

**ALTA COMMUNITY SCHOOL DISTRICT  
ALTA, IOWA**

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

**YEAR ENDED JUNE 30, 2007**

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Alta Community School District  
Alta, Iowa

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2006 Election)</b>		
Valerie Rosenthal	President	2007
Suzette Radke	Vice President	2006
Warren Larson	Board Member	2006
Ila Galvin	Board Member	2007
Dave Turnquist	Board Member	2008
<b>Board of Education</b>		
<b>(After September 2006 Election)</b>		
Valerie Rosenthal	President	2007
Ila Galvin	Vice President	2007
Dave Turnquist	Board Member	2008
Bruce Glienke	Board Member	2009
Dale Wetherell	Board Member	2009
<b>School Officials</b>		
Dr. Fred Maharry	Superintendent	2007
Connie Jensen	District Secretary/Treasurer and Business Manager	2007
Gruhn Law Firm	Attorney	Indefinite

## Independent Auditor's Report

To the Board of Education of  
Alta Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alta Community School District, Alta, Iowa, as of and for the year ended June 30, 2007, which along with the discretely presented component unit, collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

Because Alta Community Educational Foundation financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component unit of the Alta Community School District, as of and for the year ended June 30, 2007.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alta Community School District at June 30, 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 March 26, 2008 on our consideration of Alta Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 45 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alta Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements except for the discretely presented component unit which was not audited. Other supplementary information included in Schedules 1 through 6, 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.

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

March 26, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Alta Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,544,119 in fiscal 2006 to \$4,987,688 in fiscal 2007, while General Fund expenditures increased from \$4,940,273 in fiscal 2006 to \$5,193,979 in fiscal 2007. The District's General Fund balance decreased from \$30,342 in fiscal 2006 to a deficit of \$175,699 in fiscal 2007, a 679% decrease.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Alta Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Alta Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alta Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. 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**  
**Alta Community School District Annual Financial Report**

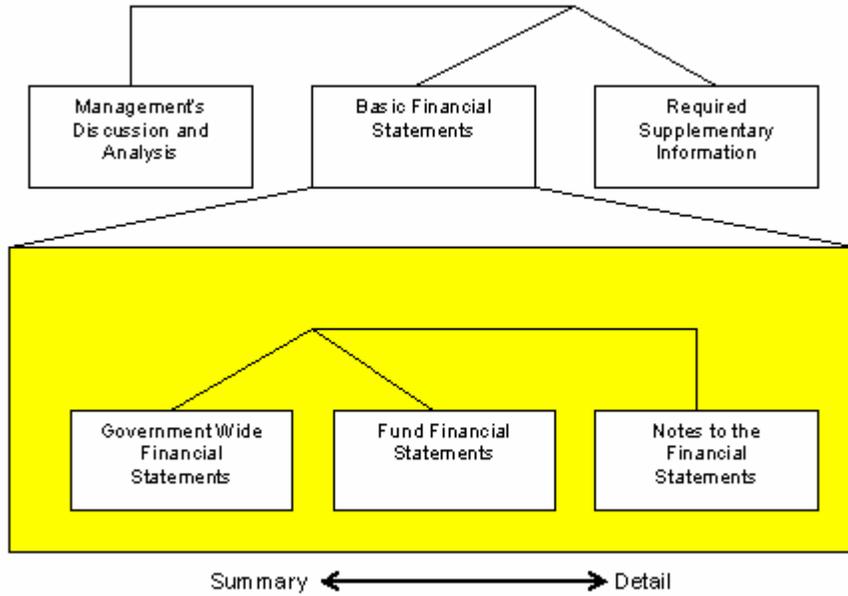


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

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

	Governmental		Business type		Total		Total Change June 30, 2006-2007
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2007	2006	2007	2006	2007	2006	
Current and other assets	\$ 3,040	2,973	15	51	3,055	3,024	1.0%
Capital assets	<u>4,153</u>	<u>4,118</u>	<u>15</u>	<u>18</u>	<u>4,168</u>	<u>4,136</u>	<u>0.8%</u>
Total assets	<u>7,193</u>	<u>7,091</u>	<u>30</u>	<u>69</u>	<u>7,223</u>	<u>7,160</u>	<u>0.9%</u>
Long-term liabilities	2,919	3,102	---	---	2,919	3,102	-5.9%
Other liabilities	<u>2,691</u>	<u>2,446</u>	---	---	<u>2,691</u>	<u>2,446</u>	<u>10.0%</u>
Total liabilities	<u>5,610</u>	<u>5,548</u>	---	---	<u>5,610</u>	<u>5,548</u>	<u>1.1%</u>
Net assets:							
Invested in capital assets, net of related debt	1,234	1,028	15	18	1,249	1,046	19.4%
Restricted	90	65	---	---	90	65	38.5%
Unrestricted	<u>259</u>	<u>450</u>	<u>15</u>	<u>51</u>	<u>274</u>	<u>501</u>	<u>-45.3%</u>
Total net assets	\$ <u>1,583</u>	<u>1,543</u>	<u>30</u>	<u>69</u>	<u>1,613</u>	<u>1,612</u>	<u>0.0%</u>
	=====	=====	====	====	=====	=====	=====

The District's combined net assets increased \$511 over the prior year. The largest portion of the District's net assets is 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 resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets, increased approximately \$25,000 or 38% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy 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 – decreased approximately \$191,000. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

