

**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, 2010**

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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 2009 Election)</b>		
Ila Galvin	President	2011
Dave Turnquist	Vice President	2011
Bruce Glienke	Board Member	2009
Dr. Greg Kueny	Board Member	2011
Dale Wetherell	Board Member	2009
<b>Board of Education</b>		
<b>(After September 2009 Election)</b>		
Ila Galvin	President	2011
Bruce Glienke	Vice President	2013
Dr. Greg Kueny	Board Member	2011
Gigi Nelson	Board Member	2013
Dave Turnquist	Board Member	2011
<b>School Officials</b>		
Dr. Fred Maharry	Superintendent	2010
Connie Jensen	District Secretary/Treasurer and Business Manager	2010
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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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 Alta Community School District's basic financial statements. Alta Community Educational Foundation's financial statements are included in the District's financial statements as a discretely presented component unit.

Because Alta Community Educational Foundation's 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 discretely presented component unit of the Alta Community School District, as of and for the year ended June 30, 2010. 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, 2010 and the respective changes in financial position and cash flows, where applicable, for the year than ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retire Health Plan on pages 4 through 15 and 51 through 54 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 seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. 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 15, 2011

## **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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,240,043 in fiscal year 2009 to \$5,259,479 in fiscal year 2010, while General Fund expenditures decreased from \$5,045,962 in fiscal year 2009 to \$4,849,562 in fiscal year 2010. The District's General Fund balance increased from a deficit of \$258,371 at the end of fiscal year 2009, to a positive fund balance of \$152,043 at the end of fiscal year 2010, a 159% increase.
- General Fund revenues increased in total despite a 10% across the board cut in state foundation aid. The fiscal year 2010 increase in General Fund revenues was attributable to increases in local taxes and federal grant revenue. The decrease in expenditures was due to the District finding ways to cut spending. This resulted in the increase in the General Fund balance.

### **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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal 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**

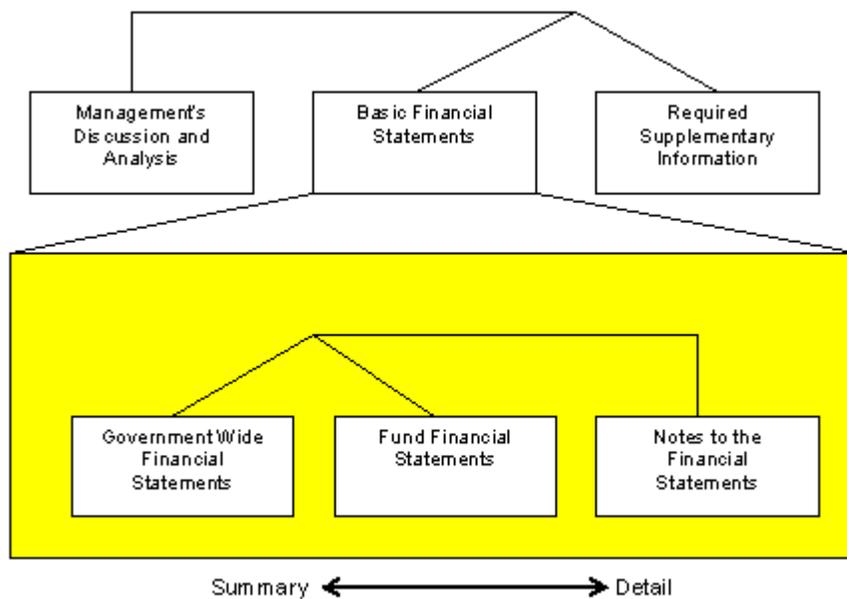


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of 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 include 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, 2010 compared to June 30, 2009.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 8,249	3,823	33	4	8,282	3,827	116.4%
Capital assets	<u>3,991</u>	<u>4,021</u>	<u>8</u>	<u>11</u>	<u>3,999</u>	<u>4,032</u>	<u>-0.8%</u>
Total assets	<u>12,240</u>	<u>7,844</u>	<u>41</u>	<u>15</u>	<u>12,281</u>	<u>7,859</u>	<u>56.3%</u>
Long-term liabilities	6,324	2,599	5	---	6,329	2,599	143.5%
Other liabilities	<u>3,193</u>	<u>3,123</u>	<u>---</u>	<u>---</u>	<u>3,193</u>	<u>3,123</u>	<u>2.2%</u>
Total liabilities	<u>9,517</u>	<u>5,722</u>	<u>5</u>	<u>---</u>	<u>9,522</u>	<u>5,722</u>	<u>66.4%</u>
Net assets:							
Invested in capital assets, net of related debt	1,494	1,442	8	11	1,502	1,453	3.4%
Restricted	646	229	---	---	646	229	182.1%
Unrestricted	<u>583</u>	<u>451</u>	<u>28</u>	<u>4</u>	<u>611</u>	<u>455</u>	<u>34.3%</u>
Total net assets	\$ 2,723	2,122	36	15	2,759	2,137	29.1%
	=====	=====	====	====	=====	=====	=====

The District's combined net assets increased 29%, or approximately \$622,000 from 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 \$417,000 or 182% over the prior year. The increase was primarily a result of increased revenues in the Special Revenue, Management Student Activity Funds, an increase in net assets restricted for categorical funding, and an increase in net assets restricted for the required bond reserve.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$156,000, or 34%. This increase in unrestricted net assets was a result of the District implementing a plan to reduce spending.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

**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>District</u>		
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Revenues:							
Program revenues:							
Charges for service	\$ 587	594	116	124	703	718	-2.1%
Operating grants, contributions and restricted interest	1,052	871	166	153	1,218	1,024	18.9%
Capital grants, contributions and restricted interest	---	16	---	---	---	16	-100.0%
General revenues:							
Property tax	2,424	2,214	---	---	2,424	2,214	9.5%
Statewide sales, services and use tax	347	347	---	---	347	347	0.0%
Income surtax	239	202	---	---	239	202	18.3%
Unrestricted state grants	1,467	1,887	---	---	1,467	1,887	-22.3%
Unrestricted investment earnings	3	2	---	---	3	2	50.0%
Other	<u>25</u>	<u>36</u>	<u>---</u>	<u>---</u>	<u>25</u>	<u>36</u>	<u>-30.6%</u>
Total revenues	<u>6,144</u>	<u>6,169</u>	<u>282</u>	<u>277</u>	<u>6,426</u>	<u>6,446</u>	<u>-0.3%</u>
Program expenses:							
Governmental activities:							
Instruction	3,727	3,789	---	---	3,727	3,789	-1.6%
Support services	1,321	1,423	---	---	1,321	1,423	-7.2%
Non-instructional programs	---	---	261	283	261	283	-7.8%
Other expenses	<u>495</u>	<u>443</u>	<u>---</u>	<u>---</u>	<u>495</u>	<u>443</u>	<u>11.7%</u>
Total expenses	<u>5,543</u>	<u>5,655</u>	<u>261</u>	<u>283</u>	<u>5,804</u>	<u>5,938</u>	<u>-2.3%</u>
Increase (decrease) in net assets	601	514	21	(6)	622	508	22.4%
Net assets beginning of year	<u>2,122</u>	<u>1,608</u>	<u>15</u>	<u>21</u>	<u>2,137</u>	<u>1,629</u>	<u>31.2%</u>
Net assets end of year	\$ <u>2,723</u>	<u>2,122</u>	<u>36</u>	<u>15</u>	<u>2,759</u>	<u>2,137</u>	<u>29.1%</u>
	=====	=====	=====	=====	=====	=====	=====

