

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

June 30, 2007

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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, 2007, 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, 2007, 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 January 22, 2008, 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 14 and 38 through 39 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, 2006, (which are not presented herein) and expressed an unqualified opinions on those financial statements. Other supplementary 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

January 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follows.

2007 Financial Highlights

- * General Fund revenues increased from \$11,609,185 in fiscal 2006 to \$11,824,913 in fiscal 2007 and General Fund expenditures increased from \$11,509,186 in fiscal 2006 to \$11,767,242 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$689,723 in fiscal 2006 to \$785,931 in fiscal 2007 a 13.9% increase from the prior year.
- * The increase in General Fund revenues was attributable to an increase in property tax and state grant revenue in fiscal 2007. 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

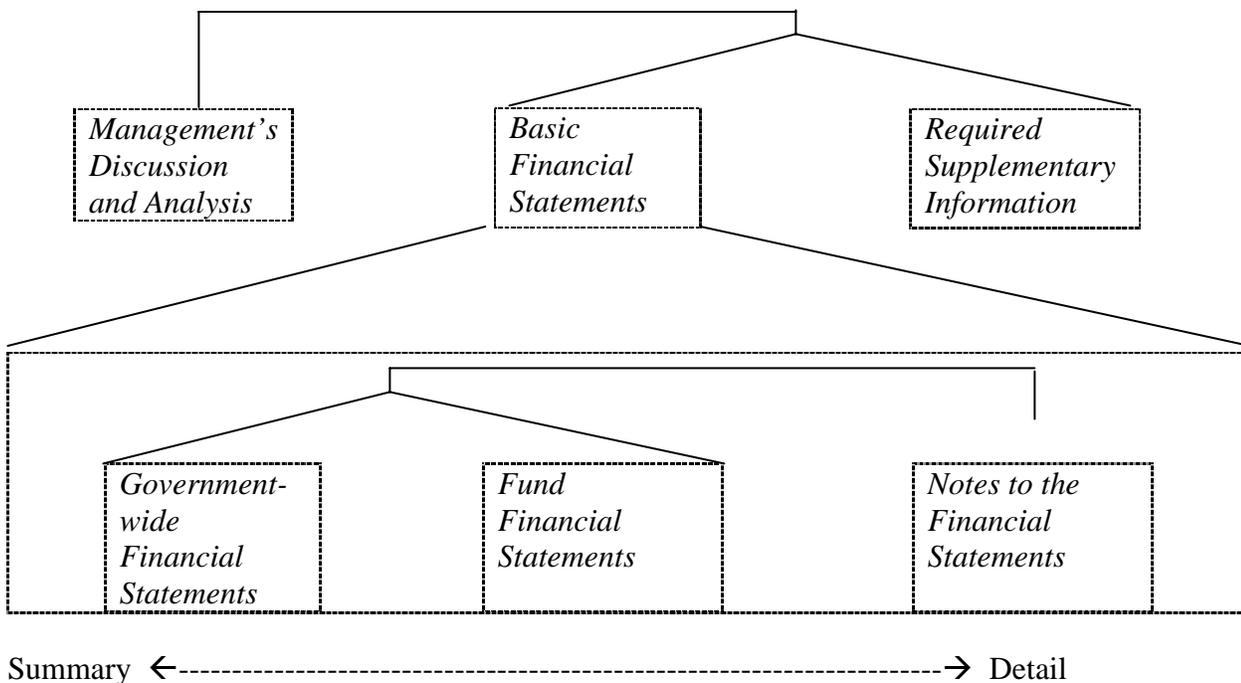


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

*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 to 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, 2007 compared to June 30, 2006.

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

	Governmental Activities		Business-Type Activities		Total Allamakee CSD		Total Change %
	2007	2006	2007	2006	2007	2006	
Current & other assets	15,721	19,142	238	209	15,959	19,351	-17.5%
Capital assets	9,479	3,343	83	80	9,562	3,423	179.3%
Total assets	25,200	22,485	321	289	25,521	22,774	12.1%
Current Liabilities	6,901	5,855	11	11	6,912	5,866	17.8%
Long-term obligations	10,680	10,854			10,680	10,854	-1.6%
Total liabilities	17,581	16,709	11	11	17,592	16,720	5.2%
Net Assets							
Invested in capital assets, net of debt	3,992	1,906	83	80	4,075	1,986	105.2%
Restricted	2,909	3,221			2,909	3,221	-1.0%
Unrestricted	718	649	227	198	945	847	11.5%
Total net assets	7,619	5,776	310	278	7,929	6,054	31.0%

The District's total combined net assets increased by approximately \$1,875,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$312,000. This is due to the District using \$500,000 to buy down the bond repayment each year from the SILO Fund.

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 \$98,000.

The District's improved financial position is attributed to the District receiving the general obligation proceeds, that have not all been expended. The District has also been trying to control expenditures to avoid having to use 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, 2007 and June 30, 2006.

