

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

Independent Auditor's Report

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2006, on our consideration of AGWSR Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AGWSR Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

August 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2006 Financial Highlights

- General Fund revenues increased from \$7,064,174 in fiscal 2005 to \$7,384,289 in fiscal 2006, while General Fund expenditures increased at a more modest rate, from \$7,175,696 in fiscal 2005 to \$7,299,224 in fiscal 2006. The District's General Fund balance increased from \$588,984 in fiscal 2005 to \$628,680 in fiscal 2006, a 6.7% increase.
- The increase in General Fund revenues was attributable to additional tuition dollars received and additional local taxes generated. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The increase in the General Fund balance for fiscal 2006 was due to the combination of staff reductions and an increase in salary and benefits that remained relatively consistent with additional revenue.

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

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

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

Other Supplementary Information provides detailed information about the Nonmajor Funds.

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

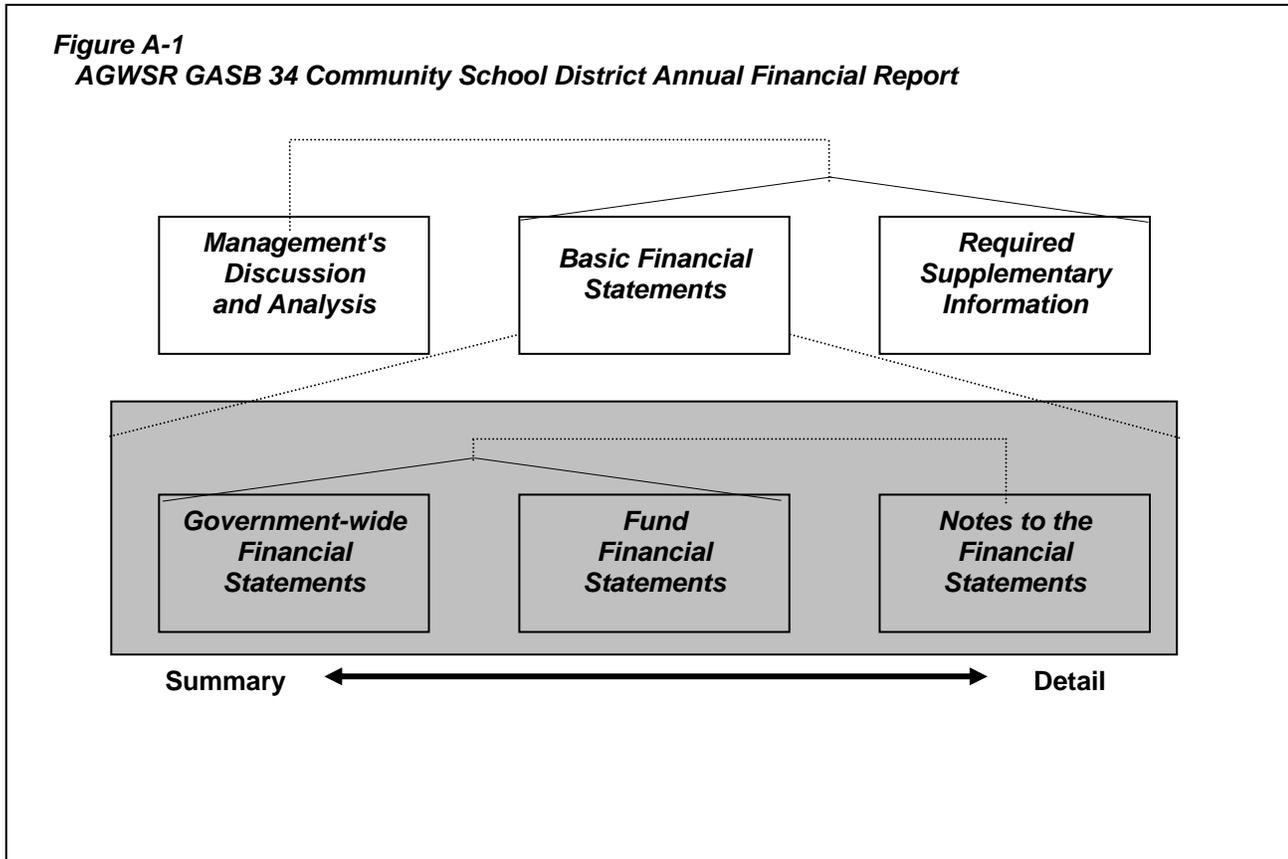


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s

financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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 Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - 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 and a statement of changes in 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, 2005 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,456,252	6,322,100	(1,742)	(12,512)	5,454,510	6,309,588	15.7
Capital assets	3,283,779	3,341,918	159,119	142,916	3,442,898	3,484,834	1.2
Total assets	8,740,031	9,664,018	157,377	130,404	8,897,408	9,794,422	10.1
Long-term liabilities	1,105,325	1,760,124			1,105,325	1,760,124	59.2
Other liabilities	3,674,659	4,028,615	3,385	3,403	3,678,044	4,032,018	9.6
Total liabilities	4,779,984	5,788,739	3,385	3,403	4,783,369	5,792,142	21.1
Net Assets:							
Invested in capital assets, net of related debt	2,217,112	2,408,584	159,119	142,916	2,376,231	2,551,500	7.4
Restricted	984,666	1,134,667			984,666	1,134,667	15.2
Unrestricted	758,269	332,028	(5,127)	(15,915)	753,142	316,113	-58.0
TOTAL NET ASSETS	3,960,047	3,875,279	153,992	127,001	4,114,039	4,002,280	-2.8

