

**ALTA COMMUNITY SCHOOL DISTRICT
ALTA, IOWA**

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

YEAR ENDED JUNE 30, 2006

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Alta Community School District
Alta, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 Election)		
Valarie Rosenthal	President	2007
Richard Marshall	Vice President	2005
Warren Larson	Board Member	2006
Suzette Radke	Board Member	2006
Ila Galvin	Board Member	2007
Board of Education		
(After September 2005 Election)		
Valarie Rosenthal	President	2007
Suzette Radke	Vice President	2006
Warren Larson	Board Member	2006
Ila Galvin	Board Member	2007
Dave Turnquist	Board Member	2008
School Officials		
Dr. Fred Maharry	Superintendent	2006
Connie Jensen	District Secretary/Treasurer and Business Manager	2006
Gruhn Law Firm	Attorney	Indefinite

Independent Auditor's Report

To the Board of Education of
Alta 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 Alta Community School District, Alta, Iowa, as of and for the year ended June 30, 2006, which along with the discretely presented component unit, collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

The financial statements of Alta Community Educational Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the District's basic financial statements. Alta Community Educational Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net assets, revenues and expenses, of the District's aggregate discretely presented component units.

Because Alta Community Educational Foundation financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component unit of the Alta Community School District, as of and for the year ended June 30, 2006.

In addition, 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 Alta 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 September 27, 2006 on our consideration of Alta Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 44 through 47 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 Alta Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

September 27, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alta Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,401,684 in fiscal 2005 to \$4,544,119 in fiscal 2006, while General Fund expenditures increased from \$4,509,716 in fiscal 2005 to \$4,940,273 in fiscal 2006. The District's General Fund balance decreased from \$415,310 in fiscal 2005 to \$30,342 in fiscal 2006, a 93% decrease.

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 Alta 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 Alta 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 Alta Community School District acts solely as an agent or custodian for the benefit of those outside of school 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 nonmajor Special Revenue Funds.

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

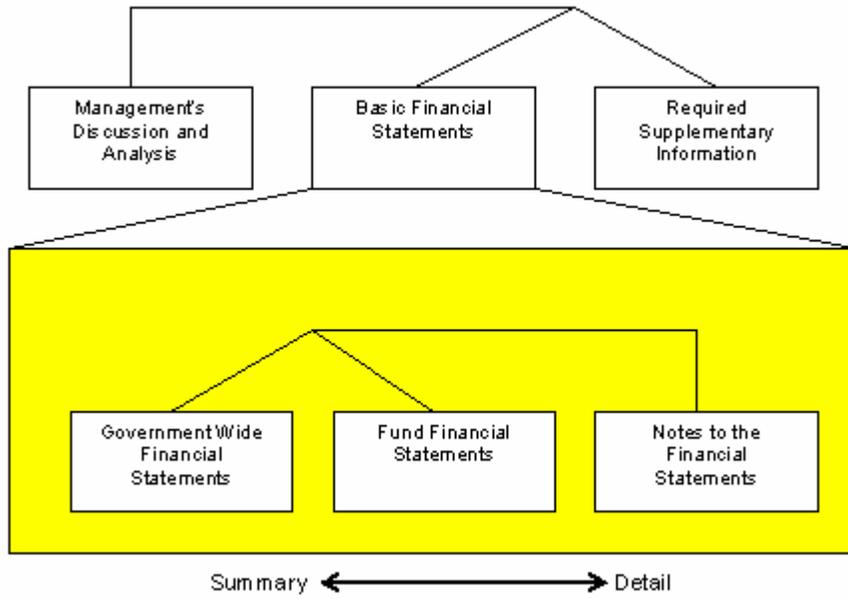


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

The required financial statements for fiduciary funds includes a statement of fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3

Condensed Statement of Net Assets

(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$ 2,973	3,081	51	59	3,024	3,140	-3.7%
Capital assets	4,118	4,124	18	22	4,136	4,146	-.2%
Total assets	<u>7,091</u>	<u>7,205</u>	<u>69</u>	<u>81</u>	<u>7,160</u>	<u>7,286</u>	<u>-1.7%</u>
Long-term liabilities	3,102	3,231	---	---	3,102	3,231	-4.0%
Other liabilities	2,446	2,317	---	---	2,446	2,317	5.6%
Total liabilities	<u>5,548</u>	<u>5,548</u>	<u>---</u>	<u>---</u>	<u>5,548</u>	<u>5,548</u>	<u>.0%</u>
Net assets:							
Invested in capital assets, net of related debt	1,028	893	18	22	1,046	915	14.3%
Restricted	65	30	---	---	65	30	116.7%
Unrestricted	450	734	51	59	501	793	-36.9%
Total net assets	\$ 1,543	1,657	69	81	1,612	1,738	-7.3%
	=====	=====	=====	=====	=====	=====	=====