**Figure A-4**  
**Changes in Net Assets**  
**(Expressed in Thousands)**

	<u>Governmental</u>		<u>Business type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>School District</u>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues:							
Program revenues:							
Charges for service and sales	\$ 426	351	102	94	528	445	18.7%
Operating grants, contributions and restricted interest	890	686	137	129	1,027	815	26.0%
Capital grants, contributions and restricted interest	9	8	---	---	9	8	12.5%
General revenues:							
Property tax	1,779	1,707	---	---	1,779	1,707	4.2%
Local option sales and service tax	375	319	---	---	375	319	17.6%
Income surtax	161	157	---	---	161	157	2.5%
Unrestricted state grants	2,183	2,110	---	---	2,183	2,110	3.5%
Unrestricted investment earnings	5	9	---	---	5	9	-44.4%
Other	<u>15</u>	<u>41</u>	<u>---</u>	<u>2</u>	<u>15</u>	<u>43</u>	<u>-65.1%</u>
Total revenues	<u>5,843</u>	<u>5,388</u>	<u>239</u>	<u>225</u>	<u>6,082</u>	<u>5,613</u>	<u>8.4%</u>
Program expenses:							
Governmental activities:							
Instruction	3,589	3,498	---	---	3,589	3,498	2.6%
Support services	1,687	1,569	---	---	1,687	1,569	7.5%
Non-instructional programs	1	1	279	236	280	237	18.1%
Other expenses	<u>526</u>	<u>433</u>	<u>---</u>	<u>---</u>	<u>526</u>	<u>433</u>	<u>21.5%</u>
Total expenses	<u>5,803</u>	<u>5,501</u>	<u>279</u>	<u>236</u>	<u>6,082</u>	<u>5,737</u>	<u>6.0%</u>
Increase (decrease) in net assets	\$ 40	(113)	(40)	(11)	---	(124)	100.0%
	=====	=====	=====	=====	=====	=====	=====

In fiscal 2007, property tax and unrestricted state grants account for 68% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for all of the revenue from business type activities. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$5,843,037 and expenses were \$5,802,900.

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

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u> <u>2006-2007</u>	<u>2007</u>	<u>2006</u>	<u>Change</u> <u>2006-2007</u>
Instruction	3,589	3,498	2.6%	2,732	2,751	-0.7%
Support services	1,687	1,569	7.5%	1,419	1,463	-3.0%
Non-instructional programs	1	1	---	1	1	---
Other expenses	<u>526</u>	<u>433</u>	<u>21.5%</u>	<u>324</u>	<u>241</u>	<u>34.4%</u>
Total	<u>5,803</u>	<u>5,501</u>	<u>5.5%</u>	<u>4,476</u>	<u>4,456</u>	<u>0.4%</u>
	=====	=====	=====	=====	=====	=====

### Business Type Activities

Revenues for business type activities were \$238,888 and expenses were \$278,514. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$229,924 below last year's ending fund balances of \$401,438.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$30,342 to a deficit of \$175,699.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$53,951 in fiscal 2006 to \$55,183 in fiscal 2007.
- The Capital Projects Fund balance decreased from \$250,538 in fiscal 2006 to \$221,504 in fiscal 2007.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$69,324 at June 30, 2006 to \$29,698 at June 30, 2007, representing a decrease of approximately 57%. The decrease was largely due to the increase in benefits paid by the nutrition fund.

### **BUDGETARY HIGHLIGHTS**

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

The District's total revenues were \$94,568 more than budgeted revenues, a variance of 1.6%. The most significant variance resulted from the District receiving more from federal sources than originally anticipated.

Total expenditures were less than budgeted, however, the certified budget was exceeded in the instruction and support services functional areas.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2007, the District had invested \$4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment (See Figure A-6). More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$195,595.

The original cost of the District's capital assets was \$6.7 million. Governmental funds account for \$6.6 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

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

**Figure A-6**  
**Changes in Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 154	154	-	-	154	154	-
Buildings	3,624	3,577	-	-	3,624	3,577	1.3%
Improvements other than buildings	96	106	-	-	96	106	-9.4%
Furniture and equipment	<u>279</u>	<u>281</u>	<u>15</u>	<u>18</u>	<u>294</u>	<u>299</u>	<u>-1.6%</u>
Total	\$ 4,153	4,118	15	18	4,168	4,136	.7%
	=====	=====	=====	=====	=====	=====	=====

### Long-Term Debt

At June 30, 2007, the District had \$2,919,328 in general obligation, and other long-term debt outstanding. This represents a decrease of approximately 5.5% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General obligation bonds	\$ 2,860	3,000	-4.6%
Real estate contract payable	59	80	-26.3%
Early retirement payable	---	11	---
Note payable	<u>---</u>	<u>10</u>	<u>---</u>
Total	\$ 2,919	3,101	-5.8%
	=====	=====	=====

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Buena Vista County has advised the District that the District's total taxable valuation will be very similar to property taxes collected in fiscal 2007. The wind towers in the District have added significantly to property values and helped reduce property taxes.

- The District experienced a marked decline in enrollment again, and staffing expenditures should be addressed due to less revenue. Increased health insurance and energy costs, and decreased “new money” from the State make this situation more challenging.
- Fiscal 2007 was another year in which a one-year agreement was reached with the Alta Education Association. The District will negotiate a new agreement during fiscal 2008. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.