The District's combined net assets decreased by 2.8%, or \$111,759 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$150,001, nearly 15% over the prior year. The increase was primarily a result of fiscal year 2006 sales tax revenues that will be spent for capital improvements and equipment in future years.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$437,029 or 58%. This reduction is the result of the one time early retirement plan offered during fiscal year 2006. The offer was accepted by thirteen employees and created an \$826,790 liability, which will be paid over the next three years. The current Management Fund balance of \$361,561 and future management property tax levies will be used to pay the early retirement benefits.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2005-2006 %
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	671,862	775,059	353,658	353,096	1,025,520	1,128,155	10.0
Operating grants & contributions	764,566	805,843	143,511	132,150	908,077	937,993	3.3
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	3,368,907	3,466,974	-	-	3,368,907	3,466,974	2.9
Income Surtax	347,571	387,265	-	-	347,571	387,265	11.4
Local option sales tax	395,468	446,961	-	-	395,468	446,961	13.0
Unrestricted state grants	2,642,289	2,747,714	-	-	2,642,289	2,747,714	4.0
Unrestricted investment earnings	28,577	38,535	797	105	29,374	38,640	31.5
Other revenue	22,513	85,058	-	-	22,513	85,058	277.8
Total Revenues	8,241,753	8,753,409	497,966	485,351	8,739,719	9,238,760	5.7
Expenses:							
Instruction	5,359,719	5,397,025			5,359,719	5,397,025	.7
Support services	2,032,223	2,170,564			2,032,223	2,170,564	6.8
Non-instructional programs	21,978	4,829	598,743	557,711	620,721	562,540	-9.4
Other expenditures	407,092	417,116			407,092	417,116	2.5
Total expenses	7,821,012	7,989,534	598,743	557,711	8,419,755	8,547,245	1.5
Change in net assets before transfers and special items							
	420,741	763,875	(100,777)	(72,360)	319,964	691,515	
Special item – early retirement benefits	-	(803,274)	-	-	-	(803,274)	
Transfers	(258,963)	(45,369)	258,963	45,369	-	-	
CHANGE IN NET ASSETS	161,778	(84,768)	158,186	(26,991)	319,964	(111,759)	
Net assets beginning of year	3,798,269	3,960,047	(4,194)	153,992	3,794,075	4,114,039	8.4
Net assets end of year	3,960,047	3,875,279	153,992	127,001	4,114,039	4,002,280	-2.8

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,753,409 and expenses were \$7,989,534. Revenue generated through charges for instructional services increased over the previous year by \$103,197, greater than 10%. Revenue generated through the combination of property taxes and the income surtax increased by \$137,761 or 3.7%. The local option sales tax revenue increased by \$51,493 or 13% over the previous year. Investment earnings increased by nearly \$10,000, a 31.5 % increase over fiscal year 2005. The combination of other revenues increased by \$62,545.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2006 \$	Net Cost of Services 2005 \$	Net Cost of Services 2006 \$
Instruction	5,359,719	5,397,025	4,290,790	4,071,083
Support Services	2,032,223	2,170,564	1,909,129	2,162,282
Non-instructional Programs	21,978	4,829	21,978	4,829
Other Expenses	407,092	417,116	162,687	170,438
TOTAL	7,821,012	7,989,534	6,384,584	6,408,632

- The cost financed by users of the District's programs was \$775,059, up from \$671,862 the previous year of 2005. These revenues primarily consist of tuition charged for open enrollment and special education, and revenues from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$805,843.
- The net cost of governmental activities was financed with \$4,301,200 in property and other taxes, up from \$4,111,946 the previous year and \$2,747,714 in unrestricted state grants, up from 2,642,289 in 2005.

Business Type Activities

Revenues for business type activities were \$485,351 in 2006, compared to \$497,966 in 2005 and expenses were \$557,711 in 2006, compared to \$598,743 in 2005, resulting in a loss of \$72,360 in 2006, compared to \$100,777 in 2005. The District's business type activities include the School Nutrition Fund and the Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and donations.

The District Daycare programs continued to require careful monitoring and during the past year it became evident that expenditures became even more consistent with revenue, with expenditures down and revenue up. Continued effort is still needed and further progress is anticipated.

During the year ended June 30, 2006, the District decreased kitchen staff hours in order to further control costs. Compared to the previous year revenue increased and expenditures decreased.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,951,198, well

above last year's ending fund balances of \$1,428,353. The primary reason for the increase in combined fund balances in fiscal 2006 is due to a substantial increase in local revenues.

Governmental Fund Highlights

- The District's General Fund financial position demonstrated a slight reversal of the negative trend of previous years. Growth during the year in tax and grants resulted in an increase in revenues. General Fund expenditures, while still increasing, were held to modest increases as a result of staff reductions and salary and benefits increases that were relatively consistent with revenue increases.
- The General Fund balance increased from \$588,984 to \$628,680, due primarily to staff downsizing that was offset, to some extent, by the negotiated salary and benefits settlement, a reduction in state aid, and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased during fiscal 2006. The District ended fiscal 2005 with a balance of \$357,110 and fiscal year 2006 ended with a balance of \$757,022. These monies will be used for future capital improvements and equipment purchases.
- The Management Fund has a \$361,561 balance at June 30, 2006. This fund balance is restricted for the payment of early retirement benefits and property and liability insurance.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$482,259 in fiscal 2005 to \$132,766 in fiscal 2006. While revenues remained constant, the District spending significantly increased from the PEEL Fund because of building repairs, renovations, and large equipment purchases, including, most notably, busses and technology.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$165,878 on June 30, 2005 to \$143,141 on June 30, 2006. Expenses exceeded revenue by \$22,737, with revenue from federal sources decreasing by over \$12,000. For fiscal 2006, the District increased meal prices, resulting in additional revenue of over \$4,000 and decreased kitchen staff hours, resulting in nearly \$12,000 less in salaries.