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

	Governmental Activities		Business-Type Activities		Total Allamakee CSD	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for service and sales	\$743	\$732	\$367	\$328	\$1,110	\$1,060
Operating grants, contributions and restricted interest	\$2,393	\$2,349	\$282	\$277	\$2,675	\$2,626
Capital grants, contributions and restricted interest	\$836	\$142			\$836	\$142
General revenues						
Property taxes	\$4,185	\$3,950			\$4,185	\$3,950
Local option sales tax	\$829	\$718			\$829	\$718
Income Surtax	\$403	\$398			\$403	\$398
Unrestricted state grants	\$5,344	\$5,253			\$5,344	\$5,253
Unrestricted investment earnings	\$177	\$134	\$6	\$5	\$183	\$139
Other	\$17	\$12			\$17	\$12
Total revenues	\$14,927	\$13,688	\$655	\$610	\$15,582	\$14,298
Program expenses:						
Governmental activities:						
Instruction	\$7,951	\$7,833			\$7,951	\$7,833
Support services	\$4,106	\$3,972			\$4,106	\$3,972
Non-instructional program			624	617	\$624	\$617
Other expenses	\$1,027	\$759			\$1,027	\$759
Total expenses	\$13,084	\$12,564	624	617	\$13,708	\$13,181
Change in net assets	\$1,843	\$1,124	\$31	-\$7	\$1,874	\$1,117

Property tax and unrestricted state grant account for 63.8% of the total revenue shows a slight decrease from Fiscal 2006. The District's expenses primarily relate to instruction and support services, which account for 92.2% of total expenses, which is a slight decrease from Fiscal, 2006. (See Figure A-4 Governmental Revenues and Governmental Expenditures)

Governmental Activities

Revenues for governmental activities were \$14,927,282 while expenses amounted to \$13,084,078. The District continues to monitor revenues and expenses knowing the increase in both areas is due to the construction project.

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	
	2007	2006	2007	2006
Instruction	\$7,951	\$7,833	\$5,401	\$5,291
Support Services	\$4,106	\$3,972	\$4,000	\$3,893
Non-instructional programs				
Other expenses	\$1,027	\$759	-\$290	\$158

- * A portion of the cost financed by users of the District’s programs was \$743,158. Most of these revenues are derived from tuition charged other schools, textbooks fees and contributions to the after school program.
- * The federal and state government subsidized certain programs with grants and contributions totaling \$2,392,498.
- * The net cost portion of governmental activities was financed with \$4,185,041 in property tax and other taxes, \$5,343,840 in state foundation aid and \$177,266 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities increased to \$655,211 while expenses increased to \$623,897. 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.

The District increased meal prices for the 2006-07 school year, which resulted in an increase in the fund balance of the School Nutrition Fund. The District has obligated funds for replacement of obsolete kitchen equipment.

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 \$8,456,431 a decrease from last year’s ending fund balance of \$12,926,688. The primary reasons for the decrease in the fund balance is due to the payment of expenditures associated with the building project.

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 \$96,208 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 2006-07 fiscal year was \$806,109. The Grant has been extended into the 2007-08 school year.
- * The District participated in the 2006-2007 Series A ISCAP program to cover any short falls in cash flow during the year.
- * The Physical Plant and Equipment Levy (PPEL) Fund balance increased in Fiscal 2007 to \$1,043,713. While revenues remained approximately the same the District reduced spending from the PPEL Fund.
- * The Capital Projects Fund decreased to \$6,029,680 due to the payment of expenditures associated with the building project.

Proprietary Fund Highlights

- * School Nutrition fund net assets increased from \$278,714 at June 30, 2006 to \$310,028 at June 30, 2007. For fiscal year 2007, the district increased meal prices resulting in an increase in revenue and re-aligned staff assignments resulting in a decrease in expenditures.

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 Generally Accepted Accounting Principles (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 and non-instructional 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.

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.

The District’s receipts for Governmental and Proprietary Funds were \$1,279,799 higher than budgeted. This was a result of interest revenue, construction funds and the District receiving the proceeds from a Harkin Grant.

The District’s expenditures for Governmental and Proprietary Funds were \$4,551,896 lower than budgeted. This was a result of the budget amendment that was made high to ensure that it covered all year-end expenditures.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal 2007, the District had invested in Governmental Activities \$9,562,819 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. Net depreciation expense for the year was \$311,466.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled 6,654,911 at June 30, 2007, compared to \$660,948 reported at June 30, 2006. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds totaling \$9,700,000 in fiscal 2006 for construction of an addition to the high school building and a Northeast Iowa Community College satellite center.