In fiscal year 2010, property tax and unrestricted state grants account for 63.3% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for all of the revenue from business type activities revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

The District's total revenues were approximately \$6.4 million, of which approximately 6.1 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.3% decrease in revenues and a 2.3% decrease in expenses. The decrease in unrestricted state grants revenue of approximately \$420,000 was offset by an increase in property tax revenue of approximately \$210,000 and an increase in operating grants of approximately \$181,000. The decrease in expenses was due to the District planned reduction of expenses.

### Governmental Activities

Revenues for governmental activities were \$6,143,977 and expenses were \$5,543,327 for the year ended June 30, 2010.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

**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>2010</u>	<u>2009</u>	<u>Change 2009-2010</u>	<u>2010</u>	<u>2009</u>	<u>Change 2009-2010</u>
Instruction	3,727	3,789	-1.6%	2,315	2,534	-8.6%
Support services	1,321	1,423	-7.2%	1,308	1,395	-6.2%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	495	443	11.7%	282	244	15.6%
Total	5,543	5,655	-2.0%	3,905	4,173	-6.4%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2010:

- The cost financed by users of the District’s programs was \$586,748.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,052,103.
- The net cost of governmental activities was financed with \$3,009,965 in property and other taxes and \$1,467,446 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$282,769, representing a 1.8% increase over the prior year, while expenses totaled \$261,299, a 7.7% decrease from the prior year. 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 \$4,869,310, well above last year's ending fund balances of \$481,308. However, the primary reason for the increase in combined fund balances at the end of fiscal 2010 is due to approximately \$3.8 million of unexpended revenue bond proceeds received in fiscal year 2010.

### **Governmental Fund Highlights**

- The General Fund balance increased from a deficit balance of \$258,371 to a positive balance of \$152,043.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$85,421 in fiscal 2009 to \$88,534 in fiscal 2010.
- The Capital Projects Fund balance increased due to the sale of \$3,890,000 in revenue bonds during fiscal year 2010. The District ended fiscal year 2009 with a balance of \$388,700. Fiscal year 2010 ended with a balance of \$4,285,862, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$15,279 at June 30, 2009 to \$36,252 at June 30, 2010, representing an increase of approximately 137%. The increase was largely due to the decrease in food/supplies paid by the nutrition fund.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Alta Community School District amended its budget one time to reflect additional expenditures related to retiring general obligation bonds and for the construction of a middle school addition.

The District's total revenues were \$284,991 less than budgeted revenues, a variance of 4.2%. The most significant variance resulted from a reduction in state resources causing the total amount received to be less than originally anticipated.

Total expenditures were less than budgeted by \$7,198,864, a variance of 54.9%. This was caused by the District budgeting for other expenditures that were not incurred during fiscal year 2010.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested approximately \$4.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.8% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$182,361.

The original cost of the District's capital assets was approximately \$7.0 million. Governmental funds account for approximately \$7.0 million, with less than \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, Net of Depreciation**  
**(Expressed in Thousands)**

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 154	154	-	-	154	154	-
Construction in progress	77	-	-	-	77	-	100.0%
Buildings	3,395	3,467	-	-	3,395	3,467	-2.1%
Improvements other than buildings	85	95	-	-	85	95	-10.5%
Furniture and equipment	<u>280</u>	<u>305</u>	<u>8</u>	<u>11</u>	<u>288</u>	<u>316</u>	<u>-8.9%</u>
Total	\$ 3,991	4,021	8	11	3,999	4,032	-0.8%
	=====	=====	====	====	=====	=====	=====

### Long-Term Debt

At June 30, 2010, the District had \$6,253,511 in total long-term debt outstanding. This represents an increase of approximately 141% 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.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$14 million.

In February 2010, the District approved a resolution authorizing the issuance of \$2,430,000 in general obligation refunding bonds to refinance the general obligations bonds issued in 2002. In March 2010, the District issued \$3,890,000 of Statewide Sales, Services and Use Tax revenues bonds to pay for the construction of a building addition. The District had total outstanding bonded indebtedness at June 30, 2010 of \$6,244,000.

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

	Total District	Total Change	
	June 30,	June 30,	
	2010	2009	2009-2010
General obligation bonds	\$ ---	2,560	-100.0%
General obligation refunding bonds	2,421	---	100.0%
Revenue bonds	3,823	---	100.0%
Real estate contract payable	---	19	-100.0%
Early retirement payable	<u>10</u>	<u>20</u>	<u>-50.0%</u>
Total	<u>\$ 6,254</u>	<u>2,599</u>	<u>140.6%</u>

## 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 2008. The wind towers in the District have added significantly to property values and helped reduce property taxes.
- The District experienced a slight increase in enrollment and must continue to monitor expenses carefully. Increased health insurance and energy cost make this situation very challenging.
- Fiscal 2010 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 2011. 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.
- The District has finalized a sharing agreement with Aurelia. The Districts have already begun with athletic sharing and whole-grade sharing in 2011-2012.
- The District has refinanced the Middle School bonds at a lower interest rate. This has saved the District money and will help to keep property taxes down.

- Educators and board members have determined that new high school classrooms are needed to address accessibility, technology use, energy conservation and proximity to the elementary. The logical way to finance this is through borrowing against the statewide sales, services and use tax revenues. Additional classroom spaces are required to meet the needs of Alta and Aurelia students, who will be attending classes together for the first time in 2011-12. Our goal is to serve future high school students at a high level and to attract new students so that the District remains viable.