The Daycare Fund net assets decreased from a deficit of \$11,886 on June 30, 2005 to a deficit of \$16,140 on June 30, 2006. Expenses exceeded revenue by \$49,623. Salaries and benefits decreased by approximately \$30,000. Revenue decreased by approximately \$4,000.

BUDGETARY HIGHLIGHTS

The District's receipts were \$472,943 more than budgeted receipts, a variance of 5%. The most significant variance resulted from the District receiving more in local revenue than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the total certified budget was not exceeded. However, the support services functional area, which is one out of four sub-budget areas, was exceeded because of higher than anticipated end-of-the-year disbursements in that area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested over \$3.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of roughly 1% 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 \$226,464.

At June 30, 2006 the District has commitments to spent approximately \$260,000 in the next year on roof repairs, fencing, a bus and other equipment.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2005-2006
	Activities		Activities		School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Land	52,000	52,000			52,000	52,000	0
Construction in progress	0	0			0	0	-
Buildings	2,665,043	2,642,459			2,665,043	2,642,459	-9
Improvements	195,774	172,133			195,774	172,133	-12.2
Equipment & Furniture	370,962	475,326	159,119	142,916	530,081	618,242	16.6
TOTAL	3,283,779	3,341,918	159,119	142,916	3,442,898	3,484,834	1.2

Long-Term Debt

At June 30, 2006, the District had \$1,760,124 in general obligation and other long-term debt outstanding. This represents an increase of approximately 59% from last year. (See Figure A-7)

The District had total outstanding Early Retirement Benefits payable from the Management Fund of \$826,790 at June 30, 2006. The large increase in Early Retirements allowed for very significant staff downsizing and restructuring the location of various programs at the elementary school levels for the following school year.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2005-2006
	2005	2006	
	\$	\$	
Capital Loan Notes	1,066,667	933,334	-14.3
Early Retirement	38,658	826,790	2039.7
	<u>1,105,325</u>	<u>1,760,124</u>	<u>59.2</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:

- Due to the interplay of various economic factors, the school district enrollment continues to decline, with a decrease of 54 during the year. This trend has a very significant and negative impact on the district's revenue.
- A continued phase out of the state budget guarantee is also having a significant and increasingly negative impact on district revenue.
- The district passed School Infrastructure Local Option Tax in 2004 which continues to help school infrastructure needs.

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 Dr. Robert Lehman, Superintendent, or Marilyn Brocka, District Secretary/Treasurer, AGWSR Community School District, 511 State Street, Ackley, Iowa, 50601.

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities \$	Business Type Activities \$	Total \$
Assets			
Cash and cash equivalents	1,791,405	785	1,792,190
Receivables:			
Property tax:			
Delinquent	56,045	-	56,045
Succeeding year	3,896,786	-	3,896,786
Accounts	15,074	14,249	29,323
Accrued interest	2,343	-	2,343
Due from other governments	525,605	1,374	526,979
Interfund receivable/payable	34,842	(34,842)	-
Inventories	-	5,922	5,922
Capital assets, net of accumulated depreciation	3,341,918	142,916	3,484,834
Total assets	9,664,018	130,404	9,794,422
Liabilities			
Accounts payable	126,696	1,161	127,857
Accrued interest payable	5,133	-	5,133
Deferred revenue:			
Succeeding year property tax	3,896,786	-	3,896,786
Other	-	2,242	2,242
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	133,333	-	133,333
Termination benefits	278,558	-	278,558
Portion due after one year:			
Capital loan notes payable	800,001	-	800,001
Termination benefits	548,232	-	548,232
Total liabilities	5,788,739	3,403	5,792,142
Net assets			
Invested in capital assets, net of related debt	2,408,584	142,916	2,551,500
Restricted for:			
Physical plant and equipment levy	306,476	-	306,476
Other special revenue purposes	71,169	-	71,169
Local option sales tax capital projects	757,022	-	757,022
Unrestricted	332,028	(15,915)	316,113
Total net assets	3,875,279	127,001	4,002,280

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	3,297,787	387,800	347,228
Special instruction	1,008,315	17,475	79,225
Other instruction	1,090,923	367,944	126,270
	<u>5,397,025</u>	<u>773,219</u>	<u>552,723</u>
Support services:			
Student services	107,728	-	-
Instructional staff services	271,693	-	-
Administration services	766,302	-	-
Operation and maintenance of plant services	566,230	-	-
Transportation services	458,611	1,840	6,442
	<u>2,170,564</u>	<u>1,840</u>	<u>6,442</u>
Non-instructional programs	4,829	-	-
Other expenditures:			
Facilities acquisition	20,523	-	-
Long-term debt interest	34,466	-	-
AEA flowthrough	246,678	-	246,678
Depreciation (unallocated)*	115,449	-	-
	<u>417,116</u>	<u>-</u>	<u>246,678</u>
Total governmental activities	<u>7,989,534</u>	<u>775,059</u>	<u>805,843</u>
Business type activities:			
Non-instructional programs:			
Food service operations	278,627	142,802	112,983
Daycare	279,084	210,294	19,167
Total business-type activities	<u>557,711</u>	<u>353,096</u>	<u>132,150</u>
Total	<u>8,547,245</u>	<u>1,128,155</u>	<u>937,993</u>

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
Income surtax
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Special item - termination benefits

Transfers

Total general revenues, special item and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