Figure A-6

Capital Assets, net of depreciation

	Governmental Activities		Business-Type Activities		Total Allamakee CSD		Total Change %
	2007	2006	2007	2006	2007	2006	
Land	\$277,641	\$277,641			\$277,641	\$277,641	0.0%
Construction in Progress	\$6,654,911	\$660,948			\$6,654,911	\$660,948	906.9%
Buildings	\$1,453,408	\$1,284,077			\$1,453,408	\$1,284,077	13.2%
Improvements other than buildings	\$439,082	\$473,814			\$439,082	\$473,814	-7.3%
Furniture and Equipment	\$654,401	\$646,626	\$83,376	\$80,175	\$737,777	\$726,801	1.5%
Totals	\$9,479,443	\$3,343,106	\$83,376	\$80,175	\$9,562,819	\$3,423,281	179.3%

Long Term Debt

At year-end, the district had \$10,591,501 in other long-term liabilities. This reflects \$140,000 owed in salary for termination benefits and \$24,501 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. At the end of 2007 \$9,390,000 was still outstanding

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.)

At year end the District had an outstanding Equipment Loan Note of \$37,500. These funds were used to buy new instrumental music equipment and will be paid over a 5 year period out of the General Fund.

Figure A-7
Outstanding Long-Term Obligations

	2007	2006	Total Change % 2006-2007
General obligation bonds	\$9,390,000	\$9,700,000	-3.20%
Qualified Zone Academy Bonds	\$1,000,000	\$1,000,000	0.0%
Termination Benefits	\$140,000	\$33,102	322.9%
Compensated absences	\$24,501	\$27,451	-10.7%
Equipment Notes Payable	\$37,500		100.0%
Total	\$10,592,001	\$10,760,553	-1.6%

Factors Bearing on the District's Future

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

- The official student enrollment count taken in September, 2007 showed a decline of 47.6 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, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	10,598,301	219,908	10,818,209
Receivables:			
Property tax:			
Delinquent	81,041	-	81,041
Succeeding year	4,190,921	-	4,190,921
Accounts	69,068	2,751	71,819
Accrued interest	29,132	-	29,132
Due from other governments	676,520	-	676,520
Inventories	-	14,805	14,805
Unamortized bond issue costs	76,262	-	76,262
Capital assets, net of accumulated depreciation	9,479,443	83,376	9,562,819
	<u>25,200,688</u>	<u>320,840</u>	<u>25,521,528</u>
Liabilities			
Accounts payable	1,734,302	132	1,734,434
Salaries and benefits payable	843,649	2,241	845,890
Accrued interest payable	64,194	-	64,194
Deferred revenue:			
Succeeding year property tax	4,190,921	-	4,190,921
Other	68,050	8,439	76,489
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	330,000	-	330,000
Equipment note payable	6,733	-	6,733
Termination benefits	50,000	-	50,000
Compensated absences	20,826	-	20,826
Portion due more than one year:			
Termination benefits	90,000	-	90,000
Compensated absences	3,675	-	3,675
General obligation bonds payable	9,060,000	-	9,060,000
Unamortized bond premium	88,413	-	88,413
Equipment note payable	30,767	-	30,767
Qzab bonds payable	1,000,000	-	1,000,000
	<u>17,581,530</u>	<u>10,812</u>	<u>17,592,342</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,991,626	83,376	4,075,002
Restricted for:			
State categorical aid	30,939	-	30,939
Management levy	27,729	-	27,729
Physical plant and equipment levy	1,395,343	-	1,395,343
Other special revenue purposes	119,480	-	119,480
Local option sales taxes capital projects	1,089,997	-	1,089,997
Debt service	245,704	-	245,704
Unrestricted	718,340	226,652	944,992
Total net assets	<u>7,619,158</u>	<u>310,028</u>	<u>7,929,186</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	5,321,085	341,770	1,428,828	-
Special	1,401,050	25,153	200,105	-
Other	1,229,104	332,899	221,072	-
	<u>7,951,239</u>	<u>699,822</u>	<u>1,850,005</u>	<u>-</u>
Support services:				
Student	515,240	-	11,815	-
Instructional staff	517,650	-	-	-
Administration	1,216,058	-	-	-
Operation and maintenance of plant	962,533	2,838	-	-
Transportation	894,065	40,498	49,425	-
	<u>4,105,546</u>	<u>43,336</u>	<u>61,240</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	42,965	-	-	835,895
Long-term debt interest	388,627	-	7,836	-
AEA flowthrough	473,417	-	473,417	-
Depreciation (unallocated)*	122,284	-	-	-
	<u>1,027,293</u>	<u>-</u>	<u>481,253</u>	<u>835,895</u>
Total governmental activities	13,084,078	743,158	2,392,498	835,895
Business type activities:				
Non-instructional programs:				
Food service operations	623,897	367,459	282,113	-
	<u>623,897</u>	<u>367,459</u>	<u>282,113</u>	<u>-</u>
Total	13,707,975	1,110,617	2,674,611	835,895

General Revenues:

Property taxes levied for:
General purposes
Debt service
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

