AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2006

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2006
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2006

Board of Education

Name		Term Expires
Jim Black	President	September, 2007
Kirk Banks	Vice President	September, 2008
Phil Parks	Board Member	September, 2006
Gordy Johnson	Board Member	September, 2007
Janet Willer	Board Member	September, 2008
Jeff Klemme	Board Member	September, 2006
Roger Oetken	Board Member	September, 2008

Officials

Ron Flynn	Superintendent	June 30, 2006
Jodi Thompson	Board Secretary/ Business Manager	June 30, 2006
James Hanks	Attorney	Indefinite

WILLIAMS & COMPANY P.C.
Certified Public Accountants

21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Akron-Westfield Community School District
Akron, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Akron-Westfield Community School District 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 the Akron-Westfield Community School District's management. 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 and provisions 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 activity, each major fund, and the aggregate remaining fund information of Akron-Westfield Community School District as of 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 17, 2006, on our consideration of the Akron-Westfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part 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 supplementary information. However, 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 Akron-Westfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information, included in Schedules 1 through 7, 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.

Williams & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
August 17, 2006

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

Akron-Westfield 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 slightly from $5,103,895 in fiscal 2005 to $5,134,372 in fiscal 2006, while General Fund expenditures increased from $4,654,763 in fiscal 2005 to $4,802,559 in fiscal 2006. The District's General Fund balance increased from $457,464 in fiscal 2005 to $699,947 in fiscal 2006, a 53% increase.

The overall increase in the General Fund balance is attributable to reduction of staff and programs along with other measures taken to control expenditures. This has been an on-going process at the Akron-Westfield Community School District since there has been a deficit General Fund balance since fiscal year 1998.

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 Akron-Westfield 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 Akron-Westfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

Figure A-1
GASB 34 Akron-Westfield Community School District Annual Financial Report

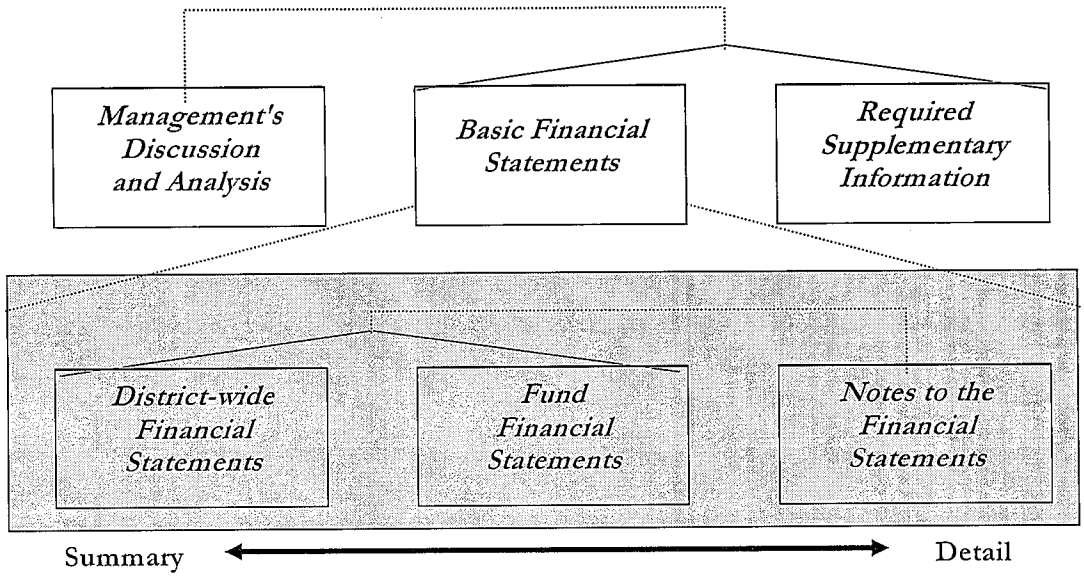


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• 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 Project Funds.