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

Figure A-4

Changes in Net Assets

(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District	
	2006	2005	2006	2005	2006	2005
	Revenues:					
Program revenues:						
Charges for service	\$ 351	329	94	87	445	416
Operating grants, contributions and restricted interest	686	596	129	129	815	725
Capital grants, contributions and restricted interest	8	25	---	---	8	25
General revenues:						
Property tax	1,707	1,684	---	---	1,707	1,684
Local option sales and service tax	319	293	---	---	319	293
Income surtax	157	121	---	---	157	121
Unrestricted state grants	2,110	2,117	---	---	2,110	2,117
Unrestricted investment earnings	9	6	---	---	9	6
Other	41	182	2	---	43	182
Total revenues	<u>5,388</u>	<u>5,353</u>	<u>225</u>	<u>216</u>	<u>5,613</u>	<u>5,569</u>
Program expenses:						
Governmental activities:						
Instruction	3,498	3,244	---	---	3,498	3,244
Support services	1,569	1,352	---	---	1,569	1,352
Non-instructional programs	1	4	236	230	237	234
Other expenses	433	467	---	---	433	467
Total expenses	<u>5,501</u>	<u>5,067</u>	<u>236</u>	<u>230</u>	<u>5,737</u>	<u>5,297</u>
Change in net assets	\$ (113)	286	(11)	(14)	(124)	272
	=====	=====	=====	=====	=====	=====

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,387,984 and expenses were \$5,501,615.

Business Type Activities

Revenues for business type activities were \$224,511 and expenses were \$235,912. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$401,438 below last year's ending fund balances of \$681,045.

Governmental Fund Highlights

- The General Fund balance decreased from \$415,310 to \$30,342.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$7,549 in fiscal 2005 to \$53,951 in fiscal 2006.
- The Capital Projects Fund balance increased from \$244,576 in fiscal 2005 to \$250,538 in fiscal 2006.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$80,725 at June 30, 2005 to \$69,324 at June 30, 2006, representing a decrease of approximately 14%. The decrease was largely due to the increase in benefits paid by the nutrition fund rather than the general fund in fiscal year ended June 30, 2006.

BUDGETARY HIGHLIGHTS

Over the course of the year, Alta Community School District did not amend its annual budget.

The District's receipts were \$65,402 more than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. However, the certified budget was exceeded in the support services and other expenditures functional areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$169,368.

The original cost of the District's capital assets was \$6.5 million. Governmental funds account for \$6.4 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the purchase of equipment.

Long-Term Debt

At June 30, 2006, the District had \$3,101,211 in general obligation, and other long-term debt outstanding. This represents a decrease of approximately 4.0% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Buena Vista County has advised the District that the District's total taxable valuation will be very similar to property taxes collected in fiscal 2006. The wind towers in the District have added significantly to property values and helped reduce property taxes.
- The District experienced a decline in enrollment again, and staffing expenditures should be addressed due to less revenue. Increased health insurance and energy costs, and decreased "new money" from the State make this situation more challenging.
- Fiscal 2006 was another year in which a one-year agreement was reached with the Alta Education Association. The District will negotiate a new agreement during fiscal 2007. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie Jensen, District Secretary/Treasurer and Business Manager, Alta Community School District, 101 W. 5th Street, Alta, Iowa, 51002.

Basic Financial Statements

Alta Community School District
Alta, Iowa

Exhibit A

Statement of Net Assets

June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Educational Foundation
Assets				
Cash and cash equivalents and pooled investments	\$ 861,736	61,811	923,547	130,576
Receivables:				
Property tax:				
Delinquent	16,526	-	16,526	-
Succeeding year	1,778,000	-	1,778,000	-
Accounts	-	-	-	-
Due from other governments	299,486	-	299,486	-
Due from other funds	17,465	(17,465)	-	-
Inventories	-	7,029	7,029	-
Capital assets, net of accumulated depreciation	4,117,954	17,949	4,135,903	-
Total assets	7,091,167	69,324	7,160,491	130,576
Liabilities				
Excess of warrants issued over bank balance	24,009	-	24,009	-
Accounts payable	157,635	-	157,635	-
Salaries and benefits payable	463,393	-	463,393	-
Accrued interest payable	23,838	-	23,838	-
Deferred revenue - succeeding year property tax	1,778,000	-	1,778,000	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	140,000	-	140,000	-
Early retirement payable	10,844	-	10,844	-
Note payable	10,687	-	10,687	-
Real estate contract payable	20,352	-	20,352	-
Portion due after one year:				
General obligation bonds payable	2,860,000	-	2,860,000	-
Real estate contract payable	59,328	-	59,328	-
Total liabilities	5,548,086	-	5,548,086	-

(continued)

Alta Community School District
Alta, Iowa

Exhibit A

Statement of Net Assets

June 30, 2006

	Primary Government			Component
	Governmental	Business Type	Total	Unit
	<u>Activities</u>	<u>Activities</u>		<u>Educational</u> <u>Foundation</u>
Net assets				
Invested in capital assets, net of related debt	1,027,587	17,949	1,045,536	-
Restricted for:				
Management levy	(22,846)	-	(22,846)	-
Physical plant and equipment levy	53,951	-	53,951	-
Other special revenue purposes	34,366	-	34,366	-
Foundation purposes	-	-	-	130,576
Unrestricted	<u>450,023</u>	<u>51,375</u>	<u>501,398</u>	<u>-</u>
Total net assets	<u>\$ 1,543,081</u>	<u>69,324</u>	<u>1,612,405</u>	<u>130,576</u>

See notes to financial statements.