## **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, 2010

	Primary Government			Component Unit
	Governmental	Business Type	Total	Educational Foundation
	Activities	Activities		
<b>Assets</b>				
Cash and cash equivalents and pooled investments	\$ 5,123,591	48,613	5,172,204	141,135
Receivables:				
Property tax:				
Delinquent	15,934	-	15,934	-
Succeeding year	2,597,000	-	2,597,000	-
Accounts	179	-	179	-
Due from other governments	432,432	8,979	441,411	-
Due from other funds	33,575	(33,575)	-	-
Inventories	-	8,832	8,832	-
Capital assets, net of accumulated depreciation	3,990,659	8,470	3,999,129	-
Bond issuance costs, net of accumulated amortization	46,751	-	46,751	-
<b>Total assets</b>	<b>12,240,121</b>	<b>41,319</b>	<b>12,281,440</b>	<b>141,135</b>
<b>Liabilities</b>				
Accounts payable	70,960	-	70,960	-
Salaries and benefits payable	451,451	-	451,451	-
Accrued interest payable	47,163	-	47,163	-
Deferred revenue:				
Succeeding year property tax	2,597,000	-	2,597,000	-
Other	26,186	-	26,186	-
Long-term liabilities:				
Portion due within one year:				
General obligation refunding bonds	165,000	-	165,000	-
Revenue bonds	100,000	-	100,000	-
Early retirement	10,000	-	10,000	-
Portion due after one year:				
General obligation refunding bonds (net of \$9,430 unamortized discount)	2,255,570	-	2,255,570	-
Revenue bonds (net of \$67,059 unamortized discount)	3,722,941	-	3,722,941	-
Net OPEB liability	70,933	5,067	76,000	-
<b>Total liabilities</b>	<b>9,517,204</b>	<b>5,067</b>	<b>9,522,271</b>	<b>-</b>

Alta Community School District  
Alta, Iowa

Exhibit A

Statement of Net Assets

June 30, 2010

	Primary Government			Component Unit
	Governmental	Business Type	Total	Educational Foundation
	<u>Activities</u>	<u>Activities</u>		<u>Foundation</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	1,493,543	8,470	1,502,013	-
Restricted for:				
Categorical funding	67,299	-	67,299	-
Management levy	102,304	-	102,304	-
Physical plant and equipment levy	88,534	-	88,534	-
Other special revenue purposes	73,804	-	73,804	-
Debt service	313,800	-	313,800	-
Foundation purposes	-	-	-	141,135
Unrestricted	583,633	27,782	611,415	-
<b>Total net assets</b>	\$ 2,722,917	36,252	2,759,169	141,135

See notes to financial statements.

Alta Community School District  
Alta, Iowa  
Statement of Activities  
Year ended June 30, 2010

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</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 instruction	\$ 2,510,226	368,942	627,648	-
Special instruction	505,570	-	95,436	-
Other instruction	710,837	215,016	104,151	-
	<u>3,726,633</u>	<u>583,958</u>	<u>827,235</u>	<u>-</u>
Support services:				
Student	85,014	-	2,605	-
Instructional staff	103,281	-	-	-
Administration	507,947	-	1,975	-
Operation and maintenance of plant	447,975	2,790	-	-
Transportation	177,323	-	6,711	-
	<u>1,321,540</u>	<u>2,790</u>	<u>11,291</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	37,320	-	-	-
Long-term debt interest	148,671	-	-	-
AEA flowthrough	213,577	-	213,577	-
Depreciation (unallocated)*	95,586	-	-	-
	<u>495,154</u>	<u>-</u>	<u>213,577</u>	<u>-</u>
Total governmental activities	<u>5,543,327</u>	<u>586,748</u>	<u>1,052,103</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	261,299	116,230	166,507	-
<b>Total primary government</b>	<b>\$ 5,804,626</b>	<b>702,978</b>	<b>1,218,610</b>	<b>-</b>
<b>Component Unit:</b>				
Educational Foundation	\$ 1,479	-	6,350	-
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Transfers				
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.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Educational Foundation
(1,513,636)	-	(1,513,636)	-
(410,134)	-	(410,134)	-
(391,670)	-	(391,670)	-
<u>(2,315,440)</u>	<u>-</u>	<u>(2,315,440)</u>	<u>-</u>
(82,409)	-	(82,409)	-
(103,281)	-	(103,281)	-
(505,972)	-	(505,972)	-
(445,185)	-	(445,185)	-
(170,612)	-	(170,612)	-
<u>(1,307,459)</u>	<u>-</u>	<u>(1,307,459)</u>	<u>-</u>
(37,320)	-	(37,320)	-
(148,671)	-	(148,671)	-
-	-	-	-
(95,586)	-	(95,586)	-
(281,577)	-	(281,577)	-
<u>(3,904,476)</u>	<u>-</u>	<u>(3,904,476)</u>	<u>-</u>
-	21,438	21,438	-
<u>(3,904,476)</u>	<u>21,438</u>	<u>(3,883,038)</u>	<u>-</u>
-	-	-	4,871
2,187,494	-	2,187,494	-
179,190	-	179,190	-
56,954	-	56,954	-
239,274	-	239,274	-
347,053	-	347,053	-
1,467,446	-	1,467,446	-
3,197	32	3,229	1,875
24,518	-	24,518	-
497	(497)	-	-
<u>4,505,623</u>	<u>(465)</u>	<u>4,505,158</u>	<u>1,875</u>
601,147	20,973	622,120	6,746
<u>2,121,770</u>	<u>15,279</u>	<u>2,137,049</u>	<u>134,389</u>
<u>\$ 2,722,917</u>	<u>36,252</u>	<u>2,759,169</u>	<u>141,135</u>

Alta Community School District  
Alta, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2010

	<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	\$ 452,729	165,586	4,236,057	269,219	5,123,591
Receivables:					
Property tax:					
Delinquent	13,563	1,177	-	1,194	15,934
Succeeding year	2,200,000	187,000	-	210,000	2,597,000
Accounts	179	-	-	-	179
Due from other funds	33,575	-	-	-	33,575
Due from other governments	376,243	-	56,189	-	432,432
<b>Total assets</b>	<u>\$ 3,076,289</u>	<u>353,763</u>	<u>4,292,246</u>	<u>480,413</u>	<u>8,202,711</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 58,805	-	6,384	5,771	70,960
Salaries and benefits payable	451,451	-	-	-	451,451
Deferred revenue:					
Succeeding year property tax	2,200,000	187,000	-	210,000	2,597,000
Other	213,990	-	-	-	213,990
<b>Total liabilities</b>	<u>2,924,246</u>	<u>187,000</u>	<u>6,384</u>	<u>215,771</u>	<u>3,333,401</u>
Fund balances:					
Reserved for:					
Categorical funding	67,299	-	-	-	67,299
Debt service	-	166,763	313,800	-	480,563
Unreserved, reported in:					
General fund	84,744	-	-	-	84,744
Special revenue funds	-	-	-	264,642	264,642
Capital projects funds	-	-	3,972,062	-	3,972,062
<b>Total fund balances</b>	<u>152,043</u>	<u>166,763</u>	<u>4,285,862</u>	<u>264,642</u>	<u>4,869,310</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,076,289</u>	<u>353,763</u>	<u>4,292,246</u>	<u>480,413</u>	<u>8,202,711</u>

See notes to financial statements.