### **CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**

Alta Community School District  
Alta, Iowa

Exhibit A

Statement of Net Assets

June 30, 2007

	Primary Government			Component Unit
	Governmental	Business Type	Total	Educational
	<u>Activities</u>	<u>Activities</u>		<u>Foundation</u>
<b>Assets</b>				
Cash and cash equivalents and pooled investments	\$ 559,750	29,450	589,200	123,964
Receivables:				
Property tax:				
Delinquent	14,128	-	14,128	-
Succeeding year	1,975,000	-	1,975,000	-
Accounts	17,645	-	17,645	-
Note	-	-	-	10,687
Due from other governments	446,641	2,275	448,916	-
Due from other funds	26,881	(26,881)	-	-
Inventories	-	9,550	9,550	-
Capital assets, net of accumulated depreciation	<u>4,153,177</u>	<u>15,304</u>	<u>4,168,481</u>	<u>-</u>
<b>Total assets</b>	<u>7,193,222</u>	<u>29,698</u>	<u>7,222,920</u>	<u>134,651</u>
<b>Liabilities</b>				
Accounts payable	191,588	-	191,588	-
Salaries and benefits payable	490,846	-	490,846	-
Note payable	10,687	-	10,687	-
Accrued interest payable	22,555	-	22,555	-
Deferred revenue - succeeding year property tax	1,975,000	-	1,975,000	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	145,000	-	145,000	-
Real estate contract payable	20,064	-	20,064	-
Portion due after one year:				
General obligation bonds payable	2,715,000	-	2,715,000	-
Real estate contract payable	<u>39,264</u>	<u>-</u>	<u>39,264</u>	<u>-</u>
<b>Total liabilities</b>	<u>5,610,004</u>	<u>-</u>	<u>5,610,004</u>	<u>-</u>

(continued)

Alta Community School District  
Alta, Iowa

Exhibit A

Statement of Net Assets

June 30, 2007

	Primary Government			Component Unit
	Governmental	Business Type	Total	Educational
	<u>Activities</u>	<u>Activities</u>		<u>Foundation</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	1,233,849	15,304	1,249,153	-
Restricted for:				
Management levy	4,379	-	4,379	-
Physical plant and equipment levy	55,183	-	55,183	-
Other special revenue purposes	30,782	-	30,782	-
Foundation purposes	-	-	-	134,651
Unrestricted	<u>259,025</u>	<u>14,394</u>	<u>273,419</u>	<u>-</u>
<b>Total net assets</b>	<u>\$ 1,583,218</u>	<u>29,698</u>	<u>1,612,916</u>	<u>134,651</u>

See notes to financial statements.

Alta Community School District  
Alta, Iowa  
Statement of Activities  
Year ended June 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b><u>Functions/Programs</u></b>				
<b>Primary Government:</b>				
Governmental activities:				
Instruction:				
Regular	\$ 2,371,103	247,155	303,832	-
Special	466,659	18,582	34,972	-
Other	750,755	156,351	95,753	-
	<u>3,588,517</u>	<u>422,088</u>	<u>434,557</u>	<u>-</u>
Support services:				
Student	108,106	-	12,288	-
Instructional staff	153,261	-	239,125	-
Administration	784,104	-	1,500	-
Operation and maintenance of plant	399,132	3,746	5,082	-
Transportation	242,652	-	6,154	-
	<u>1,687,255</u>	<u>3,746</u>	<u>264,149</u>	<u>-</u>
Non-instructional programs	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	93,450	-	-	8,781
Long-term debt interest	142,147	-	-	-
AEA flowthrough	192,123	-	192,123	-
Depreciation (unallocated)*	97,908	-	-	-
	<u>525,628</u>	<u>-</u>	<u>192,123</u>	<u>8,781</u>
Total governmental activities	<u>5,802,900</u>	<u>425,834</u>	<u>890,829</u>	<u>8,781</u>
Business type activities:				
Non-instructional programs:				
Food service operations	278,514	101,400	137,293	-
<b>Total primary government</b>	<u>\$ 6,081,414</u>	<u>527,234</u>	<u>1,028,122</u>	<u>8,781</u>
<b>Component Unit:</b>				
Educational Foundation	\$ 14,365	-	14,167	-
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Educational Foundation
(1,820,116)	-	(1,820,116)	-
(413,105)	-	(413,105)	-
(498,651)	-	(498,651)	-
<u>(2,731,872)</u>	<u>-</u>	<u>(2,731,872)</u>	<u>-</u>
(95,818)	-	(95,818)	-
85,864	-	85,864	-
(782,604)	-	(782,604)	-
(390,304)	-	(390,304)	-
(236,498)	-	(236,498)	-
<u>(1,419,360)</u>	<u>-</u>	<u>(1,419,360)</u>	<u>-</u>
<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>
(84,669)	-	(84,669)	-
(142,147)	-	(142,147)	-
-	-	-	-
<u>(97,908)</u>	<u>-</u>	<u>(97,908)</u>	<u>-</u>
<u>(324,724)</u>	<u>-</u>	<u>(324,724)</u>	<u>-</u>
<u>(4,477,456)</u>	<u>-</u>	<u>(4,477,456)</u>	<u>-</u>
-	(39,821)	(39,821)	-
<u>(4,477,456)</u>	<u>(39,821)</u>	<u>(4,517,277)</u>	<u>-</u>
-	-	-	(198)
1,635,901	-	1,635,901	-
142,421	-	142,421	-
161,042	-	161,042	-
375,304	-	375,304	-
2,183,150	-	2,183,150	-
5,376	195	5,571	4,273
14,399	-	14,399	-
<u>4,517,593</u>	<u>195</u>	<u>4,517,788</u>	<u>4,273</u>
40,137	(39,626)	511	4,075
1,543,081	69,324	1,612,405	130,576
<u>\$ 1,583,218</u>	<u>29,698</u>	<u>1,612,916</u>	<u>134,651</u>