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

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

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

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

3) *Fiduciary funds:* Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's agency funds include the athletic boosters account and the employee flex account.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2005	2006	2005	2006	2005	2006	
Current and other assets	$ 5,453,572	$ 3,881,667	$26,997	$32,053	$ 5,480,569	$ 3,913,720	-28.59%
Capital Assets	3,578,091	3,658,620	16,980	14,282	3,595,071	3,672,902	2.16%
Total Assets	9,031,663	7.540.287	43,977	46,335	9,075,640	7,586,622	-16.41%
Long-term debt outstanding	2,538,954	1,819,970	-	-	2,538,954	1,819,970	-28.32%
Other Liabilities	3,892,473	2,713,658	1,250	189	3,893,723	2,713,847	-30.30%
Total Liabilities	6,431,427	4,533,628	1,250	189	6,432,677	4,533,817	-29.52%
Net Assets							
Invested in capital assets, net of related debt	178,052	1,938,570	16,980	14,282	195,032	1,952,852	901.30%
Restricted	1,912,796	556,671	-	-	1,912,796	556,671	-70.90%
Unrestricted	509,388	511,418	25,747	31,864	535,135	543,282	1.52%
Total Net Assets	2,600,236	$3,006,659	$42,727	$46,146	$2,642,963	$3,052,805	15.41%

The District's combined net assets increased by just over 15% or approximately $409,000 over the prior year. The governmental activities increased $406,000 and the business type activities increased $3,000. The large increase in the governmental activities was due to increases in the tax and intergovernmental revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006.

Figure A-4
Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2005	2006	2005	2006	2005	2006	
Revenue:							
Program Revenue:							
Charges for Services	$ 987,180	$ 1,169,285	$ 140,574	$ 154,937	$ 1,127,754	$ 1,324,222	17.42%
Operating and Capital grants, contributions, and restricted interest	501,001	560,942	106,946	108,741	607,947	669,683	10.15%
General Revenue:							
Property Tax	2,093,189	2,197,254	-	-	2,093,189	2,197,254	4.97%
Local Option Sales Tax	268,359	328,792	-	-	268,359	328,792	22.52%
State Aid	2,093,359	1,928,202	-	-	2,093,359	1,928,202	-7.89%
Investment Earnings	41,043	89,414	75	223	41,118	89,637	118.00%
Use of Money & Property	43,029	-	-	-	43,029	-	-100.00%
Other	55,346	30,285	-	-	55,346	30,285	-45.28%
TOTAL REVENUES	6,082,506	6,304,174	247,595	263,901	6,330,101	6,568,075	3.76%
Expenses:							
Instruction	3,405,674	3,794,370	-	-	3,405,674	3,794,370	11.41%
Support Services	1,511,893	1,670,673	-	-	1,511,893	1,670,673	10.50%
Non-instructional	150,487	155,680	244,070	260,482	394,557	416,162	5.48%
Other expenses	326,003	312,828	-	-	326,003	312,828	-4.04%
TOTAL EXPENSES	5,394,057	5,933,551	244,070	260,482	5,638,127	6,194,033	9.86%
Change in Net Assets	688,449	370,623	3,525	3,419	691,974	374,042	-45.95%

Property tax, local option sales tax, and state aid account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