Alta Community School District
Alta, Iowa
Statement of Activities
Year ended June 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,307,432	182,493	264,841	-
Special instruction	473,974	6,598	123,753	-
Other instruction	716,696	162,132	7,489	-
	<u>3,498,102</u>	<u>351,223</u>	<u>396,083</u>	<u>-</u>
Support services:				
Student services	112,523	-	13,737	-
Instructional staff services	169,792	-	85,432	-
Administration services	603,132	-	-	-
Operation and maintenance of plant services	500,822	-	-	-
Transportation services	182,878	-	6,965	-
	<u>1,569,147</u>	<u>-</u>	<u>106,134</u>	<u>-</u>
Non-instructional programs	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	35,820	-	-	7,554
Long-term debt interest	128,478	-	-	-
AEA flowthrough	183,465	-	183,465	-
Depreciation (unallocated)*	85,103	-	-	-
	<u>432,866</u>	<u>-</u>	<u>183,465</u>	<u>7,554</u>
Total governmental activities	<u>5,501,615</u>	<u>351,223</u>	<u>685,682</u>	<u>7,554</u>
Business type activities:				
Non-instructional programs:				
Food service operations	235,912	93,623	128,744	-
Total primary government	<u>\$ 5,737,527</u>	<u>444,846</u>	<u>814,426</u>	<u>7,554</u>
Component Unit:				
Educational Foundation				
	<u>\$ 137,944</u>	<u>-</u>	<u>22,740</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
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 included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Educational Foundation
(1,860,098)	-	(1,860,098)	-
(343,623)	-	(343,623)	-
(547,075)	-	(547,075)	-
<u>(2,750,796)</u>	<u>-</u>	<u>(2,750,796)</u>	<u>-</u>
(98,786)	-	(98,786)	-
(84,360)	-	(84,360)	-
(603,132)	-	(603,132)	-
(500,822)	-	(500,822)	-
(175,913)	-	(175,913)	-
<u>(1,463,013)</u>	<u>-</u>	<u>(1,463,013)</u>	<u>-</u>
<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>
(28,266)	-	(28,266)	-
(128,478)	-	(128,478)	-
-	-	-	-
<u>(85,103)</u>	<u>-</u>	<u>(85,103)</u>	<u>-</u>
<u>(241,847)</u>	<u>-</u>	<u>(241,847)</u>	<u>-</u>
<u>(4,457,156)</u>	<u>-</u>	<u>(4,457,156)</u>	<u>-</u>
-	(13,545)	(13,545)	-
<u>(4,457,156)</u>	<u>(13,545)</u>	<u>(4,470,701)</u>	<u>-</u>
-	-	-	(115,204)
1,561,685	-	1,561,685	-
145,173	-	145,173	-
157,679	-	157,679	-
318,506	-	318,506	-
2,110,615	-	2,110,615	-
8,863	299	9,162	3,558
41,004	1,845	42,849	-
<u>4,343,525</u>	<u>2,144</u>	<u>4,345,669</u>	<u>3,558</u>
(113,631)	(11,401)	(125,032)	(111,646)
1,656,712	80,725	1,737,437	242,222
<u>\$ 1,543,081</u>	<u>69,324</u>	<u>1,612,405</u>	<u>130,576</u>

Alta Community School District
Alta, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 510,095	53,708	215,092	82,841	861,736
Receivables:					
Property tax:					
Delinquent	13,546	1,379	-	1,601	16,526
Succeeding year	1,467,000	143,000	-	168,000	1,778,000
Due from other funds	17,465	-	-	-	17,465
Due from other governments	241,315	-	50,617	7,554	299,486
Total assets	<u>\$ 2,249,421</u>	<u>198,087</u>	<u>265,709</u>	<u>259,996</u>	<u>2,973,213</u>
 Liabilities and Fund Balances					
Liabilities:					
Excess of warrants issued over bank balance	\$ -	-	-	24,009	24,009
Accounts payable	139,948	-	15,171	2,516	157,635
Salaries and benefits payable	463,393	-	-	-	463,393
Deferred revenue:					
Succeeding year property tax	1,467,000	143,000	-	168,000	1,778,000
Other	148,738	-	-	-	148,738
Total liabilities	<u>2,219,079</u>	<u>143,000</u>	<u>15,171</u>	<u>194,525</u>	<u>2,571,775</u>
Fund balances:					
Reserved for debt service	-	55,087	-	-	55,087
Reserved for Iowa Early Intervention Block Grant	32,084	-	-	-	32,084
Unreserved	(1,742)	-	250,538	65,471	314,267
Total fund balances	<u>30,342</u>	<u>55,087</u>	<u>250,538</u>	<u>65,471</u>	<u>401,438</u>
Total liabilities and fund balances	<u>\$ 2,249,421</u>	<u>198,087</u>	<u>265,709</u>	<u>259,996</u>	<u>2,973,213</u>

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit D

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

June 30, 2006

Total fund balances of governmental funds (page 17) \$ 401,438

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 4,117,954

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 148,738

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. (23,838)

Long-term liabilities, including bonds and notes payable, real estate contract payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds. (3,101,211)

Net assets of governmental activities (page 14) \$ 1,543,081

See notes to financial statements.