Alta Community School District  
Alta, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 189,994	103,343	172,618	93,795	559,750
Receivables:					
Property tax:					
Delinquent	11,676	1,119	-	1,333	14,128
Succeeding year	1,635,000	140,000	-	200,000	1,975,000
Accounts	17,645	-	-	-	17,645
Due from other funds	26,881	-	-	-	26,881
Due from other governments	397,755	-	48,886	-	446,641
<b>Total assets</b>	<b><u>\$ 2,278,951</u></b>	<b><u>244,462</u></b>	<b><u>221,504</u></b>	<b><u>295,128</u></b>	<b><u>3,040,045</u></b>
 <b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 186,804	-	-	4,784	191,588
Salaries and benefits payable	490,846	-	-	-	490,846
Note payable	-	10,687	-	-	10,687
Deferred revenue:					
Succeeding year property tax	1,635,000	140,000	-	200,000	1,975,000
Other	142,000	-	-	-	142,000
<b>Total liabilities</b>	<b><u>2,454,650</u></b>	<b><u>150,687</u></b>	<b><u>-</u></b>	<b><u>204,784</u></b>	<b><u>2,810,121</u></b>
 Fund balances:					
Reserved for debt service	-	93,775	-	-	93,775
Reserved for Iowa Early Intervention					
Block Grant	13,789	-	-	-	13,789
Reserved for Professional Development	508	-	-	-	508
Reserved for Teacher Market Factor	4,449	-	-	-	4,449
Unreserved	(194,445)	-	221,504	90,344	117,403
<b>Total fund balances</b>	<b><u>(175,699)</u></b>	<b><u>93,775</u></b>	<b><u>221,504</u></b>	<b><u>90,344</u></b>	<b><u>229,924</u></b>
 <b>Total liabilities and fund balances</b>	 <b><u>\$ 2,278,951</u></b>	 <b><u>244,462</u></b>	 <b><u>221,504</u></b>	 <b><u>295,128</u></b>	 <b><u>3,040,045</u></b>

See notes to financial statements.

Alta Community School District  
Alta, Iowa

Exhibit D

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

June 30, 2007

**Total fund balances of governmental funds (page 19)** \$ 229,924

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 4,153,177

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 142,000

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. (22,555)

Long-term liabilities, including bonds and real estate contract payable are not due and payable in the current period and, therefore, are not reported in the funds. (2,919,328)

**Net assets of governmental activities (page 16)** \$ 1,583,218

See notes to financial statements.

## Alta Community School District

Exhibit E

Alta, Iowa

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

Year ended June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,626,162	142,422	375,305	167,779	2,311,668
Tuition	255,376	-	-	-	255,376
Other	22,634	1,774	5	165,569	189,982
State sources	2,629,972	92	-	110	2,630,174
Federal sources	453,544	-	-	8,781	462,325
Total revenues	<u>4,987,688</u>	<u>144,288</u>	<u>375,310</u>	<u>342,239</u>	<u>5,849,525</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,282,871	-	-	53,432	2,336,303
Special	466,659	-	-	-	466,659
Other	590,542	-	-	160,213	750,755
	<u>3,340,072</u>	<u>-</u>	<u>-</u>	<u>213,645</u>	<u>3,553,717</u>
Support services:					
Student	108,106	-	-	-	108,106
Instructional staff	152,591	-	670	-	153,261
Administration	781,932	-	-	-	781,932
Operation and maintenance of plant	469,480	-	-	40,072	509,552
Transportation	148,175	-	61,195	9,681	219,051
	<u>1,660,284</u>	<u>-</u>	<u>61,865</u>	<u>49,753</u>	<u>1,771,902</u>
Non-instructional programs	1,500	-	-	-	1,500
Other expenditures:					
Facilities acquisition	-	-	133,610	53,968	187,578
Long-term debt:					
Principal	-	171,039	-	-	171,039
Interest and fiscal charges	-	143,430	-	-	143,430
AEA flowthrough	192,123	-	-	-	192,123
	<u>192,123</u>	<u>314,469</u>	<u>133,610</u>	<u>53,968</u>	<u>694,170</u>
Total expenditures	<u>5,193,979</u>	<u>314,469</u>	<u>195,475</u>	<u>317,366</u>	<u>6,021,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(206,291)</u>	<u>(170,181)</u>	<u>179,835</u>	<u>24,873</u>	<u>(171,764)</u>
Other financing sources (uses):					
Operating transfers in	-	208,869	-	-	208,869
Operating transfers out	-	-	(208,869)	-	(208,869)
Sale of assets	250	-	-	-	250
Total other financing sources (uses)	<u>250</u>	<u>208,869</u>	<u>(208,869)</u>	<u>-</u>	<u>250</u>
Net change in fund balances	(206,041)	38,688	(29,034)	24,873	(171,514)
Fund balances beginning of year	30,342	55,087	250,538	65,471	401,438
Fund balances end of year	<u>\$ (175,699)</u>	<u>93,775</u>	<u>221,504</u>	<u>90,344</u>	<u>229,924</u>

See notes to financial statements.

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

Year ended June 30, 2007

**Net change in fund balances - total governmental funds (page 21)** \$ (171,514)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of 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 current year, as follows:

Expenditures for capital assets	\$ 230,818	
Depreciation expense	<u>(195,595)</u>	35,223

Certain unspent grant proceeds and income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (6,738)

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

Repaid	<u>171,039</u>	171,039
--------	----------------	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		10,844
------------------	--	--------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

		<u>1,283</u>
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**Change in net assets of governmental activities (page 18)** \$ 40,137

See notes to financial statements.