Figure A-5

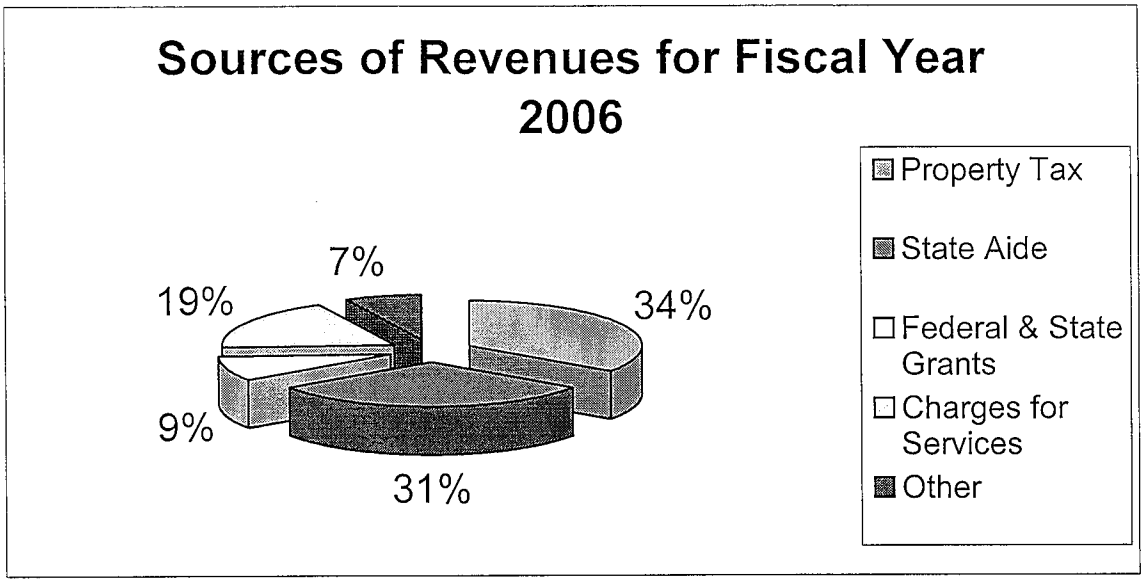
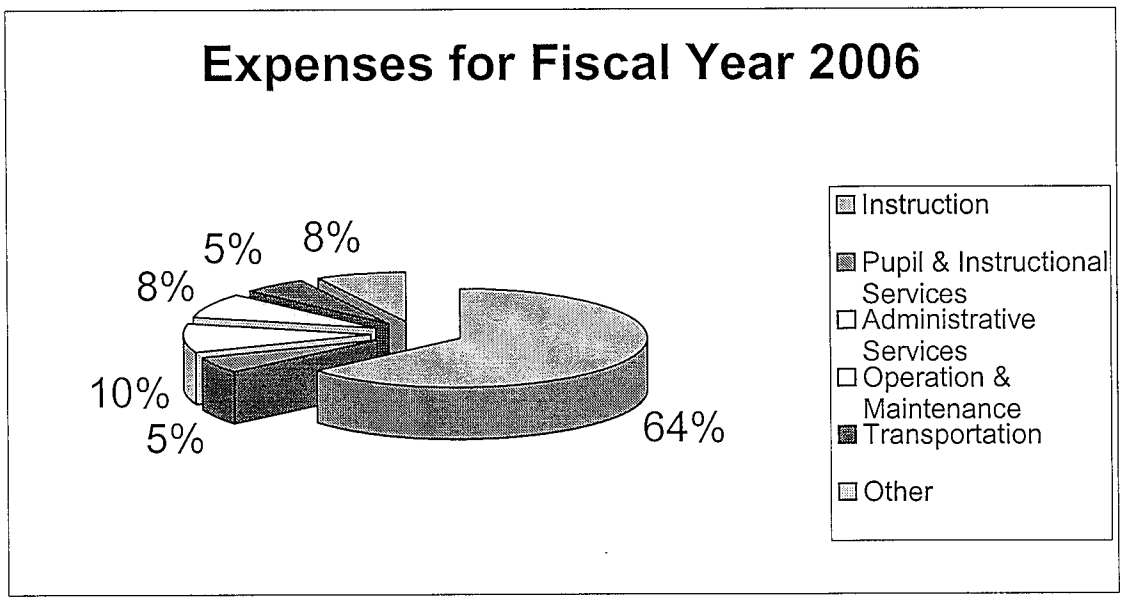


Figure A-6



Governmental Activities

Revenues for governmental activities were $6,304,174 and expenses were $5,933,551. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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-7

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2005	2006		2005	2006	
Instruction	$3,405,674	$3,794,370	11.41%	$2,165,468	$2,376,174	9.73%
Support Services	1,511,893	1,670,673	10.50%	1,463,183	1,530,252	4.58%
Non-Instructional	150,487	155,680	3.45%	150,487	155,680	3.45%
Other Expenses	326,003	312,828	-4.04%	126,738	141,218	11.43%
TOTAL	$5,394,057	$5,933,551	10.00%	$3,905,876	$4,203,324	7.61%

- The cost financed by users of the District's programs was $1,169,285.
- Federal and state governments subsidized certain programs with grants and contributions totaling $560,942.
- The net cost of governmental activities was financed with $2,197,254 in property taxes and $1,928,202 in unrestricted state grants.

Business Type Activities

Revenues for business type activities (school food and nutrition services) totaled $263,901 and expenses were $260,482. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Akron-Westfield 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 $1,403,474, which is less than last year's ending fund balances of $2,452,002.

Governmental Fund Highlights

- The General Fund balance increased from $421,664 in fiscal 2005 to a balance of $699,947 in fiscal 2006. This is primarily due to program and staff reductions, retirements and other cost savings measures.