Alta Community School District

Exhibit E

Alta, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,521,625	145,077	318,506	165,751	2,150,959
Tuition	181,006	-	-	-	181,006
Other	53,983	1,093	4	164,504	219,584
State sources	2,498,472	96	-	112	2,498,680
Federal sources	289,033	-	-	7,554	296,587
Total revenues	<u>4,544,119</u>	<u>146,266</u>	<u>318,510</u>	<u>337,921</u>	<u>5,346,816</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,209,837	-	-	42,248	2,252,085
Special instruction	473,974	-	-	-	473,974
Other instruction	564,997	-	-	151,699	716,696
	<u>3,248,808</u>	<u>-</u>	<u>-</u>	<u>193,947</u>	<u>3,442,755</u>
Support services:					
Student services	112,523	-	-	-	112,523
Instructional staff services	133,621	-	36,171	-	169,792
Administration services	608,481	-	-	-	608,481
Operation and maintenance of plant services	495,688	-	38,199	43,039	576,926
Transportation services	156,187	-	-	9,209	165,396
	<u>1,506,500</u>	<u>-</u>	<u>74,370</u>	<u>52,248</u>	<u>1,633,118</u>
Non-instructional programs	1,500	-	-	-	1,500
Other expenditures:					
Facilities acquisition	-	-	88,421	8,095	96,516
Long-term debt:					
Principal	-	140,687	-	-	140,687
Interest and fiscal charges	-	150,255	-	-	150,255
AEA flowthrough	183,465	-	-	-	183,465
	<u>183,465</u>	<u>290,942</u>	<u>88,421</u>	<u>8,095</u>	<u>570,923</u>
Total expenditures	<u>4,940,273</u>	<u>290,942</u>	<u>162,791</u>	<u>254,290</u>	<u>5,648,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(396,154)</u>	<u>(144,676)</u>	<u>155,719</u>	<u>83,631</u>	<u>(301,480)</u>
Other financing sources (uses):					
Operating transfers in	-	160,444	-	-	160,444
Operating transfers out	(10,687)	-	(149,757)	-	(160,444)
Loan proceeds	21,373	-	-	-	21,373
Sale of supplies	500	-	-	-	500
Total other financing sources (uses)	<u>11,186</u>	<u>160,444</u>	<u>(149,757)</u>	<u>-</u>	<u>21,873</u>
Net change in fund balances	(384,968)	15,768	5,962	83,631	(279,607)
Fund balances beginning of year	415,310	39,319	244,576	(18,160)	681,045
Fund balances end of year	<u>\$ 30,342</u>	<u>55,087</u>	<u>250,538</u>	<u>65,471</u>	<u>401,438</u>

See notes to financial statements.

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

Year ended June 30, 2006

Net change in fund balances - total governmental funds (page 19) \$ (279,607)

*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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 159,657	
Depreciation expense	<u>(165,239)</u>	(5,582)

Certain unspent grant proceeds and income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 40,668

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issuances, as follows:

Issued	(21,373)	
Repaid	<u>161,326</u>	139,953

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		(10,201)
------------------	--	----------

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.

1,138

Change in net assets of governmental activities (page 16) \$ (113,631)

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2006

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 61,811
Inventories	7,029
Capital assets, net of accumulated depreciation	<u>17,949</u>
Total assets	<u>86,789</u>
Liabilities	
Due to other funds	<u>17,465</u>
Total liabilities	<u>17,465</u>
Net Assets	
Invested in capital assets, net of related debt	17,949
Unrestricted	<u>51,375</u>
Total net assets	<u>\$ 69,324</u>

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit H

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

Year ended June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 93,623
Miscellaneous	<u>1,845</u>
Total operating revenues	<u>95,468</u>
 Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	86,227
Benefits	40,765
Purchased services	2,491
Supplies	100,313
Depreciation	4,129
Other	<u>1,987</u>
Total operating expenses	<u>235,912</u>
 Operating loss	<u>(140,444)</u>
 Non-operating revenues:	
State sources	3,265
Federal sources	125,479
Interest income	<u>299</u>
Total non-operating revenues	<u>129,043</u>
 Net loss	(11,401)
Net assets beginning of year	<u>80,725</u>
Net assets end of year	<u>\$ 69,324</u>
See notes to financial statements.	

