with its attorney before entering into any transactions with this bank.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

06-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

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