- The Debt Service Fund balance decreased $1,451,294 during fiscal 2006. This decrease is due to the payment of 1998 issue of general obligation bonds that were called on June 1, 2006. This series was paid with the amount in escrow from the 2004 crossover refunding bond issue.

- The Management Levy Fund balance had a very slight decrease of $2,824 from fiscal 2005. Fiscal year 2005 ended with a deficit balance of $62,653, fiscal year 2006 ended with a deficit balance of $65,477. The deficit will be funded through future property tax revenue.

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from $214,407 in fiscal 2005 to $301,108 in fiscal 2006.

- The Capital Projects Fund balance increased from a deficit of $37,257 in fiscal 2005 to a deficit of $21,957 in fiscal 2006. This deficit will be funded by future operating revenues.

- The Capital Projects LOST Fund balance increased from $207,668 in fiscal 2005 to $231,759 in fiscal 2006.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from $42,727 at June 30, 2005, to $46,146 at June 30, 2006.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2006, the District had invested $7,829,217 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8). Total depreciation expense for the year was $225,041.

The largest changes in capital asset activity during the year occurred in the construction in progress category. The District began an air conditioning project during the fiscal that will be completed in fiscal year 2007.

Figure A-8 - Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2005	2006	2005	2006	2005	2006	2005-2006
Land	$ 11,388	$ 11,388	-	-	$ 11,388	$ 11,388	-
Land Improvements	216,151	216,151	-	-	216,151	216,151	-
Const. In Progress	22,884	93,594	-	-	22,884	93,594	308.99%
Buildings and improvements	5,845,297	5,959,149	-	-	5,845,297	5,959,149	1.95%
Furniture and Equipment	1,431,834	1,458,996	90,085	89,939	1,521,919	1,548,935	1.78%
Total	$ 7,527,554	$ 7,739,278	$ 90,085	$ 89,939	$ 7,617,639	$ 7,829,217	2.78%

Long-Term Debt

At year-end, the District had $1,500,000 in general obligation refunding bonds outstanding, $164,050 in general fund loans, $56,000 in general obligation capital loan notes, and $91,659 in early retirement obligations.

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:

- The improving national economy has not positively impacted the State of Iowa's budget to the point where adequate state funding has become a reality. In addition, recent natural disasters in the Gulf Coast region of the United States will most assuredly impact the national economy, gasoline and diesel fuel prices, and the cost of utilities for district buildings. It remains to be seen the specific impact of these event on federal, state and local budgets.

- Under Iowa's school funding formula, the District is highly dependent on student enrollment. The District trend of declining enrollment will continue into the 2006-2007 with the loss of 17.7 students. The District also contracts in students from the Greater Hoyt District in South

Dakota. This enrollment has remained steady, but projections show a decline in future years. The gradual phasing out of budget guarantee will also have an impact on our funding.

- The District began receiving revenue from a one (1) percent local option sales tax during fiscal year 2005. This tax, voted in for ten (10) years, will provide revenue for capital repairs and improvements.

- The District issued General Obligation Refunding Bonds – Series 2004 on December 1, 2005. This issue will have a savings of $76,528 beginning over the period of FY 2007 through FY 2015, with the largest amount of $54,800 in FY 2015.

- Construction should begin on an ethanol plant the summer of 2007 that will be located within the Akron-Westfield School District boundaries. A bio-diesel plant may also be constructed within our district in the near future. The tax valuation of these projects have yet to be determined, but these projects should have a positive impact for our district.

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 Jodi Thompson, District Secretary/Treasurer, Akron-Westfield Community School District, 850 Kerr Drive, Akron, Iowa 51001.