Alta Community School District
Alta, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

School
Nutrition

Cash flows from operating activities:

Cash received from sale of lunches and breakfasts	\$ 93,623
Cash received from miscellaneous operating activities	1,845
Cash paid to employees for services	(123,851)
Cash paid to suppliers for goods or services	<u>(89,974)</u>
Net cash used by operating activities	<u>(118,357)</u>

Cash flows from non-capital financing activities:

State grants received	3,265
Federal grants received	<u>107,869</u>
Net cash provided by non-capital financing activities	<u>111,134</u>

Cash flows from investing activities:

Interest on investments	<u>299</u>
-------------------------	------------

Net decrease in cash and cash equivalents (6,924)

Cash and cash equivalents beginning of year 68,735

Cash and cash equivalents end of year \$ 61,811

(continued)

Alta Community School District
Alta, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

School
Nutrition

**Reconciliation of operating loss to net cash used by
operating activities:**

Operating loss	\$ (140,444)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,610
Depreciation	4,129
(Increase) in inventories	(2,791)
Increase in due to other funds	3,139
Net cash used by operating activities	<u>\$ (118,357)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$17,610 of federal commodities.

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 6,700
Other receivables	<u>4,178</u>
Total assets	<u>10,878</u>
Liabilities	
Other payables	<u>10,878</u>
Total liabilities	<u>10,878</u>
Net assets	<u><u>\$ -</u></u>

See notes to financial statements.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Alta Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Alta, Iowa, and the predominate agricultural territory in Buena Vista, Cherokee and Sac 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, Alta 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.

These financial statements present the Alta Community School District and its component unit. Its component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

Discretely Presented Component Unit – The Alta Community Educational Foundation is a separate nonprofit organization whose purpose is to raise funds for the library, technology and music programs of the District. The records are maintained on the basis of cash and receipts and disbursements, with December 31 as its year end. The Alta Community Educational Foundation meets the definition of a component unit which should be discretely presented. The Foundation’s financial statements have not been audited and we do not express an opinion on them.

Jointly Governed Organization - 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 Buena Vista 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 attributable to the acquisition, construction or improvement of those assets.

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

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

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 imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

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

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

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 non-operating 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 non-operating 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.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

D. Assets, Liabilities and Fund Equity

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

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

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 become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

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	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 Years
Improvements other than buildings	20 Years
Furniture and equipment	5-12 Years

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

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

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

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

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. An accrual for earned but unused sick leave is not recorded in these financial statements because sick leave can only be used for time off for illness.

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.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the support services and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

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

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

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

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 104 ===

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

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

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, School Nutrition	\$ 17,465
		=====

The School Nutrition Fund is repaying the General Fund for wages for the cooks that did not get reimbursed back to the General Fund by June 30, 2006.

(4) 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>
Debt Service	Capital Projects	\$ 149,757
	General	<u>10,687</u>
Total		\$ 160,444
		=====

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

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>153,990</u>	<u>---</u>	<u>---</u>	<u>153,990</u>
Total capital assets not being depreciated	<u>153,990</u>	<u>---</u>	<u>---</u>	<u>153,990</u>
Capital assets being depreciated:				
Buildings	4,440,144	32,856	---	4,473,000
Improvements other than buildings	319,805	33,506	---	353,311
Furniture and equipment	<u>1,440,662</u>	<u>93,295</u>	<u>14,362</u>	<u>1,519,595</u>
Total capital assets being depreciated	<u>6,200,611</u>	<u>159,657</u>	<u>14,362</u>	<u>6,345,906</u>
Less accumulated depreciation for:				
Buildings	811,808	84,400	---	896,208
Improvements other than buildings	235,819	11,581	---	247,400
Furniture and equipment	<u>1,183,438</u>	<u>69,258</u>	<u>14,362</u>	<u>1,238,334</u>
Total accumulated depreciation	<u>2,231,065</u>	<u>165,239</u>	<u>14,362</u>	<u>2,381,942</u>
Total capital assets being depreciated, net	<u>3,969,546</u>	<u>(5,582)</u>	<u>---</u>	<u>3,963,964</u>
Governmental activities capital assets, net	<u>\$ 4,123,536</u>	<u>5,582</u>	<u>---</u>	<u>4,117,954</u>

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 53,385	---	3,856	49,529
Less accumulated depreciation	<u>31,307</u>	<u>4,129</u>	<u>3,856</u>	<u>31,580</u>
Business type activities capital assets, net	\$ 22,078	(4,129)	---	17,949
	=====	=====	=====	=====

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 48,919

Support services:

Administration 3,829

Operation and maintenance of plant 9,906

Transportation 17,482

80,136

Unallocated

85,103

Total depreciation expense – governmental activities

\$ 165,239

=====

Business type activities:

Food service operations \$ 4,129

=====

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

(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
Note payable	\$ ---	21,373	10,686	10,687	10,687
Real estate contract	100,320	---	20,640	79,680	20,352
General obligation bonds	3,130,000	---	130,000	3,000,000	140,000
Early retirement	<u>643</u>	<u>10,844</u>	<u>643</u>	<u>10,844</u>	<u>10,844</u>
Total	\$ 3,230,963 =====	32,217 =====	161,969 =====	3,101,211 =====	181,883 =====

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee are computed on a per diem basis according to the employee's current salary less additional pay. At June 30, 2006 the District has obligations to one participant with a total liability of \$10,844. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$643.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

General Obligation Bonds Payable

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

Year Ending <u>June 30,</u>	<u>Bond Issue of May 1, 2002</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	5.50%	\$ 140,000	\$ 143,030	\$ 283,030
2008	5.50	145,000	135,330	280,330
2009	5.40	155,000	127,355	282,355
2010	4.15	160,000	118,986	278,986
2011	4.25	170,000	112,345	282,345
2012-2016	4.45-4.65	980,000	442,304	1,422,304
2017-2021	4.75-4.90	<u>1,250,000</u>	<u>188,438</u>	<u>1,438,438</u>
Total		\$ 3,000,000	\$ 1,267,788	\$ 4,267,788
		=====	=====	=====

Real Estate Contract Payable

During the year ended June 30, 2005, the District entered into a contract for the purchase of land. The note bears interest at 0% and is payable from the Capital Projects, Local Option Sales Tax Fund. Details of the District's indebtedness under the contract at June 30, 2006 is as follows:

Year Ending <u>June 30,</u>	<u>Real Estate Contract Principal</u>
2007	\$ 20,352
2008	20,064
2009	19,776
2010	<u>19,488</u>
Total	\$ 79,680
	=====

During the year ended June 30, 2006, the District made principal payments totaling \$20,640 under the real estate contract.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

Note Payable

During the year ended June 30, 2006, the District entered into an agreement with the Alta Community Educational Foundation to finance the purchase of computers. The note bears interest at 0% and is payable from the Debt Service Fund. Details of the District's indebtedness under the agreement at June 30, 2006 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2007	\$ 10,687
	=====

During the year ended June 30, 2006, the District made principal payments totaling \$10,686 under the agreement.

(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 \$161,807, \$153,553 and \$147,140 respectively, equal to the required contributions for each year.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association, (ISEBA)

an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. The District's share of this assessment was \$14,600, of which \$7,000 was paid with the 2004-2005 premiums and \$7,600 was paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$354,741.

The District 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.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

(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 \$183,465 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) Deficit Fund Balance

The Special Revenue, Management Levy Fund had a deficit fund balance of \$22,846 at June 30, 2006. The deficit will be eliminated by the receipt of property tax in future years. The deficit in the Management Levy Fund was due to expenditures for early retirement in anticipation of future tax levies.

(11) Operating Leases

The District entered into an operating lease with Star Leasing Inc. for the rental of two copiers on June 26, 2003 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2006 was \$11,361. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2007	\$ 11,361
2008	11,361
2009	<u>1,892</u>
Total	\$ 24,614 =====

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2006

The District entered into an operating lease with Star Leasing, Inc. for the rental of a copier on June 25, 2004 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2006 was \$3,431. Future rental are scheduled as follows:

Year Ending <u>June 30,</u>	
2007	\$ 3,431
2008	3,431
2009	<u>3,145</u>
Total	\$ 10,007 =====

Required Supplementary Information

Alta Community School District
Alta, Iowa

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 2,571,369	95,767
State sources	2,495,262	3,265
Federal sources	<u>227,063</u>	<u>107,869</u>
Total receipts	<u>5,293,694</u>	<u>206,901</u>
Disbursements:		
Instruction	3,398,343	-
Support services	1,591,823	-
Non-instructional programs	1,500	213,825
Other expenditures	<u>564,852</u>	<u>-</u>
Total disbursements	<u>5,556,518</u>	<u>213,825</u>
Excess (deficiency) of receipts over (under) disbursements	(262,824)	(6,924)
Other financing sources	<u>21,873</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(240,951)	(6,924)
Balances beginning of year	<u>1,078,678</u>	<u>68,735</u>
Balances end of year	<u>\$ 837,727</u>	<u>61,811</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
2,667,136	2,584,514	2,584,514	82,622
2,498,527	2,554,679	2,554,679	(56,152)
<u>334,932</u>	<u>296,000</u>	<u>296,000</u>	<u>38,932</u>
<u>5,500,595</u>	<u>5,435,193</u>	<u>5,435,193</u>	<u>65,402</u>
3,398,343	3,500,927	3,500,927	102,584
1,591,823	1,581,499	1,581,499	(10,324)
215,325	272,000	272,000	56,675
<u>564,852</u>	<u>517,902</u>	<u>517,902</u>	<u>(46,950)</u>
<u>5,770,343</u>	<u>5,872,328</u>	<u>5,872,328</u>	<u>101,985</u>
(269,748)	(437,135)	(437,135)	167,387
<u>21,873</u>	<u>-</u>	<u>-</u>	<u>21,873</u>
(247,875)	(437,135)	(437,135)	189,260
<u>1,147,413</u>	<u>957,140</u>	<u>957,140</u>	<u>190,273</u>
<u>899,538</u>	<u>520,005</u>	<u>520,005</u>	<u>379,533</u>