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

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,562,759)	-	(2,562,759)
(911,615)	-	(911,615)
(596,709)	-	(596,709)
<u>(4,071,083)</u>	<u>-</u>	<u>(4,071,083)</u>
(107,728)	-	(107,728)
(271,693)	-	(271,693)
(766,302)	-	(766,302)
(566,230)	-	(566,230)
(450,329)	-	(450,329)
<u>(2,162,282)</u>	<u>-</u>	<u>(2,162,282)</u>
(4,829)	-	(4,829)
(20,523)	-	(20,523)
(34,466)	-	(34,466)
-	-	-
(115,449)	-	(115,449)
<u>(170,438)</u>	<u>-</u>	<u>(170,438)</u>
(6,408,632)	-	(6,408,632)
-	(22,842)	(22,842)
-	(49,623)	(49,623)
-	(72,465)	(72,465)
<u>(6,408,632)</u>	<u>(72,465)</u>	<u>(6,481,097)</u>
3,326,150	-	3,326,150
140,824	-	140,824
387,265	-	387,265
446,961	-	446,961
2,747,714	-	2,747,714
38,535	105	38,640
85,058	-	85,058
<u>7,172,507</u>	<u>105</u>	<u>7,172,612</u>
(803,274)	-	(803,274)
(45,369)	45,369	-
<u>6,323,864</u>	<u>45,474</u>	<u>6,369,338</u>
(84,768)	(26,991)	(111,759)
<u>3,960,047</u>	<u>153,992</u>	<u>4,114,039</u>
<u>3,875,279</u>	<u>127,001</u>	<u>4,002,280</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	573,494	648,562	357,331	212,018	1,791,405
Receivables:					
Property tax:					
Delinquent	50,540	-	3,230	2,275	56,045
Succeeding year	3,235,858	-	500,000	160,928	3,896,786
Accounts	15,074	-	-	-	15,074
Accrued interest	-	1,000	1,000	343	2,343
Interfund receivable	34,842	-	-	-	34,842
Due from other governments	244,435	107,460	-	173,710	525,605
Total assets	4,154,243	757,022	861,561	549,274	6,322,100
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	115,995	-	-	10,701	126,696
Deferred revenue:					
Succeeding year property tax	3,235,858	-	500,000	160,928	3,896,786
Other	173,710	-	-	173,710	347,420
Total liabilities	<u>3,525,563</u>	<u>-</u>	<u>500,000</u>	<u>345,339</u>	<u>4,370,902</u>
Fund balances:					
Unreserved reported in:					
General Fund	628,680	-	-	-	628,680
Capital Projects Fund	-	757,022	-	-	757,022
Special Revenue Funds	-	-	361,561	203,935	565,496
Total fund balances	<u>628,680</u>	<u>757,022</u>	<u>361,561</u>	<u>203,935</u>	<u>1,951,198</u>
Total liabilities and fund balances	4,154,243	757,022	861,561	549,274	6,322,100

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
Total fund balances of governmental funds (Exhibit C)	1,951,198
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,341,918
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	347,420
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	(5,133)
Long-term liabilities, including capital loan notes payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,760,124)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,875,279</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,325,888	409,847	199,787	340,302	4,275,824
Tuition	343,758	-	-	-	343,758
Other	175,017	7,238	9,225	377,071	568,551
State sources	3,289,575	37,114	131	92	3,326,912
Federal sources	250,051	-	-	-	250,051
Total revenues	<u>7,384,289</u>	<u>454,199</u>	<u>209,143</u>	<u>717,465</u>	<u>8,765,096</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,278,800	-	4,506	34,322	3,317,628
Special instruction	1,008,315	-	-	-	1,008,315
Other instruction	736,310	-	-	370,268	1,106,578
	<u>5,023,425</u>	<u>-</u>	<u>4,506</u>	<u>404,590</u>	<u>5,432,521</u>
Support services:					
Student services	102,864	-	-	3,155	106,019
Instructional staff services	272,255	1,406	-	14,816	288,477
Administration services	745,837	-	18,579	-	764,416
Operation and maintenance of plant services	519,714	-	44,888	-	564,602
Transportation services	388,451	52,881	22,830	66,898	531,060
	<u>2,029,121</u>	<u>54,287</u>	<u>86,297</u>	<u>84,869</u>	<u>2,254,574</u>
Non-instructional programs	-	-	4,829	-	4,829
Other expenditures:					
Facilities acquisition	-	-	-	89,747	89,747
Long-term debt:					
Principal	-	-	-	133,333	133,333
Interest and fiscal charges	-	-	-	35,200	35,200
AEA flowthrough	246,678	-	-	-	246,678
	<u>246,678</u>	<u>-</u>	<u>-</u>	<u>258,280</u>	<u>504,958</u>
Total expenditures	<u>7,299,224</u>	<u>54,287</u>	<u>95,632</u>	<u>747,739</u>	<u>8,196,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>85,065</u>	<u>399,912</u>	<u>113,511</u>	<u>(30,274)</u>	<u>568,214</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	195,582	195,582
Operating transfers out	(45,369)	-	-	(195,582)	(240,951)
Total other financing sources (uses)	<u>(45,369)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,369)</u>
Net change in fund balances	39,696	399,912	113,511	(30,274)	522,845
Fund balances beginning of year	588,984	357,110	248,050	234,209	1,428,353
Fund balances end of year	<u>628,680</u>	<u>757,022</u>	<u>361,561</u>	<u>203,935</u>	<u>1,951,198</u>

See notes to financial statements.