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

June 30, 2010

**Total fund balances of governmental funds (page 20)** \$ 4,869,310

*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. 3,990,659

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 187,804

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. (47,163)

Long-term liabilities, including bonds, early retirement, real estate contract payable, and other postemployment benefits payable are not due and payable in the current period and therefore, are not reported in the governmental funds. (6,324,444)

Other long-term assets are not available to pay current period debt and, therefore, are not included in the governmental funds. 46,751

**Net assets of governmental activities (page 17)** \$ 2,722,917

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, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,285,690	179,190	347,052	181,947	2,993,879
Tuition	359,158	-	-	-	359,158
Other	28,457	1,546	504	224,797	255,304
State sources	2,062,118	85	-	86	2,062,289
Federal sources	<u>524,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>524,056</u>
Total revenues	<u>5,259,479</u>	<u>180,821</u>	<u>347,556</u>	<u>406,830</u>	<u>6,194,686</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,386,138	-	-	66,609	2,452,747
Special	512,730	-	-	-	512,730
Other	<u>523,709</u>	<u>-</u>	<u>-</u>	<u>178,704</u>	<u>702,413</u>
	<u>3,422,577</u>	<u>-</u>	<u>-</u>	<u>245,313</u>	<u>3,667,890</u>
Support services:					
Student	82,244	-	-	-	82,244
Instructional staff	103,164	-	-	-	103,164
Administration	476,143	-	-	15,947	492,090
Operation and maintenance of plant	400,410	-	23,083	28,111	451,604
Transportation	<u>151,447</u>	<u>-</u>	<u>-</u>	<u>3,122</u>	<u>154,569</u>
	<u>1,213,408</u>	<u>-</u>	<u>23,083</u>	<u>47,180</u>	<u>1,283,671</u>
Other expenditures:					
Facilities acquisition	-	-	100,055	37,921	137,976
Long-term debt:					
Principal	-	179,488	-	-	179,488
Interest and fiscal charges	-	137,091	30,136	-	167,227
AEA flowthrough	<u>213,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,577</u>
	<u>213,577</u>	<u>316,579</u>	<u>130,191</u>	<u>37,921</u>	<u>698,268</u>
Total expenditures	<u>4,849,562</u>	<u>316,579</u>	<u>153,274</u>	<u>330,414</u>	<u>5,649,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>409,917</u>	<u>(135,758)</u>	<u>194,282</u>	<u>76,416</u>	<u>544,857</u>
Other financing sources (uses):					
Refunding bonds issued	-	2,430,000	-	-	2,430,000
Discount on refunding bonds issued	-	(9,720)	-	-	(9,720)
Revenue bonds issued	-	-	3,890,000	-	3,890,000
Discount on revenue bonds issued	-	-	(67,632)	-	(67,632)
Payment of general obligation bonds	-	(2,400,000)	-	-	(2,400,000)
Operating transfers in	497	119,488	-	-	119,985
Operating transfers out	<u>-</u>	<u>-</u>	<u>(119,488)</u>	<u>-</u>	<u>(119,488)</u>
Total other financing sources (uses)	<u>497</u>	<u>139,768</u>	<u>3,702,880</u>	<u>-</u>	<u>3,843,145</u>
Net change in fund balances	410,414	4,010	3,897,162	76,416	4,388,002
Fund balances beginning of year	(258,371)	162,753	388,700	188,226	481,308
Fund balances end of year	<u>\$ 152,043</u>	<u>166,763</u>	<u>4,285,862</u>	<u>264,642</u>	<u>4,869,310</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, 2010

**Net change in fund balances - total governmental funds (page 22)** \$ 4,388,002

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

Expenditures for capital assets	\$ 149,474	
Depreciation expense	<u>(180,083)</u>	(30,609)

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. (50,709)

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 issuances exceeded repayments, as follows:

Issued	(6,320,000)	
Discount on bonds issued	77,352	
Amortization of bond discount	(863)	
Bond issuance cost	47,526	
Amortization of bond issuance cost	(775)	
Repaid	<u>2,579,488</u>	(3,617,272)

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	10,000	
Other postemployment benefits	<u>(70,933)</u>	(60,933)

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

Year ended June 30, 2010

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(27,332)

**Change in net assets of governmental activities (page 19)**

\$ 601,147

See notes to financial statements.

Alta Community School District  
Alta, Iowa

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2010

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 48,613
Due from other governments	8,979
Inventories	8,832
Capital assets, net of accumulated depreciation	<u>8,470</u>
<b>Total assets</b>	<u>74,894</u>
<b>Liabilities</b>	
Due to other funds	33,575
Net OPEB liability	<u>5,067</u>
<b>Total liabilities</b>	<u>38,642</u>
<b>Net Assets</b>	
Invested in capital assets	8,470
Unrestricted	<u>27,782</u>
<b>Total net assets</b>	<u>\$ 36,252</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, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 116,230
Operating expenses:	
Support services:	
Operation and maintenance of plant	<u>696</u>
Non-instructional programs:	
Food service operations:	
Salaries	92,974
Benefits	39,756
Supplies	125,595
Depreciation	<u>2,278</u>
	<u>260,603</u>
Total operating expenses	<u>261,299</u>
Operating loss	<u>(145,069)</u>
Non-operating revenues:	
State sources	2,842
Federal sources	163,665
Interest income	<u>32</u>
Total non-operating revenues	<u>166,539</u>
Income before transfers	21,470
Transfer to General Fund	<u>(497)</u>
Increase in net assets	20,973
Net assets beginning of year	<u>15,279</u>
Net assets end of year	<u>\$ 36,252</u>
See notes to financial statements.	