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(3,550,487)	-	(3,550,487)
(1,175,792)	-	(1,175,792)
(675,133)	-	(675,133)
<u>(5,401,412)</u>	<u>-</u>	<u>(5,401,412)</u>
(503,425)	-	(503,425)
(517,650)	-	(517,650)
(1,216,058)	-	(1,216,058)
(959,695)	-	(959,695)
(804,142)	-	(804,142)
<u>(4,000,970)</u>	<u>-</u>	<u>(4,000,970)</u>
792,930	-	792,930
(380,791)	-	(380,791)
-	-	-
(122,284)	-	(122,284)
<u>289,855</u>	<u>-</u>	<u>289,855</u>
(9,112,527)	-	(9,112,527)
<u>-</u>	<u>25,675</u>	<u>25,675</u>
<u>(9,112,527)</u>	<u>25,675</u>	<u>(9,086,852)</u>
3,829,765	-	3,829,765
206,056	-	206,056
149,220	-	149,220
403,033	-	403,033
829,332	-	829,332
5,343,840	-	5,343,840
177,266	5,639	182,905
17,219	-	17,219
<u>10,955,731</u>	<u>5,639</u>	<u>10,961,370</u>
1,843,204	31,314	1,874,518
<u>5,775,954</u>	<u>278,714</u>	<u>6,054,668</u>
<u>7,619,158</u>	<u>310,028</u>	<u>7,929,186</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,506,047	1,040,871	7,447,561	603,822	10,598,301
Receivables:					
Property tax:					
Delinquent	70,177	2,842	-	8,022	81,041
Succeeding year	3,604,375	143,218	-	443,328	4,190,921
Accounts	69,068	-	-	-	69,068
Accrued interest	-	-	27,586	1,546	29,132
Due from other governments	157,094	351,630	167,796	-	676,520
Total assets	5,406,761	1,538,561	7,642,943	1,056,718	15,644,983
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	104,756	-	1,613,263	16,283	1,734,302
Salaries and benefits payable	843,649	-	-	-	843,649
Deferred revenue:					
Succeeding year property tax	3,604,375	143,218	-	443,328	4,190,921
Other	68,050	351,630	-	-	419,680
Total liabilities	4,620,830	494,848	1,613,263	459,611	7,188,552
Fund balances:					
Reserved for:					
State categorical aid	30,939	-	-	-	30,939
Debt service	-	-	-	309,898	309,898
Unreserved, reported in:					
General fund	754,992	-	-	-	754,992
Special revenue funds	-	1,043,713	-	287,209	1,330,922
Capital project funds	-	-	6,029,680	-	6,029,680
Total fund balances	785,931	1,043,713	6,029,680	597,107	8,456,431
Total liabilities and fund balances	5,406,761	1,538,561	7,642,943	1,056,718	15,644,983

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	8,456,431
<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.	9,479,443
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	351,630
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.	76,262
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.	(64,194)
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>(10,680,414)</u>
Net assets of governmental activities (Exhibit A)	<u><u>7,619,158</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,618,442	545,957	829,332	417,379	5,411,110
Tuition	155,825	-	-	-	155,825
Other	322,606	38,841	552,543	355,578	1,269,568
State sources	6,403,332	122	-	340	6,403,794
Federal sources	1,324,708	-	354,944	-	1,679,652
Total revenues	<u>11,824,913</u>	<u>584,920</u>	<u>1,736,819</u>	<u>773,297</u>	<u>14,919,949</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,155,807	-	-	59,614	5,215,421
Special	1,401,050	-	-	-	1,401,050
Other	899,729	-	-	322,959	1,222,688
	<u>7,456,586</u>	<u>-</u>	<u>-</u>	<u>382,573</u>	<u>7,839,159</u>
Support services:					
Student	511,972	-	-	3,268	515,240
Instructional staff	502,065	-	-	1,937	504,002
Administration	1,205,151	20	-	6,838	1,212,009
Operation and maintenance of plant	833,383	12,047	-	110,644	956,074
Transportation	784,668	139,722	-	5,689	930,079
	<u>3,837,239</u>	<u>151,789</u>	<u>-</u>	<u>128,376</u>	<u>4,117,404</u>
Other expenditures:					
Facilities acquisition	-	172,449	6,121,362	-	6,293,811
Long-term debt:					
Principal	-	-	-	310,000	310,000
Interest and fiscal charges	-	-	-	394,952	394,952
AEA flowthrough	473,417	-	-	-	473,417
	<u>473,417</u>	<u>172,449</u>	<u>6,121,362</u>	<u>704,952</u>	<u>7,472,180</u>
Total expenditures	<u>11,767,242</u>	<u>324,238</u>	<u>6,121,362</u>	<u>1,215,901</u>	<u>19,428,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,671</u>	<u>260,682</u>	<u>(4,384,543)</u>	<u>(442,604)</u>	<u>(4,508,794)</u>
Other financing sources (uses):					
Sale of equipment	1,037	-	-	-	1,037
Operating transfers in	-	-	-	600,100	600,100
Operating transfers out	-	(98,347)	(501,753)	-	(600,100)
Long-term debt issued	37,500	-	-	-	37,500
Total other financing sources (uses)	<u>38,537</u>	<u>(98,347)</u>	<u>(501,753)</u>	<u>600,100</u>	<u>38,537</u>
Net change in fund balances	96,208	162,335	(4,886,296)	157,496	(4,470,257)
Fund balances beginning of year	689,723	881,378	10,915,976	439,611	12,926,688
Fund balances end of year	<u>785,931</u>	<u>1,043,713</u>	<u>6,029,680</u>	<u>597,107</u>	<u>8,456,431</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, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(4,470,257)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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 Activities 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	6,434,504	
Depreciation expense	<u>(298,167)</u>	6,136,337
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.		6,296
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		310,000
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.		6,325
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:		
Termination benefits	(106,898)	
Compensated absences	<u>2,950</u>	(103,948)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(37,500)
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>(4,049)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,843,204</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	219,908
Accounts receivable	2,751
Inventories	14,805
Capital assets, net of accumulated depreciation	<u>83,376</u>
Total assets	<u>320,840</u>
Liabilities	
Accounts payable	132
Salaries and benefits payable	2,241
Deferred revenue	<u>8,439</u>
Total liabilities	<u>10,812</u>
Net assets	
Invested in capital assets, net of related debt	83,376
Unrestricted	<u>226,652</u>
Total net assets	<u><u>310,028</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>367,459</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	213,411
Benefits	71,619
Purchased services	38,816
Supplies	284,074
Other expenses	2,678
Depreciation	13,299
	<u>623,897</u>
Operating loss	<u>(256,438)</u>
Non-operating revenues:	
State sources	7,715
Federal sources	274,398
Interest income	5,639
Total non-operating revenues	<u>287,752</u>
Changes in net assets	31,314
Net assets beginning of year	<u>278,714</u>
Net assets end of year	<u><u>310,028</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