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		522,845
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	268,400	
Depreciation expense	<u>(210,261)</u>	58,139
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(11,687)
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.		133,333
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		734
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows		
Termination benefits		<u>(788,132)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(84,768)</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	785
Accounts receivable	14,249
Due from other governments	1,374
Inventories	5,922
Capital assets, net of accumulated depreciation	<u>142,916</u>
Total assets	<u>165,246</u>
Liabilities	
Accounts payable	1,161
Interfund payables	34,842
Deferred revenue	<u>2,242</u>
Total liabilities	<u>38,245</u>
Net assets	
Invested in capital assets, net of related debt	142,916
Unrestricted	<u>(15,915)</u>
Total net assets	<u><u>127,001</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>353,096</u>
Operating expenses:	
Non-instructional programs:	
Salaries	293,108
Benefits	73,750
Purchased services	21,158
Supplies	153,493
Depreciation	<u>16,202</u>
	<u>557,711</u>
Operating gain (loss)	<u>(204,615)</u>
Non-operating revenue:	
State sources	3,576
Federal sources	119,044
Donations	9,530
Interest income	<u>105</u>
Total non-operating revenue	<u>132,255</u>
Gain (loss) before transfers	(72,360)
Transfers in	<u>45,369</u>
Change in net assets	(26,991)
Net assets beginning of year	<u>153,992</u>
Net assets end of year	<u><u>127,001</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	142,925
Cash received from daycare services	204,263
Cash payments to employees for services	(366,858)
Cash payments to suppliers for goods or services	(152,085)
Net cash used by operating activities	<u>(171,755)</u>
Cash flows from non-capital financing activities:	
Loans from other funds	15,187
Transfers from other funds	45,369
Donations	9,530
State grants received	3,576
Federal grants received	94,859
Net cash provided by non-capital financing activities	<u>168,521</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>105</u>
Net increase (decrease) in cash and cash equivalents	(3,129)
Cash and cash equivalents at beginning of year	<u>3,914</u>
Cash and cash equivalents at end of year	<u><u>785</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	204,615
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	(22,811)
Depreciation	(16,202)
Decrease (increase) in inventories	263
Decrease (increase) in accounts receivable	5,908
(Decrease) increase in accounts payable	(712)
(Decrease) increase in deferred revenue	694
Net cash used in operating activities	<u><u>171,755</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$22,811 of federal commodities.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	26,777	11,614
Liabilities		
Other payables	<u>-</u>	<u>11,614</u>
Net Assets		
Reserved for student special needs	-	-
Reserved for scholarships	<u>26,777</u>	<u>-</u>

AGWSR COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Interest	<u>429</u>
Deductions:	
Support services:	
Scholarships awarded	373
Transfer to Student Activity Fund	<u>906</u>
	<u>1,279</u>
Change in net assets	(850)
Net assets beginning of year	<u>27,627</u>
Net assets end of year	<u><u>26,777</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2006

1. Summary of Significant Accounting Policies

AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Ackley, Geneva, Wellsburg and Steamboat Rock, Iowa and the predominately agricultural territory in a portion of Grundy, Franklin and Butler 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, AGWSR Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The AGWSR Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The District's proprietary funds include the Enterprise, School Nutrition Fund that is used to account for the food service operations of the District and the Enterprise, Daycare Fund that is used to account for a daycare and preschool programs in Ackley and Wellsburg that are run by 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 Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals.

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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

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

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

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,000
Improvements other than buildings	2,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District terminates.

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

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

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

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by No. 40.

3. Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Enterprise Funds	34,842

The General Fund loaned money to the Daycare and School Nutrition Funds during the year for cash flow purposes.

4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Nonmajor Enterprise: Daycare Fund	General Fund	45,369
Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	168,533
Nonmajor Governmental: Student Activity	Nonmajor Governmental: District Support Trust	27,049

The transfer from the Physical Plant and Equipment Levy Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

Money was transferred from the General Fund to the Daycare Fund to subsidize the program.

The District reclassified balances in the District Support Trust Funds and transferred them to the Student Activity Fund.

5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	52,000	-	-	52,000
Capital assets being depreciated:				
Buildings	5,841,651	65,183	-	5,906,834
Improvements other than buildings	598,200	4,041	-	602,241
Furniture and equipment	1,591,810	199,176	75,000	1,715,986
Total capital assets being deprec.	<u>8,031,661</u>	<u>268,400</u>	<u>75,000</u>	<u>8,225,061</u>

Less accumulated depreciation for:				
Buildings	3,176,608	87,767	-	3,264,375
Improvements other than buildings	402,426	27,682	-	430,108
Furniture and equipment	<u>1,220,848</u>	<u>94,812</u>	<u>75,000</u>	<u>1,240,660</u>
Total accumulated depreciation	<u>4,799,882</u>	<u>210,261</u>	<u>75,000</u>	<u>4,935,143</u>
Total capital assets being depreciated, net	<u>3,231,779</u>	<u>58,139</u>	<u>-</u>	<u>3,289,918</u>
Governmental activities capital assets, net	<u>3,283,779</u>	<u>58,139</u>	<u>-</u>	<u>3,341,918</u>
	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	233,900	-	-	233,900
Less accumulated depreciation	<u>74,781</u>	<u>16,203</u>	<u>-</u>	<u>90,984</u>
Business type activities capital assets, net	<u>159,119</u>	<u>16,203</u>	<u>-</u>	<u>142,916</u>

Depreciation expense was charged by the District as follows:

	\$
Governmental activities:	
Instruction:	
Regular	21,179
Other	9,220
Support Services:	
Student services	1,709
Instructional staff services	5,725
Administration services	8,021
Operation and maintenance of plant services	1,628
Transportation	<u>47,330</u>
	94,812
Unallocated depreciation	<u>115,449</u>
Total depreciation expense – governmental activities	<u>210,261</u>
Business type activities:	
Food service operations	<u>16,203</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance			Balance End	Due Within
	Beginning of	Additions	Reductions	of Year	One Year
	Year				
	\$	\$	\$	\$	\$
Capital loan notes	1,066,667	-	133,333	933,334	133,333
Termination benefits	38,658	803,274	15,142	826,790	278,558
Total	<u>1,105,325</u>	<u>803,274</u>	<u>148,475</u>	<u>1,760,124</u>	<u>411,891</u>

Termination Benefits

The District offered a one year voluntary early retirement plan to its employees. Eligible employees must have completed at least **fifteen years of continuous** service to the District and must have reached the **age of fifty-four** on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and was limited to eleven teachers and two non-certified employees.