Alta Community School District  
Alta, Iowa

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2007

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 29,450
Due from other governments	2,275
Inventories	9,550
Capital assets, net of accumulated depreciation	<u>15,304</u>
<b>Total assets</b>	<u>56,579</u>
<b>Liabilities</b>	
Due to other funds	<u>26,881</u>
<b>Total liabilities</b>	<u>26,881</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	15,304
Unrestricted	<u>14,394</u>
<b>Total net assets</b>	<u>\$ 29,698</u>

See notes to financial statements.

Alta Community School District  
Alta, Iowa

Exhibit H

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

Year ended June 30, 2007

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 101,401
Total operating revenues	<u>101,401</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	101,244
Benefits	42,069
Purchased services	3,696
Supplies	128,860
Depreciation	<u>2,645</u>
Total operating expenses	<u>278,514</u>
Operating loss	<u>(177,113)</u>
Non-operating revenues:	
State sources	3,479
Federal sources	133,813
Interest income	<u>195</u>
Total non-operating revenues	<u>137,487</u>
Net loss	(39,626)
Net assets beginning of year	<u>69,324</u>
Net assets end of year	<u>\$ 29,698</u>
See notes to financial statements.	

Alta Community School District  
Alta, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

School  
Nutrition

Cash flows from operating activities:

Cash received from sale of lunches and breakfasts	\$ 99,126
Cash paid to employees for services	(133,896)
Cash paid to suppliers for goods or services	<u>(119,359)</u>
Net cash used by operating activities	<u>(154,129)</u>

Cash flows from non-capital financing activities:

State grants received	3,479
Federal grants received	<u>118,094</u>
Net cash provided by non-capital financing activities	<u>121,573</u>

Cash flows from investing activities:

Interest on investments	<u>195</u>
-------------------------	------------

Net decrease in cash and cash equivalents (32,361)

Cash and cash equivalents beginning of year 61,811

Cash and cash equivalents end of year \$ 29,450

(continued)

Alta Community School District  
Alta, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

School  
Nutrition

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

Operating loss	\$ (177,113)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,719
Depreciation	2,645
(Increase) in accounts receivable	(2,275)
(Increase) in inventories	(2,522)
Increase in due to other funds	9,417
Net cash used by operating activities	<u>\$ (154,129)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received \$15,719  
of federal commodities.

See notes to financial statements.

Alta Community School District  
Alta, Iowa

Exhibit J

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 10,688
Other receivables	<u>19,074</u>
<b>Total assets</b>	<u>29,762</u>
<b>Liabilities</b>	
Other payables	<u>29,762</u>
<b>Total liabilities</b>	<u>29,762</u>
<b>Net assets</b>	<u><u>\$ -</u></u>

See notes to financial statements.

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

**(1) Summary of Significant Accounting Policies**

Alta Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Alta, Iowa, and the predominate agricultural territory in Buena Vista, Cherokee and Sac counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Alta Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

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

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

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

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

B. Basis of Presentation

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

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

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

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

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

*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, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

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

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

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

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

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

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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.

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	500

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

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

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

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

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

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

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

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

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

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

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. During the year ended June 30, 2007, expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

(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	\$ 110 ===

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

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

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

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, School Nutrition	\$ 26,881
		=====

The School Nutrition Fund is reimbursing the General Fund for cooks' wages that did not get paid by June 30, 2007.

**(4) 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>
Debt Service	Capital Projects	\$ 208,869
		=====

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

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ <u>153,990</u>	<u>---</u>	<u>---</u>	<u>153,990</u>
Total capital assets not being depreciated	<u>153,990</u>	<u>---</u>	<u>---</u>	<u>153,990</u>
Capital assets being depreciated:				
Buildings	4,473,000	144,208	---	4,617,208
Improvements other than buildings	353,311	894	---	354,205
Furniture and equipment	<u>1,519,595</u>	<u>85,716</u>	<u>22,495</u>	<u>1,582,816</u>
Total capital assets being depreciated	<u>6,345,906</u>	<u>230,818</u>	<u>22,495</u>	<u>6,554,229</u>
Less accumulated depreciation for:				
Buildings	896,208	96,616	---	992,824
Improvements other than buildings	247,400	11,626	---	259,026
Furniture and equipment	<u>1,238,334</u>	<u>87,353</u>	<u>22,495</u>	<u>1,303,192</u>
Total accumulated depreciation	<u>2,381,942</u>	<u>195,595</u>	<u>22,495</u>	<u>2,555,042</u>
Total capital assets being depreciated, net	<u>3,963,964</u>	<u>35,223</u>	<u>---</u>	<u>3,999,187</u>
Governmental activities capital assets, net	<u>\$ 4,117,954</u>	<u>35,223</u>	<u>---</u>	<u>4,153,177</u>

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 49,529	---	17,790	31,739
Less accumulated depreciation	<u>31,580</u>	<u>2,645</u>	<u>17,790</u>	<u>16,435</u>
Business type activities capital assets, net	\$ 17,949	(2,645)	---	15,304
	=====	=====	=====	=====

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 59,956

Support services:

Administration 3,619

Operation and maintenance of plant 10,511

Transportation 23,601

97,687

Unallocated

97,908

Total depreciation expense – governmental activities

\$ 195,595

=====

Business type activities:

Food service operations \$ 2,645

=====

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

**(6) 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
Note payable	\$ 10,687	---	10,687	---	---
Real estate contract	79,680	---	20,352	59,328	20,064
General obligation bonds	3,000,000	---	140,000	2,860,000	145,000
Early retirement	<u>10,844</u>	<u>---</u>	<u>10,844</u>	<u>---</u>	<u>---</u>
Total	<u>\$ 3,101,211</u>	<u>---</u>	<u>181,883</u>	<u>2,919,328</u>	<u>165,064</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee are computed on a per diem basis according to the employee's current salary less additional pay. At June 30, 2007 the District has no outstanding obligations. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$10,844.