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	$ 1,581,390	$ 20,377	$ 1,601,767
Receivables:			
Property Tax	47,998		47,998
Succeeding Year Property Tax	2,049,884		2,049,884
Accrued Interest	3,634		3,634
Accounts	8,360		8,360
Due from Other Goverments	169,000		169,000
Inventories		11,676	11,676
Bond Discounts	21,401		21,401
Land	11,388		11,388
Construction in Progress	93,594		93,594
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	3,553,638	14,282	3,567,920
Total Assets	7,540,287	46,335	7,586,622
LIABILITIES			
Accounts Payable	24,182	189	24,371
Due to Other Governments	19,455		19,455
Salaries and Benefits Payable	351,542		351,542
Accrued Interest Payable	5,331		5,331
Deferred Revenue - Succeeding Year Taxes	2,049,884		2,049,884
Noncurrent Liabilities:			
Due Within One Year:			
General Obligation Capital Loan Notes	28,000		28,000
Notes Payable	84,667		84,667
Early Retirement Payable	5,597		5,597
Bonds Payable	145,000		145,000
Due in More Than One Year:			
General Obligation Capital Loan Notes	28,000		28,000
Notes Payable	79,383		79,383
Early Retirement Payable	357,587		357,587
Bonds Payable	1,355,000		1,355,000
Total Liabilities	4,533,628	189	4,533,817
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,938,570	14,282	1,952,852
Restricted for:			
Educational Excellence - Phase III	2,800		2,800
Debt Service	79,122		79,122
Physical Plant and Equipment Levy	301,108		301,108
Other Special Revenue Purposes	173,641		173,641
Unrestricted	511,418	31,864	543,282
Total Net Assets	$ 3,006,659	$ 46,146	$ 3,052,805

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants Contributions	Program Revenues: Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	$ 2,543,018	$ 570,397	$ 342,174	
Special Instruction	555,956	164,327	28,756	
Other Instruction	695,396	298,249	14,293	
Support Services:				
Student Services	163,692	9,000		
Instructional Staff Services	138,848			
Administration Services	564,795			
Operation and Maintenance	486,362	82,752		
Transportation Services	316,976	44,560	4,109	
Non-instrucional Programs	155,680			
Other Expenditures:				
Facilities Acquisition and Construction Services	78			$ 9,102
Long-term Debt Interest	150,242			
AEA Flowthrough	162,508		162,508	
Total governmental activities	5,933,551	1,169,285	551,840	9,102
Business Type Activity				
Non-instrucional Programs				
Food Service Operations	260,482	154,937	108,741	
Total	$ 6,194,033	$ 1,324,222	$ 660,581	$ 9,102
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Gain (Loss) on Disposal of Fixed Assets				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Prior Period Adjustment				
Net Assets - Beginning of Year, Restated				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total
$ (1,630,447)		$ (1,630,447)
(362,873)		(362,873)
(382,854)		(382,854)
(154,692)		(154,692)
(138,848)		(138,848)
(564,795)		(564,795)
(403,610)		(403,610)
(268,307)		(268,307)
(155,680)		(155,680)
9,024		9,024
(150,242)		(150,242)
-		-
(4,203,324)		(4,203,324)
	$ 3,196	3,196
(4,203,324)	3,196	(4,200,128)
1,872,189		1,872,189
203,075		203,075
121,990		121,990
328,792		328,792
1,928,202		1,928,202
89,414	223	89,637
906		906
29,379		29,379
4,573,947	223	4,574,170
370,623	3,419	374,042
2,600,236	42,727	2,642,963
35,800		35,800
2,636,036	42,727	2,678,763
$ 3,006,659	$ 46,146	$ 3,052,805

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNEMENTAL FUNDS
JUNE 30, 2006

	General	Debt Service	Management Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Pooled Investments	$ 858,826	$ 142,299		$ 580,265	$ 1,581,390
Receivables:					
Property Tax	37,738	4,909	$ 3,668	1,683	47,998
Succeeding Year Property Tax	1,518,866	200,538	255,000	75,480	2,049,884
Accrued Interest				3,634	3,634
Accounts	8,153	207			8,360
Due from Other Funds	90,617			620	91,237
Advance to Other Funds	1,593			62,368	63,961
Due from Other Goverments	101,177			67,823	169,000
Total Assets	2,616,970	347,953	258,668	791,873	4,015,464
Liabilities and Equity					
Liabilities:					
Accounts Payable	21,989		104	2,089	24,182
Due to Other Funds	620		62,679	27,938	91,237
Advance from Other Funds		62,368		1,593	63,961
Due to Other Governments	19,455				19,455
Salaries and Benefits Payable	351,542				351,542
Early Retirement Payable			5,597		5,597
Accrued Compensated Absences					-
Accrued Interest Payable					-
Unearned Revenue	4,551	594	765	222	6,132
Deferred Revenue - Succeeding Year Taxes	1,518,866	200,538	255,000	75,480	2,049,884
ISCAP Unamortized Premium					-
ISCAP Interest Payable					-
ISCAP Warrants Payable					-
Total Liabilities	1,917,023	263,500	324,145	107,322	2,611,990
Fund Balances:					
Reserved for:					
Educational Excellence- Phase III	2,800				2,800
Scholarships					-
Debt Service		84,453			84,453
Student Activities					-
Specific Property Tax Levies					-
Unreserved for:					
General Fund	697,147				697,147
Special Revenue Fund			(65,477)	474,749	409,272
Capital Project Fund				209,802	209,802
Total Fund Balances	699,947	84,453	(65,477)	684,551	1,403,474
Total Liabilities and Equity	$ 2,616,970	$ 347,953	$ 258,668	$ 791,873	$ 4,015,464