	Nonmajor School Nutrition \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	367,296
Cash payments to employees for services	(285,091)
Cash payments to suppliers for goods or services	(284,874)
Net cash used by operating activities	<u>(202,669)</u>
Cash flows from non-capital financing activities:	
State grants received	7,715
Federal grants received	231,437
Net cash provided by non-capital financing activities	<u>239,152</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(16,500)</u>
Cash flows from investing activities:	
Interest on investments	<u>5,639</u>
Net increase (decrease) in cash and cash equivalents	25,622
Cash and cash equivalents at beginning of year	<u>194,286</u>
Cash and cash equivalents at end of year	<u><u>219,908</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating gain (loss)	(256,438)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	42,961
Depreciation	13,299
Decrease (increase) in inventories	(2,309)
Decrease (increase) in accounts receivable	(490)
(Decrease) increase in accounts payable	42
(Decrease) increase in salaries and benefits payable	(61)
(Decrease) increase in deferred revenue	327
Net cash used in operating activities	<u><u>(202,669)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$42,961 of federal commodities.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2007

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 not meeting 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 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 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 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.

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 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 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	-
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, 2007. 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 not available for appropriation or 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 are 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.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007, 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	<u>5,137,331</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, 2007 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	98,347
Nonmajor Governmental Funds:		
Debt Service Fund	Capital Projects Fund	501,753

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	277,641	-	-	277,641
Construction in progress	660,948	6,121,363	127,400	6,654,911
Total capital assets not being depreciated	<u>938,589</u>	<u>6,121,363</u>	<u>127,400</u>	<u>6,932,552</u>
Capital assets being depreciated:				
Buildings	3,638,784	256,883	-	3,895,667
Improvements other than buildings	730,224	-	-	730,224
Furniture and equipment	2,609,202	183,658	74,950	2,717,910
Total capital assets being depreciated	<u>6,978,210</u>	<u>440,541</u>	<u>74,950</u>	<u>7,343,801</u>
Less accumulated depreciation for:				
Buildings	2,354,707	87,552	-	2,442,259
Improvements other than buildings	256,410	34,732	-	291,142
Furniture and equipment	1,962,576	175,883	74,950	2,063,509
Total accumulated depreciation	<u>4,573,693</u>	<u>298,167</u>	<u>74,950</u>	<u>4,796,910</u>
Total capital assets being depreciated, net	<u>2,404,517</u>	<u>142,374</u>	<u>-</u>	<u>2,546,891</u>
Governmental activities capital assets, net	<u>3,343,106</u>	<u>6,263,737</u>	<u>127,400</u>	<u>9,479,443</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	183,489	16,500	-	199,989
Less accumulated depreciation	<u>103,314</u>	<u>13,299</u>	<u>-</u>	<u>116,613</u>
Business type activities capital assets, net	<u>80,175</u>	<u>3,201</u>	<u>-</u>	<u>83,376</u>