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

General Obligation Bonds Payable

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

Year Ending <u>June 30,</u>	Bond Issue of May 1, 2002			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	5.50%	\$ 145,000	\$ 135,330	\$ 280,330
2009	5.40	155,000	127,355	282,355
2010	4.15	160,000	118,985	278,985
2011	4.25	170,000	112,345	282,345
2012	4.35	180,000	105,120	285,120
2013-2017	4.45-4.75	1,025,000	397,733	1,422,733
2018-2021	4.80-4.90	<u>1,025,000</u>	<u>127,890</u>	<u>1,152,890</u>
Total		\$ 2,860,000	\$ 1,124,758	\$ 3,984,758
		=====	=====	=====

Real Estate Contract Payable

During the year ended June 30, 2005, the District entered into a contract for the purchase of land. The note bears interest at 0% and is payable from the capital projects, local option sales tax revenues. Details of the District's indebtedness under the contract at June 30, 2007 is as follows:

Year Ending <u>June 30,</u>	<u>Real Estate Contract Principal</u>
2008	\$ 20,064
2009	19,776
2010	<u>19,488</u>
Total	\$ 59,328
	=====

During the year ended June 30, 2007, the District made principal payments totaling \$20,352 under the real estate contract.

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

Note Payable

During the year ended June 30, 2006, the District entered into an agreement with the Alta Community Educational Foundation to finance the purchase of computers. The note bears interest at 0% and is payable from the Debt Service Fund. Principal payments totaling \$10,687 were due during the year ended June 30, 2007.

The actual payment was not made until fiscal year 2008.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 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 \$175,980, \$161,807 and \$153,553, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Alta Community School District is a member in the Iowa School Employees Benefits Association, (ISEBA), a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides health coverage and protection.

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$323,652.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$192,123 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.

**(10) Deficit Fund Balance**

The General Fund had a deficit fund balance of \$175,699 at June 30, 2007. The deficit will be eliminated by the receipt of property tax in future years. The deficit in the General Fund was due to expenditures being incurred before the receipts were available to pay for them.

Alta Community School District  
Alta, Iowa

Notes to Financial Statements

June 30, 2007

**(11) Operating Leases**

The District entered into an operating lease with Star Leasing Inc. for the rental of two copiers on June 26, 2003 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2007 was \$11,361. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2008	\$ 11,361
2009	<u>1,892</u>
Total	\$ 13,253 =====

The District entered into an operating lease with Star Leasing, Inc. for the rental of a copier on June 25, 2004 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2007 was \$3,431. Future rental are scheduled as follows:

Year Ending <u>June 30,</u>	
2008	\$ 3,431
2009	<u>3,145</u>
Total	\$ 6,576 =====

**Required Supplementary Information**

Alta Community School District  
Alta, Iowa

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,757,026	101,596
State sources	2,630,174	3,479
Federal sources	<u>462,325</u>	<u>133,813</u>
Total receipts	<u>5,849,525</u>	<u>238,888</u>
Expenditures:		
Instruction	3,553,717	-
Support services	1,771,902	-
Non-instructional programs	1,500	278,514
Other expenditures	<u>694,170</u>	<u>-</u>
Total disbursements	<u>6,021,289</u>	<u>278,514</u>
Deficiency of revenues under expenditures	(171,764)	(39,626)
Other financing sources	<u>250</u>	<u>-</u>
Deficiency of revenues and other financing sources under expenditures	(171,514)	(39,626)
Balances beginning of year	<u>401,438</u>	<u>69,324</u>
Balances end of year	<u>\$ 229,924</u>	<u>29,698</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
2,858,622	3,021,337	3,021,337	(162,715)
2,633,653	2,586,508	2,586,508	47,145
<u>596,138</u>	<u>386,000</u>	<u>386,000</u>	<u>210,138</u>
<u>6,088,413</u>	<u>5,993,845</u>	<u>5,993,845</u>	<u>94,568</u>
3,553,717	3,468,093	3,468,093	(85,624)
1,771,902	1,637,700	1,637,700	(134,202)
280,014	400,925	400,925	120,911
<u>694,170</u>	<u>1,238,292</u>	<u>1,238,292</u>	<u>544,122</u>
<u>6,299,803</u>	<u>6,745,010</u>	<u>6,745,010</u>	<u>445,207</u>
(211,390)	(751,165)	(751,165)	539,775
<u>250</u>	<u>20,200</u>	<u>20,200</u>	<u>(19,950)</u>
(211,140)	(730,965)	(730,965)	519,825
<u>470,762</u>	<u>841,181</u>	<u>841,181</u>	<u>(370,419)</u>
<u>259,622</u>	<u>110,216</u>	<u>110,216</u>	<u>149,406</u>

Alta Community School District  
Alta, Iowa

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 Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the amounts budgeted.

## **Other Supplementary Information**

Alta Community School District  
Alta, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2007

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 3,421	32,714	57,660	93,795
Receivables:				
Property tax:				
Delinquent	958	-	375	1,333
Succeeding year	<u>150,000</u>	<u>-</u>	<u>50,000</u>	<u>200,000</u>
<b>Total assets</b>	<b><u>\$ 154,379</u></b>	<b><u>32,714</u></b>	<b><u>108,035</u></b>	<b><u>295,128</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	1,932	2,852	4,784
Deferred revenue:				
Succeeding year property tax	<u>150,000</u>	<u>-</u>	<u>50,000</u>	<u>200,000</u>
Total liabilities	150,000	1,932	52,852	204,784
Unreserved fund balances	<u>4,379</u>	<u>30,782</u>	<u>55,183</u>	<u>90,344</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 154,379</u></b>	<b><u>32,714</u></b>	<b><u>108,035</u></b>	<b><u>295,128</u></b>

See accompanying independent auditor's report.