Early retirement benefits are equal to **150% of the employee's regular contractual salary in effect during the employee's last year of employment.**

Early retirement benefits will be paid in **three equal installments beginning in July following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.**

At June 30, 2006, the District has obligations to **thirteen** participants with a total liability of **\$826,790**. Actual early retirement expenditures for the year ended June 30, 2006 totaled **\$15,142**.

Capital Loan Notes

The District issued \$1,200,000 of capital loan notes during the year ended June 30, 2004. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2007	3.30	133,333	30,800	164,133
2008	3.30	133,333	26,400	159,733
2009	3.30	133,333	22,000	155,333
2010	3.30	133,333	17,600	150,933
2011	3.30	133,333	13,200	146,533
2012-2013	3.30	<u>266,669</u>	<u>13,200</u>	<u>279,869</u>
		<u>933,334</u>	<u>123,200</u>	<u>1,056,534</u>

During the year the District paid \$168,533 of principal and interest on the notes.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$248,965, \$243,540, and \$227,511 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$246,678 for the year ended June 30, 2006, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Deficit Net Assets

The Enterprise Daycare Fund has a deficit net asset balance of \$16,140 at June 30, 2006.

11. Statement of Activities – Special Item

The District offered a one-year early retirement program during fiscal year 2006. Thirteen employees were approved for the program, which created an \$803,274 liability.

12. Construction and Equipment Purchase Commitments

The District has entered into contracts totaling \$260,251 for roof repairs, fencing, bleachers, scoreboard, fitness equipment and a bus. As of June 30, 2006 no costs had been incurred against the contracts.

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Revenues:						
Local sources	5,188,133	362,731	5,550,864	5,099,020	5,099,020	451,844
State sources	3,326,912	3,576	3,330,488	3,276,984	3,276,984	53,504
Federal sources	250,051	119,044	369,095	401,500	401,500	(32,405)
Total revenues	<u>8,765,096</u>	<u>485,351</u>	<u>9,250,447</u>	<u>8,777,504</u>	<u>8,777,504</u>	<u>472,943</u>
Expenditures:						
Instruction	5,432,521	-	5,432,521	5,674,570	5,674,570	242,049
Support services	2,254,574	-	2,254,574	2,154,980	2,154,980	(99,594)
Non-instructional programs	4,829	557,711	562,540	604,695	604,695	42,155
Other expenditures	504,958	-	504,958	670,285	670,285	165,327
Total expenditures	<u>8,196,882</u>	<u>557,711</u>	<u>8,754,593</u>	<u>9,104,530</u>	<u>9,104,530</u>	<u>349,937</u>
Excess (deficiency) of revenues over (under) expenditures	568,214	(72,360)	495,854	(327,026)	(327,026)	822,880
Other financing sources (uses) net	<u>(45,369)</u>	<u>45,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	522,845	(26,991)	495,854	(327,026)	(327,026)	822,880
Balance beginning of year	<u>1,428,353</u>	<u>153,992</u>	<u>1,582,345</u>	<u>1,246,179</u>	<u>1,246,179</u>	<u>336,166</u>
Balance end of year	<u><u>1,951,198</u></u>	<u><u>127,001</u></u>	<u><u>2,078,199</u></u>	<u><u>919,153</u></u>	<u><u>919,153</u></u>	<u><u>1,159,046</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

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

OTHER SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds				
	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Debt Service	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	-	340,302	-	-	340,302
Other	368,350	8,721	-	-	377,071
State sources	-	92	-	-	92
Total revenues	<u>368,350</u>	<u>349,115</u>	<u>-</u>	<u>-</u>	<u>717,465</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	-	34,322	-	-	34,322
Other instruction	365,332	-	4,936	-	370,268
Support services:					
Student services	-	3,155	-	-	3,155
Instructional staff services	-	14,816	-	-	14,816
Transportation services	-	66,898	-	-	66,898
Other expenditures:					
Facilities acquisition	-	89,747	-	-	89,747
Long-term debt:					
Principal	-	-	-	133,333	133,333
Interest and fiscal charges	-	-	-	35,200	35,200
Total expenditures	<u>365,332</u>	<u>208,938</u>	<u>4,936</u>	<u>168,533</u>	<u>747,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,018</u>	<u>140,177</u>	<u>(4,936)</u>	<u>(168,533)</u>	<u>(30,274)</u>
Other financing sources (uses):					
Operating transfers in	27,049	-	-	168,533	195,582
Operating transfers out	-	(168,533)	(27,049)	-	(195,582)
Total other financing sources (uses)	<u>27,049</u>	<u>(168,533)</u>	<u>(27,049)</u>	<u>168,533</u>	<u>-</u>
Net change in fund balances	30,067	(28,356)	(31,985)	-	(30,274)
Fund balance beginning of year	41,102	161,122	31,985	-	234,209
Fund balance end of year	<u>71,169</u>	<u>132,766</u>	<u>-</u>	<u>-</u>	<u>203,935</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Proprietary Funds