Depreciation expense was charged to the following functions:

Governmental activities:	\$
Instruction:	
Regular	11,149
Other	13,614
Support Services:	
Instructional staff services	20,974
Operation and maintenance of plant	6,459
Transportation	123,687
	<u>175,883</u>
Unallocated depreciation	<u>122,284</u>
	<u>298,167</u>
Total depreciation expense – governmental activities	<u>298,167</u>
Business type activities:	
Food service operations	<u>13,299</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	9,700,000	-	310,000	9,390,000	330,000
Qualified Zone Academy bonds	1,000,000	-	-	1,000,000	-
Equipment notes payable	-	37,500	-	37,500	6,733
Termination benefits	33,102	120,000	13,102	140,000	50,000
Compensated absences	27,451	17,409	20,359	24,501	20,826
	<u>10,760,553</u>	<u>174,909</u>	<u>343,461</u>	<u>10,592,001</u>	<u>407,559</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal years 2006 and 2007. 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, 2007 and the board reserved the right to limit the number of participants.

Early retirement incentive for fiscal year 2006 was \$15,000 payable in three yearly installments of \$5,000. The incentive for fiscal year 2007 was \$24,000 payable in three yearly installments of \$8,000.

At June 30, 2007, the District has obligations to seven participants with a total liability of \$140,000. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$13,102.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Bond Issue of May, 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	3.75	390,000	330,640	720,640
2013-2017	3.75-5.00	2,230,000	1,696,638	3,926,638
2018-2022	3.90-4.05	2,735,000	883,845	3,618,845
2023-2026	4.10-4.25	2,630,000	280,520	2,910,520
		<u>9,390,000</u>	<u>4,648,828</u>	<u>14,038,828</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
	%	\$
2008	-	-
2009	-	-
2010	-	-
2011	-	-
2012	-	-
2013	-	<u>1,000,000</u>
		<u>1,000,000</u>

Equipment Notes Payable

The District borrowed \$37,500 in April 2007 to purchase band instruments. The note bears interest at 4.9%.

Year Ending June 30,	Principal	Interest	Total
	\$	\$	\$
2008	6,733	1,841	8,574
2009	7,118	1,456	8,574
2010	7,479	1,094	8,573
2011	7,859	714	8,573
2012	8,311	263	8,574
	<u>37,500</u>	<u>5,368</u>	<u>42,868</u>

6. 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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$407,909, \$397,925, and \$382,841 respectively, equal to the required contributions for each year.

7. 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, 2007 were \$1,437,862.

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, 2007, no liability has been recorded in the District's financial statements. As of June 30, 2007, 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.

8. 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 \$473,417 for the year ended June 30, 2007, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitment

The District has entered into contracts totaling a \$10,495,996 for building construction. As of June 30, 2007, costs of \$5,933,694 had been incurred against the contracts. The balance remaining will be paid as work on the project progresses.

10. Lease Commitment

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

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
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, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	6,836,503	373,098	7,209,601	6,372,660	6,372,660	836,941
Intermediate sources	-	-	-	10,000	10,000	(10,000)
State sources	6,403,794	7,715	6,411,509	6,325,201	6,325,201	86,308
Federal sources	1,679,652	274,398	1,954,050	1,587,500	1,587,500	366,550
Total revenues	<u>14,919,949</u>	<u>655,211</u>	<u>15,575,160</u>	<u>14,295,361</u>	<u>14,295,361</u>	<u>1,279,799</u>
Expenditures:						
Instruction	7,839,159	-	7,839,159	8,159,810	8,500,000	660,841
Support services	4,117,404	-	4,117,404	3,960,395	4,500,000	382,596
Non-instructional programs	-	623,897	623,897	620,560	750,000	126,103
Other expenditures	7,472,180	-	7,472,180	10,854,536	10,854,536	3,382,356
Total expenditures	<u>19,428,743</u>	<u>623,897</u>	<u>20,052,640</u>	<u>23,595,301</u>	<u>24,604,536</u>	<u>4,551,896</u>
Excess (deficiency) of revenues over (under) expenditures	(4,508,794)	31,314	(4,477,480)	(9,299,940)	(10,309,175)	5,831,695
Other financing sources net	<u>38,537</u>	-	<u>38,537</u>	-	-	<u>38,537</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(4,470,257)	31,314	(4,438,943)	(9,299,940)	(10,309,175)	5,870,232
Balance beginning of year	<u>12,926,688</u>	<u>278,714</u>	<u>13,205,402</u>	<u>13,307,916</u>	<u>13,307,916</u>	<u>(102,514)</u>
Balance end of year	<u><u>8,456,431</u></u>	<u><u>310,028</u></u>	<u><u>8,766,459</u></u>	<u><u>4,007,976</u></u>	<u><u>2,998,741</u></u>	<u><u>5,767,718</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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 function 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 \$1,009,235.