Alta Community School District
Alta, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information
Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,293,694	53,122	5,346,816
Expenditures	5,556,518	91,778	5,648,296
Net	(262,824)	(38,656)	(301,480)
Other financing sources, net	21,873	-	21,873
Beginning fund balances	1,078,678	(397,633)	681,045
Ending fund balances	\$ 837,727	(436,289)	401,438
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 206,901	17,610	224,511
Expenses	213,825	22,087	235,912
Net	(6,924)	(4,477)	(11,401)
Beginning net assets	68,735	11,990	80,725
Ending net assets	\$ 61,811	7,513	69,324

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

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 Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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 ended June 30, 2006, disbursements in the support services and other expenditures functions exceeded the amounts budgeted.

Other Supplementary Information

Alta Community School District
Alta, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ -	36,882	45,959	82,841
Receivables:				
Property tax:				
Delinquent	1,163	-	438	1,601
Succeeding year	120,000	-	48,000	168,000
Due from other governments	<u>-</u>	<u>-</u>	<u>7,554</u>	<u>7,554</u>
Total assets	<u>\$ 121,163</u>	<u>36,882</u>	<u>101,951</u>	<u>259,996</u>
Liabilities and Fund Balances				
Liabilities:				
Excess of warrants issued over bank balance	\$ 24,009	-	-	24,009
Accounts payable	-	2,516	-	2,516
Deferred revenue:				
Succeeding year property tax	<u>120,000</u>	<u>-</u>	<u>48,000</u>	<u>168,000</u>
Total liabilities	144,009	2,516	48,000	194,525
Unreserved fund balances	<u>(22,846)</u>	<u>34,366</u>	<u>53,951</u>	<u>65,471</u>
Total liabilities and fund balances	<u>\$ 121,163</u>	<u>36,882</u>	<u>101,951</u>	<u>259,996</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 2

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

Year ended June 30, 2006

	Manage- ment <u>Levy</u>	Student Activity	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 118,839	-	46,912	165,751
Other	2,372	162,132	-	164,504
State sources	81	-	31	112
Federal sources	-	-	7,554	7,554
Total revenues	<u>121,292</u>	<u>162,132</u>	<u>54,497</u>	<u>337,921</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	42,248	-	-	42,248
Other instruction	-	151,699	-	151,699
Support services:				
Operation and maintenance of plant services	43,039	-	-	43,039
Transportation services	9,209	-	-	9,209
Other expenditures:				
Facilities acquisition	-	-	8,095	8,095
Total expenditures	<u>94,496</u>	<u>151,699</u>	<u>8,095</u>	<u>254,290</u>
Excess of revenues over expenditures	26,796	10,433	46,402	83,631
Fund balances beginning of year	<u>(49,642)</u>	<u>23,933</u>	<u>7,549</u>	<u>(18,160)</u>
Fund balances end of year	<u>\$ (22,846)</u>	<u>34,366</u>	<u>53,951</u>	<u>65,471</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	Balance Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intra- Fund Transfers	Balance End of Year
After School Program	\$ 8,256	8,058	5,789	-	10,525
Athletics	(3,350)	46,955	43,288	(150)	167
Ball Field	10,955	4,843	1,543	-	14,255
Baseball	426	2,086	1,116	-	1,396
Book Fair	166	5,918	5,306	-	778
Boys Basketball	(1,232)	1,244	1,092	-	(1,080)
Boys Basketball Tournament	-	6,769	2,536	-	4,233
Cheerleaders	35	2,170	3,200	300	(695)
Class of 2004	504	-	-	(504)	-
Class of 2005	453	-	-	(453)	-
Class of 2006	633	8,865	9,277	(4)	217
Class of 2007	199	7,292	6,349	-	1,142
Class of 2008	73	126	40	-	159
Class of 2009	-	117	-	50	167
Grades 5 and 6	7	2,099	2,060	(3)	43
Cross Country	-	4,437	3,899	-	538
Danceline	1,968	3,775	3,459	-	2,284
Drama	266	3,101	3,136	-	231
Elem Computer	(54)	-	-	-	(54)
Elem Memory Book	219	469	-	-	688
FCA	1	840	940	100	1
FFA	1,710	8,778	8,706	-	1,782
FHA	822	2,138	2,863	-	97
Football	28	-	-	-	28
Interest	5,858	9,055	8,947	-	5,966
Girls Basketball	723	441	930	(200)	34
Middle School	92	865	868	(46)	43
Middle School Band	1,438	1,515	1,822	(114)	1,017
High School Band	(539)	747	437	-	(229)
P.I.E.	62	-	-	-	62
MS Fundraiser	150	184	-	-	334
Softball	(36)	-	3,433	-	(3,469)
Speech Club	(27)	5,875	5,956	-	(108)
Student Council	7,028	10,426	9,185	-	8,269
Vocal Music	(114)	-	-	114	-
Volleyball	2,288	1,856	3,718	(50)	376
Wrestling	-	1,647	1,942	-	(295)
Scholarship Fund	185	280	185	-	280
Yearbook	(15,400)	9,161	9,677	960	(14,956)
Elem Activity	140	-	-	-	140
Total	<u>\$ 23,933</u>	<u>162,132</u>	<u>151,699</u>	<u>-</u>	<u>34,366</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2006