Alta Community School District  
Alta, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

School  
Nutrition

Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 116,455
Cash paid to employees for services	(116,272)
Cash paid to suppliers for goods or services	<u>(107,975)</u>
Net cash used by operating activities	<u>(107,792)</u>
Cash flows from non-capital financing activities:	
State grants received	2,842
Federal grants received	145,179
Transfer to General Fund	<u>(497)</u>
Net cash provided by non-capital financing activities	<u>147,524</u>
Cash flows from investing activities:	
Interest on investments	<u>32</u>
Net increase in cash and cash equivalents	39,764
Cash and cash equivalents beginning of year	<u>8,849</u>
Cash and cash equivalents end of year	<u>\$ 48,613</u>

(continued)

Alta Community School District  
Alta, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

School  
Nutrition

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

Operating loss	\$ (145,069)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,486
Depreciation	2,278
Decrease in accounts receivable	225
(Increase) in inventories	(170)
Increase in due to other funds	11,391
Increase in other postemployment benefits	<u>5,067</u>
Net cash used by operating activities	<u>\$ (107,792)</u>

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

During the year ended June 30, 2010, the District received \$18,486 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, 2010

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 17,089
<b>Total assets</b>	<u>17,089</u>
<b>Liabilities</b>	
Other payables	<u>17,089</u>
<b>Total liabilities</b>	<u>17,089</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, 2010

**(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, 2010

Discretely Presented Component Unit – The Alta Community Educational Foundation is a separate nonprofit organization organized to raise funds for the library, technology and music programs of the District. The records are maintained on the basis of cash 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, 2010

*Unrestricted net assets* consist of net assets not meeting the definition of the 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.

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The District reports the following major proprietary fund:

The Enterprise, School Nutrition 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.

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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.

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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 and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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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

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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 not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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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, 2010, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$115 and in Goldman Sachs Financial Square Funds Government Fund which are valued at an amortized cost of \$313,820 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust and Goldman Sachs Financial Square Funds were rated Aaa by Moody's Investors Service.

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

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, School Nutrition	\$ 33,575
		=====

The School Nutrition Fund owes the General Fund for cooks' wages paid from the General Fund that were not reimbursed before June 30, 2010.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 119,488
General	Enterprise: School Nutrition	<u>497</u> \$ 119,985 =====

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

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**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 153,990	---	---	153,990
Construction in progress	<u>---</u>	<u>76,546</u>	<u>---</u>	<u>76,546</u>
Total capital assets not being depreciated	<u>153,990</u>	<u>76,546</u>	<u>---</u>	<u>230,536</u>
Capital assets being depreciated:				
Buildings	4,635,584	17,583	---	4,653,167
Improvements other than buildings	379,224	---	---	379,224
Furniture and equipment	<u>1,678,605</u>	<u>55,345</u>	<u>---</u>	<u>1,733,950</u>
Total capital assets being depreciated	<u>6,693,413</u>	<u>72,928</u>	<u>---</u>	<u>6,766,341</u>
Less accumulated depreciation for:				
Buildings	1,168,890	89,164	---	1,258,054
Improvements other than buildings	284,038	10,471	---	294,509
Furniture and equipment	<u>1,373,207</u>	<u>80,448</u>	<u>---</u>	<u>1,453,655</u>
Total accumulated depreciation	<u>2,826,135</u>	<u>180,083</u>	<u>---</u>	<u>3,006,218</u>
Total capital assets being depreciated, net	<u>3,867,278</u>	<u>(107,155)</u>	<u>---</u>	<u>3,760,123</u>
Governmental activities capital assets, net	<u>\$ 4,021,268</u>	<u>(30,609)</u>	<u>---</u>	<u>3,990,659</u>
	=====	=====	=====	=====
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 27,336	---	---	27,336
Less accumulated depreciation	<u>16,588</u>	<u>2,278</u>	<u>---</u>	<u>18,866</u>
Business type activities capital assets, net	<u>\$ 10,748</u>	<u>(2,278)</u>	<u>---</u>	<u>8,470</u>
	=====	=====	=====	=====

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Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$ 47,413	
Special	2,734	
Other	371	
Support services:		
Administration	3,619	
Operation and maintenance of plant	7,606	
Transportation	<u>22,754</u>	
	84,497	
Unallocated	<u>95,586</u>	
Total depreciation expense – governmental activities		\$ 180,083
		=====
Business type activities:		
Food service operations		\$ 2,278
		=====

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Real estate contract	\$ 19,488	---	19,488	---	---
General obligation bonds	2,560,000	---	2,560,000	---	---
General obligation refunding bonds	---	2,420,570	---	2,420,570 (1)	165,000
Revenue bonds	---	3,822,941	---	3,822,941 (2)	100,000
Early retirement	20,000	---	10,000	10,000	10,000
Net OPEB liability	---	<u>70,933</u>	---	<u>70,933</u>	---
Total	<u>\$ 2,599,488</u>	<u>6,314,444</u>	<u>2,589,488</u>	<u>6,324,444</u>	<u>275,000</u>
	=====	=====	=====	=====	=====

(1) Bonds were sold at a discount; unamortized discount at June 30, 2010 totaled \$9,430.

(2) Bonds were sold at a discount; unamortized discount at June 30, 2010 totaled \$67,059.

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ ---	5,067	---	5,067	---
	=====	=====	=====	=====	=====

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Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of continuous service to the District and must be at least age fifty-five on or before June 30 in the calendar year in which the early retirement commences. Employees must complete an application which is subject to approval by the Board of Education.

Each certified participating employee shall receive an early retirement benefit equal to thirty-seven percent of their base salary on the salary schedule. Each participating employee may elect to continue their existing single or family coverage under the District's health insurance plan as long as they pay the monthly premiums and are permitted to continue coverage by the insurer. To continue their health insurance coverage, the employee shall pay the monthly premium amount to the District's business office on a date mutually agreed upon prior to the date the District's premium payment is made to the insurance carrier.

Nothing in the early retirement plan shall limit the District's ability to change the terms of its existing health insurance plan. The plan in no way guarantees that an employee will be provided any certain level of benefits or premiums during the time of the employee's participation in the plan.

At June 30, 2010, the District has obligations to one participant with a total liability of \$10,000. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$10,000.

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General Obligation Refunding Bonds

On March 1, 2010, the District issued \$2,430,000 of general obligation refunding bonds, with interest rates ranging from 1.00% to 3.75% for a current refunding of the general obligation bonds issued March 1, 2002.