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 18)	$	1,403,474
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,658,620
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.		(5,331)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.		21,401
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		6,132
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.		(2,077,637)
Total Net Assets - Governmental Activities (page 15)	$	3,006,659

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Debt Service	Management Levy	Other Governmental Funds	Total Governmental Funds
Revenue:					
Local Sources:					
Local Tax	$ 1,737,539	$ 203,075	$ 136,414	$ 450,782	$ 2,527,810
Tuition	656,329				656,329
Other	196,820	54,082		318,111	569,013
State Sources	2,315,907				2,315,907
Federal Sources	227,777			9,102	236,879
Total Revenue	5,134,372	257,157	136,414	777,995	6,305,938
Expenditures:					
Current:					
Instruction:					
Regular Instruction	2,202,806		52,814	13,204	2,268,824
Special Instruction	558,794				558,794
Other Instruction	398,362			297,034	695,396
Support Services:					
Student Services	163,692		6,225		169,917
Instructional Staff Services	115,256		425	23,167	138,848
Administration Services	463,010		32,251	22,773	518,034
Operation and Maintenance	446,255		36,570	168,979	651,804
Transportation Services	291,876		10,953	61,245	364,074
Other Expenditures:					
Facilities Acquisition and Construction Services				33,686	33,686
Long-term Debt:					
Principal		109,989			109,989
Interest and Fiscal Charges		148,392			148,392
AEA Flowthrough	162,508				162,508
Total Expenditures	4,802,559	258,381	139,238	620,088	5,820,266
Excess (Deficiency) of Revenues Over Expenditures	331,813	(1,224)	(2,824)	157,907	485,672
Other Financing Sources (Uses):					
Transfers In		119,930			119,930
Transfers Out	(89,330)			(30,600)	(119,930)
Payment to Refunded Bond Escrow Agent		(1,570,000)			(1,570,000)
Total Other Financing Sources (Uses)	(89,330)	(1,450,070)	-	(30,600)	(1,570,000)
Net Change in Fund Balances	242,483	(1,451,294)	(2,824)	127,307	(1,084,328)
Fund Balances - Beginning of Year	421,664	1,535,747	(62,653)	557,244	2,452,002
Prior Period Adjustment	35,800				35,800
Fund Balances - Beginning of Year, Restated	457,464	1,535,747	(62,653)	557,244	2,487,802
Fund Balances - End of Year	$ 699,947	$ 84,453	$ (65,477)	$ 684,551	$ 1,403,474

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 20)		$ (1,084,328)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:		
Expenditures for capital assets	303,018	
Depreciation expense	(222,489)	80,529
Accrued interest expense that does not require current financial resources		7,253
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		(301,953)
Revenues in the statement of activities that do not provide current fincancial resources are not reported as revenues.		(1,764)
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.		(9,103)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:		
Repaid	1,679,989	
Issued	-	1,679,989
Change in net assets of governmental activities (page 17)		$ 370,623

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	Business Type Activity
	School Nutrition Fund
ASSETS	
Current Assets:	
Cash and Pooled Investments	$ 20,377
Inventories	11,676
Total Current Assets	32,053
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	14,282
Total Noncurrent Assets	14,282
Total Assets	46,335
LIABILITIES	
Current Liabilities:	
Accounts Payable	189
Total Current Liabilities	189
Total Liabilities	189
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	14,282
Unrestricted	31,864
Total Net Assets	$ 46,146