OTHER SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Total
	Management	Student	Debt Service	
	Levy	Activity Fund		
	\$	\$	\$	\$
Cash and pooled investments	163,631	135,763	304,428	603,822
Receivables:				
Property tax:				
Delinquent	4,098	-	3,924	8,022
Succeeding year	230,000	-	213,328	443,328
Accrued interest	-	-	1,546	1,546
Total assets	397,729	135,763	523,226	1,056,718
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	16,283	-	16,283
Deferred revenue:				
Succeeding year property tax	230,000	-	213,328	443,328
Total liabilities	230,000	16,283	213,328	459,611
Fund balances:				
Reserved for debt service	-	-	309,898	309,898
Unreserved fund balance, reported in:				
Special revenue funds	167,729	119,480	-	287,209
Total fund equity	167,729	119,480	309,898	597,107
Total liabilities and fund balances	397,729	135,763	523,226	1,056,718

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds			Total
	Management	Student	Debt Service	
	Levy	Activity Fund		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	211,323	-	206,056	417,379
Other	19,746	327,996	7,836	355,578
State sources	172	-	168	340
Total revenues	<u>231,241</u>	<u>327,996</u>	<u>214,060</u>	<u>773,297</u>
Expenditures:				
Current:				
Instruction:				
Regular	59,614	-	-	59,614
Other	-	322,959	-	322,959
Support services:				
Student	3,268	-	-	3,268
Instructional staff	1,937	-	-	1,937
Administration	6,838	-	-	6,838
Operation and maintenance of plant	110,644	-	-	110,644
Transportation	5,689	-	-	5,689
Other expenditures:				
Long-term debt:				
Principal	-	-	310,000	310,000
Interest and fiscal charges	-	-	394,952	394,952
Total expenditures	<u>187,990</u>	<u>322,959</u>	<u>704,952</u>	<u>1,215,901</u>
Excess (deficiency) of revenues over (under) expenditures	43,251	5,037	(490,892)	(442,604)
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>600,100</u>	<u>600,100</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	43,251	5,037	109,208	157,496
Fund balances beginning of year	<u>124,478</u>	<u>114,443</u>	<u>200,690</u>	<u>439,611</u>
Fund balances end of year	<u><u>167,729</u></u>	<u><u>119,480</u></u>	<u><u>309,898</u></u>	<u><u>597,107</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
East Elementary				
Unallocated interest	7,683	2,733	4,845	5,571
BK fund raiser	433	1,491	1,922	2
Waterville				
Unallocated interest	8,177	2,063	2,837	7,403
Waterville prairie	436	-	32	404
Junior High				
Drama	-	519	519	-
Boys athletics	-	384	364	20
Boys basketball	-	1,455	1,455	-
Boys football	-	2,476	2,476	-
Boys track	-	1,533	1,533	-
Boys cross country	-	50	50	-
Boys wrestling	-	696	696	-
Girls athletics	-	155	155	-
Girls basketball	-	1,378	1,378	-
Girls volleyball	-	1,429	1,429	-
Girls track	-	1,072	1,072	-
Annual	-	6,593	4,771	1,822
Cheerleaders	617	273	420	470
Juice machine	103	2,915	526	2,492
Milk vendor	209	1,695	1,465	439
Interest	-	68	-	68
Student council	2,533	4,103	3,191	3,445
Unallocated interest	800	10,791	8,700	2,891
West Elementary				
Unallocated interest	3,754	2,584	3,688	2,650
BK fund raiser	1,606	1,131	400	2,337
High School				
Rewards club	320	-	-	320
Drama	3,363	1,135	1,165	3,333
Musical	7,845	9,577	8,964	8,458
Boys athletics	437	3,219	1,442	2,214
Boys basketball	-	6,295	4,202	2,093
Boys basketball club	-	874	874	-
Boys basketball camp	34	-	-	34
Boys football	-	18,848	17,243	1,605
Football club	-	4,718	5,042	(324)
Boys baseball	(3,501)	9,606	7,589	(1,484)
Boys track	-	3,821	3,821	-
Boys cross country	-	1,260	1,260	-