The District refunded the bonds to reduce its total debt service payments by approximately \$229,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$198,000. Annual debt service requirements to maturity of the general obligation refunding bonds are as follows:

Year Ending <u>June 30,</u>	<u>Bond Issue of March 1, 2010</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	1.00%	\$ 165,000	\$ 75,031	\$ 240,031
2012	1.40	200,000	62,663	262,663
2013	1.70	200,000	59,862	259,862
2014	2.00	205,000	56,463	261,463
2015	2.30	215,000	52,362	267,362
2016-2020	2.60-3.60	1,180,000	170,268	1,350,268
2021	3.75	<u>265,000</u>	<u>9,937</u>	<u>274,937</u>
Total		\$ 2,430,000	\$ 486,586	\$ 2,916,586
		=====	=====	=====

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond Issue of April 27, 2010</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	2.00%	\$ 100,000	\$ 103,009	\$ 203,009
2012	2.00	100,000	149,980	249,980
2013	2.25	100,000	147,980	247,980
2014	2.50	155,000	145,730	300,730
2015	3.00	160,000	141,855	301,855
2016-2020	3.00-4.00	875,000	631,600	1,506,600
2021-2025	4.05-4.40	1,050,000	448,295	1,498,295
2026-2030	4.50-4.60	<u>1,350,000</u>	<u>192,960</u>	<u>1,542,960</u>
Total		\$ 3,890,000	\$ 1,961,409	\$ 5,851,409
		=====	=====	=====

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The District has pledged future statewide sales, services and use tax revenues to repay the \$3,890,000 of bonds issued in April 2010. The bonds were issued for the purpose of financing the costs of a new school addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 78 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,851,409. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$347,052.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$313,800 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Real Estate Contract

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. There are no future payments remaining at June 30, 2010.

During the year ended June 30, 2010, the District made principal payments totaling \$19,448 under the real estate contract.

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**(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$202,002, \$200,790 and \$194,853, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – As explained in Note 9, the District is a member in the Iowa School Employees Benefits Association (ISEBA) which provides health insurance benefits for retirees and their spouses. There are 45 active and no retired members in the plan. Participants must be age 55 or old at retirement.

The health insurance benefits are provided through the plan. Retirees under age 65 pay the same premium for the health insurance benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 80,000
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---
Annual OPEB cost	80,000
Contributions made	<u>(4,000)</u>
Increase in net OPEB obligation	76,000
Net OPEB obligation beginning of year	---
Net OPEB obligation end of year	<u>\$ 76,000</u>
	=====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$4,000 to the medical plan. Plan members eligible for benefits contributed \$5,263, or 59% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 80,000	5.0%	\$ 76,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$584,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$584,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,979,000 and the ratio of the UAAL to covered payroll was 29.5%. As of June 30, 2010, there were no trust fund assets.

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Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based in the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the District's average retirement age of pension eligible retirees over the last five years and applying termination factors from the U.S. Office of Personnel Management.

Projected claim costs of the health insurance plan are \$0 as there are no retirees in the plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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**(9) 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.

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, 2010 were \$364,406.

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.

**(10) 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 \$213,577 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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**(11) Operating Leases**

The District entered into an operating lease with Star Leasing Inc. for the rental of two copiers on October 18, 2007 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2010 was \$10,317. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2011	\$ 10,317
2012	10,317
2013	<u>3,439</u>
Total	\$ 24,073 =====

The District entered into an operating lease with Star Leasing, Inc. for the rental of a copier on October 31, 2007 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2010 was \$4,428. Future rental are scheduled as follows:

Year Ending <u>June 30,</u>	
2011	\$ 4,428
2012	4,428
2013	<u>1,476</u>
Total	\$ 10,332 =====

**(12) Construction Commitment**

The District has entered into contracts totaling \$417,000 for architecture and engineering fees for the construction of a new school addition. As of June 30, 2010, costs of \$69,104 have been incurred against the contracts. The balance of \$347,896 remaining at June 30, 2010 will be paid as work on the project progress.

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Notes to Financial Statements

June 30, 2010

**(13) Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 16,488
Teacher salary supplement	29,708
Professional development – core curriculum	4,485
Professional development	12,499
Market factor	<u>4,119</u>
Total	\$ 67,299 =====

**(14) Subsequent Events**

Subsequent events have been evaluated through March 15, 2011 which is the date the financial statements were available to be issued.

On August 16, 2010 the District approved a construction contract of \$2,275,000 for the construction of a school addition.

On October 14, 2010 the District approved a contract for the construction of a parking lot at the middle school for \$172,000.

**Required Supplementary Information**

Alta Community School District  
Alta, Iowa

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 3,608,341	116,262
State sources	2,062,289	2,842
Federal sources	<u>524,056</u>	<u>163,665</u>
Total revenues	<u>6,194,686</u>	<u>282,769</u>
Expenditures/Expenses:		
Instruction	3,667,890	-
Support services	1,283,671	696
Non-instructional programs	-	260,603
Other expenditures	<u>698,268</u>	<u>-</u>
Total expenditures/expenses	<u>5,649,829</u>	<u>261,299</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	544,857	21,470
Other financing sources (uses), net	<u>3,843,145</u>	<u>(497)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	4,388,002	20,973
Balances beginning of year	<u>481,308</u>	<u>15,279</u>
Balances end of year	<u>\$ 4,869,310</u>	<u>36,252</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	Budgeted Amounts		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
3,724,603	3,703,738	3,703,738	20,865
2,065,131	2,573,708	2,573,708	(508,577)
<u>687,721</u>	<u>485,000</u>	<u>485,000</u>	<u>202,721</u>
<u>6,477,455</u>	<u>6,762,446</u>	<u>6,762,446</u>	<u>(284,991)</u>
3,667,890	3,814,186	3,814,186	146,296
1,284,367	1,688,500	1,688,500	404,133
260,603	300,000	300,000	39,397
<u>698,268</u>	<u>1,072,306</u>	<u>7,307,306</u>	<u>6,609,038</u>
<u>5,911,128</u>	<u>6,874,992</u>	<u>13,109,992</u>	<u>7,198,864</u>
566,327	(112,546)	(6,347,546)	6,913,873
<u>3,842,648</u>	<u>-</u>	<u>-</u>	<u>3,842,648</u>
4,408,975	(112,546)	(6,347,546)	10,756,521
<u>496,587</u>	<u>167,815</u>	<u>49,418</u>	<u>447,169</u>
<u>4,905,562</u>	<u>55,269</u>	<u>(6,298,128)</u>	<u>11,203,690</u>

Alta Community School District  
Alta, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