June 30, 2006

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	785	-	785
Accounts receivable	-	14,249	14,249
Due from other governments	-	1,374	1,374
Inventories	5,922	-	5,922
Capital assets, net of accumulated of accumulated depreciation	142,916	-	142,916
Total assets	149,623	15,623	165,246
Liabilities			
Accounts payable	240	921	1,161
Interfund payables	4,000	30,842	34,842
Deferred revenue	2,242	-	2,242
Total liabilities	6,482	31,763	38,245
Net assets			
Invested in capital assets, net of related debt	142,916	-	142,916
Unrestricted	225	(16,140)	(15,915)
Total net assets	143,141	(16,140)	127,001

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Nonmajor Proprietary Funds

Year ended June 30, 2006

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	142,802	210,294	353,096
Operating expenses:			
Non-instructional programs:			
Salaries	99,561	193,547	293,108
Benefits	38,351	35,399	73,750
Purchased services	2,485	18,673	21,158
Supplies	122,028	31,465	153,493
Depreciation	16,202	-	16,202
	<u>278,627</u>	<u>279,084</u>	<u>557,711</u>
Operating gain (loss)	<u>(135,825)</u>	<u>(68,790)</u>	<u>(204,615)</u>
Non-operating revenue:			
State sources	3,576	-	3,576
Federal sources	109,407	9,637	119,044
Donations	-	9,530	9,530
Interest income	105	-	105
Total non-operating revenue	<u>113,088</u>	<u>19,167</u>	<u>132,255</u>
Gain (loss) before transfers	(22,737)	(49,623)	(72,360)
Transfers in	<u>-</u>	<u>45,369</u>	<u>45,369</u>
Change in net assets	(22,737)	(4,254)	(26,991)
Net assets beginning of year	<u>165,878</u>	<u>(11,886)</u>	<u>153,992</u>
Net assets end of year	<u><u>143,141</u></u>	<u><u>(16,140)</u></u>	<u><u>127,001</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2006

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	142,925	-	142,925
Cash received from daycare services	-	204,263	204,263
Cash payments to employees for services	(137,912)	(228,946)	(366,858)
Cash payments to suppliers for goods or services	(102,419)	(49,666)	(152,085)
Net cash used by operating activities	<u>(97,406)</u>	<u>(74,349)</u>	<u>(171,755)</u>
Cash flows from non-capital financing activities:			
Interfund loan proceeds (repayments)	4,000	11,187	15,187
Transfers from other funds	-	45,369	45,369
Donations	-	9,530	9,530
State grants received	3,576	-	3,576
Federal grants received	86,596	8,263	94,859
Net cash provided by non-capital financing activities	<u>94,172</u>	<u>74,349</u>	<u>168,521</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>105</u>	<u>-</u>	<u>105</u>
Net increase (decrease) in cash and cash equivalents	(3,129)	-	(3,129)
Cash and cash equivalents at beginning of year	<u>3,914</u>	<u>-</u>	<u>3,914</u>
Cash and cash equivalents at end of year	<u><u>785</u></u>	<u><u>-</u></u>	<u><u>785</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(135,825)	(68,790)	(204,615)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	22,811	-	22,811
Depreciation	16,202	-	16,202
Decrease (increase) in inventories	(263)	-	(263)
Decrease (increase) in accounts receivable	123	(6,031)	(5,908)
(Decrease) increase in accounts payable	240	472	712
(Decrease) increase in deferred revenue	(694)	-	(694)
Net cash used in operating activities	<u><u>(97,406)</u></u>	<u><u>(74,349)</u></u>	<u><u>(171,755)</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Football	5,969	27,978	23,069	10,878
Volleyball	-	2,865	2,865	-
Boys basketball	8,439	11,924	14,270	6,093
Girls basketball	9,608	23,409	23,658	9,359
Wrestling	2,163	5,151	4,076	3,238
Boys track	-	1,127	1,127	-
Girls track	-	821	695	126
Boys golf	-	437	437	-
Girls golf	-	259	259	-
Baseball	(2,807)	5,981	4,379	(1,205)
Softball	(372)	7,299	6,514	413
Tennis	-	224	224	-
MS football	-	1,023	1,023	-
MS volleyball	-	1,243	1,243	-
MS boys basketball	-	1,734	1,734	-
MS girls basketball	-	2,829	2,829	-
MS wrestling	-	235	235	-
MS boys track	-	491	810	(319)
MS girls track	(101)	592	491	-
MS baseball	(1,660)	3,001	1,306	35
MS Softball	(1,262)	2,792	1,530	-
Weightlifting	388	196	100	484
Little league	17	(17)	-	-
Youth basketball	190	967	850	307
Volleyball camp	133	280	194	219
Youth football	1,351	1,700	1,570	1,481
Cross country	(331)	3,503	850	2,322
After prom	-	20,618	17,412	3,206
Art club	90	-	-	90
Music booster donations	19,452	48,993	64,885	3,560
Cheerleaders	(388)	846	630	(172)
Drama	769	-	-	769
FFA	4,189	24,952	24,712	4,429
FCCLA	163	3,644	3,031	776
National Honor Society	58	543	520	81
Photo club	110	-	110	-
Foreign language club	150	1,412	1,270	292
Mat club	-	373	-	373
Student council	1,942	18,903	15,102	5,743
Cougar impact	1,482	10,777	13,260	(1,001)