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Boys golf	-	463	382	81
Boys wrestling	-	5,452	5,336	116
Girls athletics	595	3,236	1,436	2,395
Girls basketball	-	7,351	2,943	4,408
Indian girls basketball club	8,977	15,248	13,039	11,186
Girls volleyball	-	12,434	9,519	2,915
Girls softball	(86)	14,419	14,651	(318)
Girls track	-	3,137	3,137	-
Girls cross country	-	845	845	-
Girls golf	-	425	200	225
Annual	8,148	9,858	8,846	9,160
Cheerleaders	1,491	5,844	5,324	2,011
Milk vendor	474	97	123	448
Interest	2,172	2,518	-	4,690
Class of 2008	153	2,261	1,695	719
Class of 2007	1,214	49	1,128	135
Concessions	17,639	34,658	47,290	5,007
FBLA	289	21,047	21,336	-
FFA	13,203	52,235	56,438	9,000
District FFA	2,247	4,606	6,853	-
FCCLA	1,657	518	956	1,219
FSCLA sewing club	-	674	389	285
Flags	184	-	-	184
NHS	98	3,771	3,042	827
Tasty Treat club	116	1,078	1,183	11
SADD	56	-	-	56
Student council	3,071	7,873	10,056	888
The Burning W Club	23	3,503	3,424	102
Spanish club	16,169	-	568	15,601
Volunteer club	60	-	60	-
Unallocated interest	987	5,328	5,293	1,022
Indian café club	657	2,128	1,941	844
Total	114,443	327,996	322,959	119,480

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Year

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	5,411,110	5,010,212	5,017,715	4,259,912
Tuition	155,825	145,314	172,562	192,329
Other	1,269,568	884,658	623,274	581,635
Intermediate sources	-	-	-	6,310
State sources	6,403,794	6,202,183	6,021,701	6,006,881
Federal sources	1,679,652	1,389,472	1,160,599	768,204
Total revenues	<u>14,919,949</u>	<u>13,631,839</u>	<u>12,995,851</u>	<u>11,815,271</u>
Expenditures:				
Instruction:				
Regular	5,215,421	5,131,305	5,060,832	4,778,337
Special	1,401,050	1,418,881	1,326,160	1,636,501
Other	1,222,688	1,239,289	1,299,578	977,129
Support services:				
Student	515,240	441,909	260,553	359,070
Instructional staff	504,002	430,164	618,854	479,584
Administration	1,212,009	1,314,717	1,151,871	950,972
Operation and maintenance of plant	956,074	944,881	844,649	746,067
Transportation	930,079	905,148	861,017	827,668
Non-instructional programs	-	-	-	33,793
Other expenditures:				
Facilities acquisition	6,293,811	1,015,233	809,220	466,148
Long-term debt:				
Principal	310,000	-	-	-
Interest and other charges	394,952	-	-	-
AEA flowthrough	473,417	455,445	450,862	459,398
Total expenditures	<u>19,428,743</u>	<u>13,296,972</u>	<u>12,683,596</u>	<u>11,714,667</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<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	806,109
U.S. Department of Justice:			
Developing, Testing, and Demonstrating Promising New Programs	16.541	2005JLFX0177	11,815
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY07	199,714
School Breakfast Program	10.553	FY07	31,722
			<u>231,436</u>
Food Donation (non-cash)	10.550	FY07	42,961
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	0035-G-07	173,745
Title I Grants to Local Education Agencies	84.010	0035-GC-07	32,540
			<u>206,285</u>
Improving Teacher Quality State Grants	84.367	FY07	84,181
Grants for State Assessments and Related Activities	84.369	FY07	9,891
State Grants for Innovative Programs	84.298	FY07	2,586
Safe & Drug Free Schools and Communities - State Grant	84.186	FY07	3,736
Fund for the Improvement of Education	84.218	FY05	354,944
Special Education - State Program Improvement Grants for Children with Disabilities	84.223	FY07	304
Special Education - Preschool Grants	84.173	FY07	975
Services for Children with Deaf - Blindness	84.025	FY07	200
Keystone AEA:			
Special Education Grants to States	84.027	FY07	<u>79,195</u>
Total			<u><u>1,834,618</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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 22, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Allamakee Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Allamakee Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Allamakee Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Allamakee Community School District's financial statements that is more than inconsequential will not be prevented or detected by Allamakee Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Allamakee Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-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, 2007 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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

January 22, 2008

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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
Allamakee Community School District:

Compliance

We have audited the compliance of 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, 2007. 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 grant agreements 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allamakee Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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, 2007.

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 grant agreements 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Allamakee Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a material weakness.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.

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

January 22, 2008

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency 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 significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which is 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 programs are as follows:
 - CFDA Number 84.184L Safe Schools/Healthy Students
 - CFDA Number 84.218 Fund for the Improvement of Education
- (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, 2007

Part II: Findings Related to the Financial Statements:

Significant Deficiencies:

07-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, preparing and posting general journal entries, 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.

Instances of Noncompliance:

No matters were reported.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Significant deficiencies:

CFDA Number 84.184L: Safe Schools/Healthy Students
Award Number Q184L040062
Federal Award Year: 2007
U.S. Department of Education
Direct Grant

CFDA Number 84.218: Fund for the Improvement of Education
Federal Award Year 2005
U.S Department of Education
Passed through the Iowa Department of Education

07-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, preparing and posting general journal entries, 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, 2007

Part IV: Other Findings Related to Statutory Reporting:

07-IV-A Certified Budget: Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.

07-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.

07-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.

07-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.

07-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.

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

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

07-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.

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