Alta Community School District  
Alta, Iowa

Schedule 2

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

Year ended June 30, 2007

	Manage- ment <u>Levy</u>	Student Activity	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 120,295	-	47,484	167,779
Other	8,940	156,629	-	165,569
State sources	79	-	31	110
Federal sources	-	-	8,781	8,781
Total revenues	<u>129,314</u>	<u>156,629</u>	<u>56,296</u>	<u>342,239</u>
Expenditures:				
Current:				
Instruction:				
Regular	53,432	-	-	53,432
Other	-	160,213	-	160,213
Support services:				
Operation and maintenance of plant	40,072	-	-	40,072
Transportation	8,585	-	1,096	9,681
Other expenditures:				
Facilities acquisition	-	-	53,968	53,968
Total expenditures	<u>102,089</u>	<u>160,213</u>	<u>55,064</u>	<u>317,366</u>
Excess (deficiency) of revenues over (under) expenditures	27,225	(3,584)	1,232	24,873
Fund balances beginning of year	<u>(22,846)</u>	<u>34,366</u>	<u>53,951</u>	<u>65,471</u>
Fund balances end of year	<u>\$ 4,379</u>	<u>30,782</u>	<u>55,183</u>	<u>90,344</u>

See accompanying independent auditor's report.

Alta Community School District  
Alta, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intra- Fund Transfers	Balance End of Year
After School Program	\$ 10,525	31	10,556	-	-
Athletics	167	34,235	24,717	-	9,685
Ball Field	14,255	7,291	3,010	-	18,536
Baseball	1,396	1,219	4,853	-	(2,238)
Book Fair	778	1,206	1,539	-	445
Boys Basketball	(1,080)	259	162	-	(983)
Boys Basketball Tournament	4,233	803	1,408	-	3,628
Cheerleaders	(695)	3,928	2,570	-	663
Class of 2006	217	-	-	-	217
Class of 2007	1,142	4,335	5,280	-	197
Class of 2008	159	5,920	4,946	-	1,133
Class of 2009	167	129	39	-	257
Class of 2010	-	303	74	-	229
Grades 5 and 6	43	212	346	-	(91)
Cross Country	538	3,136	5,787	-	(2,113)
Danceline	2,284	5,646	5,992	-	1,938
Drama	231	2,399	2,023	-	607
Elem Computer	(54)	427	-	-	373
Elem Memory Book	688	-	-	-	688
FCA	1	403	275	-	129
FFA	1,782	6,718	7,000	-	1,500
FHA	97	293	263	-	127
Football	28	11,187	11,221	-	(6)
Interest	5,966	3,416	3,512	-	5,870
Girls Basketball	34	1,440	3,212	-	(1,738)
Middle School	43	1,066	1,092	-	17
Middle School Band	1,017	1,008	950	-	1,075
High School Band	(229)	228	5	-	(6)
P.I.E.	62	-	-	-	62
MS Fundraiser	334	3,740	3,182	-	892
Softball	(3,469)	2,902	2,384	-	(2,951)
Speech Club	(108)	20,016	19,096	-	812
Student Council	8,269	7,174	7,965	-	7,478
Volleyball	376	8,004	9,022	-	(642)
Wrestling	(295)	6,591	7,271	-	(975)
Scholarship Fund	280	287	200	-	367
Yearbook	(14,956)	10,021	10,142	-	(15,077)
Elem Activity	140	656	119	-	677
Total	<u>\$ 34,366</u>	<u>156,629</u>	<u>160,213</u>	<u>-</u>	<u>30,782</u>

See accompanying independent auditor's report.

Alta Community School District  
Alta, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Cash	\$ 6,700	85,431	81,443	10,688
Other receivables	<u>4,178</u>	<u>19,074</u>	<u>4,178</u>	<u>19,074</u>
<b>Total assets</b>	<u>\$ 10,878</u>	<u>104,505</u>	<u>85,621</u>	<u>29,762</u>
<b>Liabilities</b>				
Other payables	<u>\$ 10,878</u>	<u>104,505</u>	<u>85,621</u>	<u>29,762</u>
<b>Total liabilities</b>	<u>\$ 10,878</u>	<u>104,505</u>	<u>85,621</u>	<u>29,762</u>

See accompanying independent auditor's report.

Alta Community School District  
Alta, Iowa

Schedule 5

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

For the Last Four Years

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Local sources:				
Local tax	\$ 2,311,668	2,150,959	2,100,249	1,973,554
Tuition	255,376	181,006	156,758	159,890
Other	189,982	219,584	358,629	248,432
State sources	2,630,174	2,498,680	2,463,499	2,173,608
Federal sources	462,325	296,587	280,447	170,912
Total	\$ 5,849,525	5,346,816	5,359,582	4,726,396
Expenditures:				
Instruction:				
Regular	\$ 2,336,303	2,252,085	2,277,882	2,160,264
Special	466,659	473,974	463,435	481,659
Other	750,755	716,696	518,180	467,522
Support services:				
Student	108,106	112,523	112,240	98,313
Instructional staff	153,261	169,792	129,356	144,390
Administration	781,932	608,481	492,119	507,814
Operation and maintenance of plant	509,552	576,926	443,472	530,698
Transportation	219,051	165,396	140,414	136,791
Other support	-	-	23,399	-
Non-instructional programs	1,500	1,500	4,010	25,168
Other expenditures:				
Facilities acquisition	187,578	96,516	64,404	1,116,305
Long-term debt:				
Principal	171,039	140,687	150,530	120,000
Interest and other charges	143,430	150,255	155,255	159,956
AEA flowthrough	192,123	183,465	178,475	171,338
Total	\$ 6,021,289	5,648,296	5,153,171	6,120,218

See accompanying independent auditor's report.