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
MS student council	140	162	295	7
MS cheerleaders	213	(213)	-	-
MS drama	1,986	-	1,200	786
AV club	216	-	216	-
Booster club	-	92,154	70,479	21,675
Drill team	(484)	1,038	1,185	(631)
Fall musical	(584)	3,033	2,887	(438)
Elementary musical	(129)	129	-	-
Torch	(6,333)	9,993	13,477	(9,817)
Material for resale	(1,837)	2,479	1,008	(366)
Nurse	-	1,506	97	1,409
PTA	-	13,923	7,859	6,064
Athletic resale	306	16,562	17,150	(282)
MS snack account	407	(407)	-	-
Class of 2005	(126)	126	-	-
Class of 2006	518	255	773	-
Class of 2007	154	12,467	11,436	1,185
June 30, 2005 accrual entries	(3,087)	3,087	-	-
	<u>41,102</u>	<u>395,399</u>	<u>365,332</u>	<u>71,169</u>
Total				

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2006

	Elementary Employee Vending	HS Employee Vending	Little Cougar Playhouse	Cougar's Den	Middle School Vending	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance beginning of year	1,646	394	-	-	-	2,040
Additions:						
Miscellaneous	508	807	9,809	1,879	7,394	20,397
Deductions:						
Miscellaneous	<u>475</u>	<u>687</u>	<u>3,916</u>	<u>318</u>	<u>5,427</u>	<u>10,823</u>
Balance end of year	<u><u>1,679</u></u>	<u><u>514</u></u>	<u><u>5,893</u></u>	<u><u>1,561</u></u>	<u><u>1,967</u></u>	<u><u>11,614</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,275,824	4,144,623	3,298,949	3,351,047
Tuition	343,758	215,062	219,653	222,359
Other	568,551	497,507	442,158	427,858
State sources	3,326,912	3,151,878	3,145,204	3,309,831
Federal sources	250,051	354,977	262,743	233,848
Total revenues	<u>8,765,096</u>	<u>8,364,047</u>	<u>7,368,707</u>	<u>7,544,943</u>
Expenditures:				
Instruction:				
Regular instruction	3,317,628	3,349,177	3,236,274	3,197,706
Special instruction	1,008,315	985,460	1,333,434	1,306,469
Other instruction	1,106,578	1,029,519	616,771	615,720
Support services:				
Student services	106,019	137,762	120,982	171,815
Instructional staff services	288,477	179,666	135,529	164,255
Administration services	764,416	721,870	631,133	491,771
Operation and maintenance of plant services	564,602	530,142	480,841	444,004
Transportation services	531,060	433,654	346,131	372,151
Non-instructional programs	4,829	21,978	20,287	10,559
Other expenditures:				
Facilities acquisition	89,747	1,285,886	668,407	79,325
Long-term debt:				
Principal	133,333	133,333	-	-
Interest and other charges	35,200	38,280	-	-
AEA flowthrough	246,678	244,405	250,842	268,267
Total expenditures	<u>8,196,882</u>	<u>9,091,132</u>	<u>7,840,631</u>	<u>7,122,042</u>

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
AGWSR 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 AGWSR Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 31, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 06-I-A, 06-I-B and 06-I-C are material weaknesses.

Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of AGWSR Community School District and other parties to whom AGWSR Community School District may report. 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 AGWSR Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

August 31, 2006

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring procedures to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

06-I-B Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices, issue the command to print checks and to receive the checks from the computer center. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

06-I-C Completeness of Accounting Records: We noted three small bank accounts; AGWSR Flag Football, AGWSR Soccer and a Courtesy account, that are not part of the District's computerized financial accounting and reporting system. Transactions in the accounts have not been subjected to the control system the District has for all other financial transactions.

Recommendation: All District funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. All District monies and bank accounts should become part of the District's fund accounting system and should be subject to the same controls as all other District funds.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements (continued):

District Response: We will investigate these accounts and either close them or bring them into the District's accounting records.

Conclusion: Response accepted.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

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

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

District Response: We will amend future budgets before expenditures exceed the amount budgeted.

Conclusion: Response accepted.

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

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

06-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

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

06-II-F Board Minutes: We noted that the minutes were not published in a timely manner as required by the Code of Iowa.

Recommendation: Minutes should be published within two weeks of the meeting as required by the Code of Iowa.

District Response: Our local paper is published weekly which makes it difficult to get the minutes published within the time required. We will try to get the minutes to the newspaper sooner.

Conclusion: Response accepted.

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

06-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

06-II-I Certified Annual Report (CAR): The Certified Annual Report was not due yet at the time of the audit.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting (continued):

06-II-J Deficit Balances: The District has a deficit net assets balance in the Enterprise, Daycare Fund of \$16,140 at June 30, 2006. The Student Activity Fund also had several accounts with deficit balances at year-end.

Recommendation: The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

District Response: We will continue to investigate methods to eliminate the deficits.

Conclusion: Response accepted.

06-II-K Reclassification of Agency Fund Accounts: The Agency Fund is to be used to account for monies held by the District, but that belong to other entities. We noted two accounts in the Agency Fund that should be a part of the District's Enterprise Daycare Fund.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will have transferred the accounts to the Daycare Fund.

Conclusion: Response accepted.

06-II-L Interest Rate on Certificates of Deposit: We noted two certificates of deposit with interest rates below the minimum rate set by the State of Iowa.

Recommendation: The District should contact the bank to get the rate adjusted.

District Response: We have already done this.

Conclusion: Response accepted.

06-II-M Physical Plant and Equipment Levy Fund: The PPEL Fund may be used to purchase equipment with a unit cost of over \$500. We noted that expenditures from this fund included \$17,971 of software. The Code of Iowa does not list software as an allowable purchase from the PPEL levy.

Recommendation: The District should review the types of items that may be paid from the PPEL Fund and the General Fund should reimburse the PPEL Fund for the purchase.

District Response: We will make the transfer and monitor expenditures from this fund.

Conclusion: Response accepted.