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, the District adopted one budget amendment, increasing budgeted expenditures by \$6,235,000. This was caused by the District budgeting for expenditures that were not incurred during fiscal 2010.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Alta Community School District

Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 584,000	584,000	0.0%	\$1,979,000	29.5%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **Other Supplementary Information**

Alta Community School District  
Alta, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 101,482	79,486	88,251	269,219
Receivables:				
Property tax:				
Delinquent	822	-	372	1,194
Succeeding year	<u>150,000</u>	<u>-</u>	<u>60,000</u>	<u>210,000</u>
<b>Total assets</b>	<u>\$ 252,304</u>	<u>79,486</u>	<u>148,623</u>	<u>480,413</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	5,682	89	5,771
Deferred revenue:				
Succeeding year property tax	<u>150,000</u>	<u>-</u>	<u>60,000</u>	<u>210,000</u>
Total liabilities	150,000	5,682	60,089	215,771
Unreserved fund balances	<u>102,304</u>	<u>73,804</u>	<u>88,534</u>	<u>264,642</u>
<b>Total liabilities and fund balances</b>	<u>\$ 252,304</u>	<u>79,486</u>	<u>148,623</u>	<u>480,413</u>

See accompanying independent auditor's report.

Alta Community School District  
Alta, Iowa

Schedule 2

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

Year ended June 30, 2010

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 124,993	-	56,954	181,947
Other	9,687	215,110	-	224,797
State sources	<u>59</u>	<u>-</u>	<u>27</u>	<u>86</u>
Total revenues	<u>134,739</u>	<u>215,110</u>	<u>56,981</u>	<u>406,830</u>
Expenditures:				
Current:				
Instruction:				
Regular	66,609	-	-	66,609
Other	-	178,704	-	178,704
Support services:				
Administration	-	-	15,947	15,947
Operation and maintenance of plant	28,111	-	-	28,111
Transportation	3,122	-	-	3,122
Other expenditures:				
Facilities acquisition	<u>-</u>	<u>-</u>	<u>37,921</u>	<u>37,921</u>
Total expenditures	<u>97,842</u>	<u>178,704</u>	<u>53,868</u>	<u>330,414</u>
Excess of revenues over expenditures	36,897	36,406	3,113	76,416
Fund balances beginning of year	<u>65,407</u>	<u>37,398</u>	<u>85,421</u>	<u>188,226</u>
Fund balances end of year	<u>\$ 102,304</u>	<u>73,804</u>	<u>88,534</u>	<u>264,642</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, 2010

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 7,473	56,726	47,942	-	16,257
Ball Field	8,925	5,213	3,206	-	10,932
Baseball	(1,543)	16,757	11,709	-	3,505
Baseball Tournament	-	11,342	7,422	-	3,920
Book Fair	234	2,655	2,253	-	636
Boys Basketball	976	4,750	2,926	-	2,800
Boys Basketball Tournament	3,628	-	30	-	3,598
Cheerleaders	2,186	9,037	11,651	-	(428)
Class of 2008	246	-	-	-	246
Class of 2009	(66)	-	-	-	(66)
Class of 2010	(239)	7,468	7,372	-	(143)
Class of 2011	92	5,860	5,706	-	246
Class of 2012	621	2,462	1,390	-	1,693
Class of 2013	521	185	24	-	682
Class of 2014	188	276	75	-	389
Class of 2015	10	308	75	-	243
Class of 2016	(23)	408	-	-	385
Class of 2017	52	366	190	-	228
Class of 2018	-	372	308	-	64
Class of 2019	267	423	317	-	373
Class of 2020	21	442	439	-	24
Class of 2021	21	803	351	-	473
Class of 2022	(3)	312	277	-	32
Class of 2023	-	144	159	-	(15)
Grades 5 and 6	4	-	-	-	4
Cross Country	27	3,094	2,876	-	245
Danceline	3,151	18,136	13,966	-	7,321
Drama	3,913	3,431	2,768	-	4,576
Elem Computer	373	580	-	-	953
Elem Memory Book	281	-	-	-	281
FCA	25	-	180	-	(155)
FFA	241	7,639	7,003	-	877
FHA	272	1,074	951	-	395
Football	1,041	6,929	5,115	-	2,855
Interest	5,203	1,486	1,286	-	5,403
Girls Basketball	1,043	-	-	-	1,043
Middle School Band	1,536	1,123	931	-	1,728
High School Band	(64)	291	-	-	227

Alta Community School District  
Alta, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
MS & HS Instrument Fees	258	305	66	-	497
P.I.E.	62	-	-	-	62
MS Fundraiser	1,944	1,266	623	-	2,587
Softball	(1,527)	1,804	167	-	110
Speech Club	2,138	20,450	20,883	-	1,705
Student Council	7,406	4,258	3,423	-	8,241
Vocal	78	-	-	-	78
Volleyball	(1,762)	5,041	5,292	-	(2,013)
Wrestling	1	3,228	3,234	-	(5)
Scholarship Fund	1,002	200	-	-	1,202
Yearbook	(12,967)	8,466	6,118	-	(10,619)
Elem Activity	132	-	-	-	132
Total	<u>\$ 37,398</u>	<u>215,110</u>	<u>178,704</u>	<u>-</u>	<u>73,804</u>

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Cash	\$ 11,833	9,753	4,497	17,089
<b>Total assets</b>	<u>\$ 11,833</u>	<u>9,753</u>	<u>4,497</u>	<u>17,089</u>
<b>Liabilities</b>				
Other payables	\$ 11,833	9,753	4,497	17,089
<b>Total liabilities</b>	<u>\$ 11,833</u>	<u>9,753</u>	<u>4,497</u>	<u>17,089</u>

See accompanying independent auditor's report.

Alta Community School District  
Alta, Iowa

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

For the Last Eight Years

	<u>Modified Accrual Basis</u>			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Local sources:				
Local tax	\$ 2,993,879	2,748,382	2,422,200	2,311,668
Tuition	359,158	384,699	344,217	255,376
Other	255,304	247,963	225,955	189,982
Intermediate sources	-	15,000	-	-
State sources	2,062,289	2,490,697	2,657,753	2,630,174
Federal sources	524,056	201,064	183,554	462,325
Total	<u>\$ 6,194,686</u>	<u>6,087,805</u>	<u>5,833,679</u>	<u>5,849,525</u>
Expenditures:				
Instruction:				
Regular	\$ 2,452,747	2,606,379	2,554,355	2,336,303
Special	512,730	487,407	514,589	466,659
Other	702,413	672,224	725,167	750,755
Support services:				
Student	82,244	97,022	113,388	108,106
Instructional staff	103,164	131,692	200,114	153,261
Administration	492,090	593,820	566,525	781,932
Operation and maintenance of plant	451,604	429,312	474,858	509,552
Transportation	154,569	155,152	233,223	219,051
Other support	-	-	-	-
Non-instructional programs	-	-	-	1,500
Other expenditures:				
Facilities acquisition	137,976	36,706	82,480	187,578
Long-term debt:				
Principal	179,488	174,776	165,064	171,039
Interest and other charges	167,227	127,755	135,730	143,430
AEA flowthrough	213,577	197,690	195,483	192,123
Total	<u>\$ 5,649,829</u>	<u>5,709,935</u>	<u>5,960,976</u>	<u>6,021,289</u>

See accompanying independent auditor's report.