Alta Community School District  
Alta, Iowa

Schedule 6

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>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY07	\$ <u>15,719</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY07	24,393
National School Lunch Program	10.555	FY07	89,949
Summer Food Service Program for Children	10.559	FY07	<u>3,752</u>
Total			<u>118,094</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY07	68,984
Title I Grants to Local Educational Agencies Migrant	84.011	FY07	<u>12,600</u>
			<u>81,584</u>
Vocational Education - Basic Grants to States	84.048	FY07	<u>1,767</u>
Safe and Drug-Free Schools and Communities -			
State Grants	84.186	FY07	144
National Programs	84.184	FY07	<u>16,785</u>
Total			<u>16,929</u>
State Grants for Innovative Programs	84.298	FY07	<u>1,042</u>
Improving Teacher Quality State Grants	84.367	FY07	<u>25,572</u>
Grants for State Assessments	84.369	FY07	<u>4,095</u>
Grants for Children with Disabilities	84.323	FY07	<u>5,208</u>
Rural Education Achievement Program Grants	84.358	FY07	<u>26,183</u>
Improvement of Education:			
Mental Health	84.215	FY07	234,934
Fire Safety Grant	84.215	FY07	<u>8,781</u>
			<u>243,715</u>
Prairie Lakes Area Education Agency:			
Special Education - Grants to States	84.027	FY07	<u>32,280</u>

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

U.S. Department of Justice:			
Universal Service Grant	16.729	FY07	<u>5,802</u>
Total			<u>\$ 577,990</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Alta 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 Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

To the Board of Education of  
Alta Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alta Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 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 Alta 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 Alta Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alta 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 Alta 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 Alta Community School District's financial statements that is more than inconsequential will not be prevented or detected by Alta 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 Alta 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 items II-A-07 and II-B-07 are material weaknesses.

### Compliance and Other Matters

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

Alta 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 Alta 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 Alta Community School District and other parties to whom Alta Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

March 26, 2008

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  
Alta Community School District:

Compliance

We have audited the compliance of Alta 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. Alta 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 Alta Community School District's management. Our responsibility is to express an opinion on Alta 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 Alta 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 Alta Community School District's compliance with those requirements.

In our opinion, Alta 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 Alta 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 Alta 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 Alta 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 items III-A-07 and III-B-07 to be significant deficiencies.

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.

Alta 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 Alta 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 Alta Community School District and other parties to whom Alta Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

March 26, 2008

Alta Community School District  
Alta, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements except for the discretely presented component unit which was not audited.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs was disclosed by the audit of the financial statements, one of which was considered to be 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 is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.215 – Improvements of Education
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Services Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Alta Community School District did not qualify as a low-risk auditee.

Alta Community School District  
Alta, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts journal were all done by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

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

II-B-07 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital assets additions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital assets additions are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

Alta Community School District  
Alta, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-C-07 Disbursement Approval – For four transactions tested, there was no evidence of Board Approval.

Recommendation – The District should ensure all expenditures are properly approved. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**CFDA Number 10.559: Summer Food Service Program for Children**  
**Federal Award Year: 2007**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.215: Improvement of Education**  
**Federal Award Year: 2007**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

Alta Community School District  
Alta, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

III-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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

Response and Corrective Action Planned – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

III-B-07 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital assets additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, Payables and capital assets additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

Alta Community School District  
Alta, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

III-C-07 Disbursement Approval – For four transactions tested, there was no evidence of Board approval.

Recommendation – The District should ensure all expenditures are properly approved. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved.

Conclusion – Response accepted.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-07 Certified Budget - Expenditures for the year ended June 30, 2007, exceeded the certified budget amounts in the instruction and support services functions.

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

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

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the District and District officials or employees were noted.

Alta Community School District

Alta, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure the coverage is adequate for current operations.

IV-F-07 Board Minutes - As previously noted, four transactions requiring Board approval had not been approved by the Board.

The minutes did not document if closed sessions were closed by a roll call vote of at least two-thirds of the members and the specific exemption under Chapter 21.5 of the Code was not always identified.

Certain minutes were not published as required by Chapter 279.35 of the Code and did not always document the purpose of the claim.

Recommendation – All expenditures should be approved by the Board and sufficient documentation should be maintained to evidence proper approval. The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting. The purpose of each claim should be included in the publication. A roll call vote and the specific exemption should be noted for all closed sessions.

Response – Procedures will be revised to ensure recommendations are followed.

Conclusion – Response accepted.

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

IV-H-07 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-07 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

Alta Community School District

Alta, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-J-07 Deficit Balances - The District had a General Fund deficit of \$175,699 at June 30, 2007 and a few student activities accounts had deficit balances at June 30, 2007.

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

Response – The District is continuing to investigate alternatives to eliminate these deficits.

Conclusion - Response accepted.

IV-K-07 Authorized Check Signatures – It was noted that one check was not signed, in accordance with Chapter 291.1 and 291.8 of the Code.

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

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

Conclusion – Response accepted.