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 6,858	74,010	74,168	6,700
Other receivables	<u>2,219</u>	<u>4,178</u>	<u>2,219</u>	<u>4,178</u>
Total assets	<u>\$ 9,077</u>	<u>78,188</u>	<u>76,387</u>	<u>10,878</u>
Liabilities				
Other payables	<u>\$ 9,077</u>	<u>78,188</u>	<u>76,387</u>	<u>10,878</u>
Total liabilities	<u>\$ 9,077</u>	<u>78,188</u>	<u>76,387</u>	<u>10,878</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 5

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,150,959	2,100,249	1,973,554	1,857,856
Tuition	181,006	156,758	159,890	197,376
Other	219,584	358,629	248,432	225,875
State sources	2,498,680	2,463,499	2,173,608	2,202,054
Federal sources	296,587	280,447	170,912	175,036
Total	\$ 5,346,816	5,359,582	4,726,396	4,658,197
Expenditures:				
Instruction:				
Regular instruction	\$ 2,252,085	2,277,882	2,160,264	2,010,212
Special instruction	473,974	463,435	481,659	405,782
Other instruction	716,696	518,180	467,522	419,428
Support services:				
Student services	112,523	112,240	98,313	81,407
Instructional staff services	169,792	129,356	144,390	126,844
Administration services	608,481	492,119	507,814	437,464
Operation and maintenance of plant services	576,926	443,472	530,698	406,149
Transportation services	165,396	140,414	136,791	125,634
Other support services	-	23,399	-	-
Non-instructional programs	1,500	4,010	25,168	38,996
Other expenditures:				
Facilities acquisition	96,516	64,404	1,116,305	2,446,180
Long-term debt:				
Principal	140,687	150,530	120,000	25,000
Interest and other charges	150,255	155,255	159,956	187,584
AEA flowthrough	183,465	178,475	171,338	182,198
Total	\$ 5,648,296	5,153,171	6,120,218	6,892,878

See accompanying independent auditor's report.

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
Alta 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 Alta 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 September 27, 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 Alta Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the

normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

September 27, 2006

Alta Community School District
Alta, Iowa

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts journal were all done by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget - Disbursements for the year ended June 30, 2006, exceeded the certified budget amounts in the support services and other expenditures functions.

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

Alta Community School District
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Schedule of Findings

Year ended June 30, 2006

Response – Future budgets will be amended in sufficient amounts to insure the certified budget is not exceeded.

Conclusion – Response accepted.

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

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

II-D-06 Business Transactions - No business transactions between the District and District officials or employees were noted.

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

II-F-06 Board Minutes - Two transactions requiring Board approval which had not been approved by the Board were noted. We also noted that although the Board President had properly signed checks she was not listed as an authorized signer on the bank signature card.

Recommendation – All disbursements should be approved by the Board, with sufficient documentation maintained to evidence proper approval. The Board President should be added as an authorized signer to the bank signature card.

Response – This was an oversight this year.

Conclusion – Response accepted.

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Year ended June 30, 2006

II-G-06 Certified Enrollment - The number of open enrolled in nonresident public students reported to the Iowa Department of Education on line 8 of the Certified Enrollment Certification Form for September 2005 was understated. One student from Cherokee Community School District was omitted.

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

Response – We correctly billed the Cherokee Community School District for this student. The Cherokee Community School District failed to report the student, thus the student was not reported on line 8.

Conclusion – Response accepted.

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

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

II-J-06 Deficit Balances - The District had a Special Revenue Fund, Management Levy deficit of \$22,846 at June 30, 2006 and a few student activities accounts had deficit balances at June 30, 2006.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return the accounts to a sound financial condition.

Response - We are monitoring these accounts.

Conclusion - Response accepted.

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Schedule of Findings

Year ended June 30, 2006

II-K-06 Authorized Check Signatures – It was noted that check signatures although authorized by bank signature cards, were not in accordance with Chapter 291.1 and 291.8 of the Code.

Recommendation – Per Chapter 291.1 the president or the president’s designee shall sign, using an original or facsimile signature, all school districts warrants. The board of directors, by resolution, may designate an individual, who shall not be the secretary, to sign warrants on his behalf. Per Chapter 291.8 the Board secretary shall draw each order on the treasurer and countersign using an original or facsimile signature.

Response – We will properly sign warrants in accordance with the Code in the future.

Conclusion – Response accepted.