Schedule 5

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
2,150,959	2,100,249	1,973,554	1,857,856
181,006	156,758	159,890	197,376
219,584	358,629	248,432	225,875
-	-	-	-
2,498,680	2,463,499	2,173,608	2,202,054
296,587	280,447	170,912	175,036
<u>5,346,816</u>	<u>5,359,582</u>	<u>4,726,396</u>	<u>4,658,197</u>
2,252,085	2,277,882	2,160,264	2,010,212
473,974	463,435	481,659	405,782
716,696	518,180	467,522	419,428
112,523	112,240	98,313	81,407
169,792	129,356	144,390	126,844
608,481	492,119	507,814	437,464
576,926	443,472	530,698	406,149
165,396	140,414	136,791	125,634
-	23,399	-	-
1,500	4,010	25,168	38,996
96,516	64,404	1,116,305	2,446,180
140,687	150,530	120,000	25,000
150,255	155,255	159,956	187,584
183,465	178,475	171,338	182,198
<u>5,648,296</u>	<u>5,153,171</u>	<u>6,120,218</u>	<u>6,892,878</u>

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<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:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 28,807
National School Lunch Program	10.555	FY10	117,448 *
Summer Food Program for Children	10.559	FY10	<u>16,912</u>
			<u>163,167</u>
Team Nutrition Grant	10.574	FY10	<u>497</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	76,476
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	<u>20,170</u>
			<u>96,646</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	<u>4,148</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	<u>1,751</u>
Fund for the Improvement of Education	84.215	FY10	<u>1,975</u>
Rural Education	84.358	FY10	<u>31,830</u>
English Language Acquisition Grant	84.365	FY10	<u>3,357</u>

(continued)

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Improving Teacher Quality State Grants	84.367	FY10	<u>26,197</u>	
Grants for State Assessments	84.369	FY10	<u>3,374</u>	
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY10	<u>268,088</u>	
Prairie Lakes Area Education Agency: Special Education - Grants to States	84.027	FY10	<u>28,140</u>	**
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	<u>55,945</u>	**
Total			<u>\$ 685,115</u>	

\* - Includes \$18,486 of non-cash awards.

\*\* - Total for Special Education Cluster (IDEA) is \$84,085

**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 State, 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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-10 to be a significant deficiency.

### 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, 2010 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 15, 2011

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, 2010. 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 State, 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 included 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 compiled, 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, 2010.

## 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 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 have expressed our conclusion 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, and is not intended to be and should not be used by anyone other than these specifies parties.

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

March 15, 2011

Alta Community School District  
Alta, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported on accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
  - Clustered programs:
    - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (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.

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 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 are 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-10 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Alta Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

- II-C-10 Disbursement Approval – For two transactions tested, there was no evidence of Board approval. For one transaction, there was insufficient documentation to determine the date the Superintendent approved the expenditure for advance payment in accordance with the District’s policy.

Recommendation – The District should ensure all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval. 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 and maintain documentation of approval of expenditures made in advance of Board meetings by having the Superintendent initial and date the claims.

Conclusion – Response accepted.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 84.010: Title I Grants to Local Educational Agencies**  
**CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act**  
**Federal Award Year: 2010**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State**  
**Grants, Recovery Act**  
**Federal Award Year: 2010**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-10 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 are 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.

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

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the certified budget. However, the budget was not certified by April 15<sup>th</sup> as required by Chapter 24.17 of the Code of Iowa. Also, publication of the budget amendment was not made at least 10 days before the public hearing as required by Chapter 24.9 of the Code of Iowa.

Recommendation – The budget should have been certified in accordance with Chapter 24.17 of the Code of Iowa. Also, publication of public hearings for budget amendments should be published in accordance Chapter 24.9 of the Code of Iowa.

Response – Future budgets will be certified timely and publication of budget amendments will be done as required.

Conclusion – Response accepted.

IV-B-10 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-10 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-10 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Board Minutes - As previously noted, two transactions requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and an additional transaction had insufficient documentation it had been approved for payment by the Superintendent in advance of the Board meeting as allowed by Chapter 279.30 of the Code of Iowa.

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Recommendation – All expenditures should be approved by the Board and sufficient documentation should be maintained to evidence proper Superintendent approval of expenditures paid in advance of Board approval.

Response – All expenditures will be approved by the Board and we will maintain sufficient documentation of the Superintendent’s approval of expenditures prior to Board meetings.

Conclusion – Response accepted.

IV-G-10 Certified Enrollment - One variance in the basic enrollment data certified to the Department of Education was noted. The District inadvertently counted one student that was not in attendance.

Recommendation – The District should develop procedures to ensure accurate attendance counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

Response – In the future, school enrollment will be checked against student attendance.

Conclusion – Response accepted.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District’s investment policy were noted. However, the District exceeded the maximum approved depository amount at one of its depositories and also had another depository that had not been approved as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The District should review for sufficiency the maximum amount to be deposited at its depositories and increase the amount if needed. Also, the District should ensure all depositories and maximum amounts have been approved.

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Response – The maximum amount approved to be deposited at depositories will be reviewed and increased if needed and the list of approved depositories will be amended to include all depositories of the District.

Conclusion – Response accepted.

IV-J-10 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$ 346,778
Statewide sales, services and use tax revenue		347,052
Expenditures/transfers out:		
School infrastructure:		
Building	\$ 144	
Equipment	23,510	
Debt service for school infrastructure:		
General obligation debt	<u>100,000</u>	<u>(123,654)</u>
Ending balance		\$ <u>570,176</u>

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IV-M-10 Deficit Balances - Eight student activities accounts had deficit balances at June 30, 2010.

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

Response – The District is monitoring and investigating alternatives to eliminate deficits in the student activity accounts.

Conclusion - Response accepted.

IV-N-10 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.