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Business Type Activity
	School Nutrition Fund
Operating Revenues:	
Charges for services	$ 154,938
Total Operating Revenue	154,938
Operating Expenditures:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	97,196
Benefits	37,715
Purchased Services	6,300
Supplies	116,612
Depreciation	2,552
Total Operating Expenses	260,375
Operating (Loss)	(105,437)
Non-Operating Revenues (Expenditures)	
Interest Income	223
State Lunch Reimbursements	3,521
National School Lunch Program	82,693
Federal Food Commodities Received	22,527
(Loss) on Disposal of Fixed Assets	(108)
Total Non-Operating Revenues	108,856
Change in net assets	3,419
Net Assets - Beginning	42,727
Net Assets - Ending	$ 46,146

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Business Type Activity
	School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 154,938
Cash paid to employees for services	(134,911)
Cash paid to suppliers for goods or services	(106,047)
Total cash (used) by operating activities	(86,020)
Cash flows from noncapital financing activities:	
State grants received	3,521
Federal grants received	82,693
Total cash provided by noncapital financing activities	86,214
Cash flows from capital and related financing activites:	
Acquisition of capital assets	(857)
Proceeds from sale of capital assets	895
Total cash provided by capital and related financing activities	38
Cash flows from investing activities:	
Interest on investments	223
Net increase in cash and cash equivalents	455
Cash and cash equivalents - beginning of year	19,922
Cash and cash equivalents - end of year	20,377
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(105,437)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation expense	2,552
Commodities used	22,527
(Increase) decrease in assets and increase (decrease) in liabilities:	
Inventories	(4,601)
Accounts Payable	(1,061)
Net cash (used) in operating activities	$ (86,020)
Non-cash investing, capital and financing activities:	
Federal food commodities received	$ 22,527

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2006

ASSETS	
Cash and Pooled Investments	$ 773
Total Assets	773
LIABILITIES	
Due to Others	773
Total Liabilities	773
NET ASSETS	
Unrestricted	-
Total Net Assets	$ -

See Accompanying Notes to Financial Statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Akron-Westfield 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 Akron and Westfield, Iowa, the predominate agricultural territory in Plymouth County, and the Greater Hoyt Independent School District in Union County, South Dakota through the Interstate School District Compact. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Akron-Westfield 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. Akron-Westfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989, in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUND TYPES

Fiduciary Funds are used to report assets held in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements The District's fiduciary funds include the following:

The Athletic Boosters fund is used to account for revenues earned and expenditures incurred by the Akron-Westfield Community School District Athletic Boosters.

The Employee Flex Account fund is used to account for employee contributions to flexible spending accounts and for disbursements made to those employees for the eligible expenses they incur.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

Debt Service – See the description on the previous page.

Management Fund – Accounts for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

The District reports the following major enterprise fund:

School Nutrition – Accounts for the food service operations of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus

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

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

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

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

E. 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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. The District's capitalization thresholds are as follows: Land, $2,000; Building and Improvements, $10,000; Furniture and Equipment purchased in a Governmental Fund, $2,000; and Equipment purchased in the School Nutrition Fund, $500.

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5 years

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

NOTE 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.

NOTE 3 – INTERFUND TRANSFERS

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

Transfer From	Transfer To	Amount
General	Debt Service	$ 89,330
Special Revenue:		
Physical Plant & Equipment Levy	Debt Service	30,600
Total		$ 119,930

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

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Capital assets not being depreciated:				
Construction in Progress	$ 22,884	$ 93,594	$ 22,884	$ 93,594
Land	11,388	-	-	11,388
Total capital assets not being depreciated	34,272	93,594	22,884	104,982
Capital assets being depreciated:				
Buildings	5,845,297	113,852	-	5,959,149
Improvements other than buildings	216,151	-	-	216,151
Furniture and equipment	1,431,834	118,456	91,294	1,458,996
Total capital assets being depreciated	7,493,282	232,308	91,294	7,634,296
Less: Accumulated Depreciation for:				
Buildings	2,485,949	155,680	-	2,641,629
Improvements other than buildings	142,223	9,801	-	152,024
Furniture and equipment	1,321,291	57,008	91,294	1,287,005
Total Accumulated Depreciation	3,949,463	222,489	91,294	4,080,658
Total capital assets being depreciated, net	3,543,819	9,819	-	3,553,638
Governmental activities capital assets, net	$ 3,578,091	$ 103,413	$ 22,884	$ 3,658,620
Business-type Activities:				
Furniture and equipment	$ 90,085	$ 857	$ 1,003	89,939
Less: Accumulated Deprecation	73,105	2,552	-	75,657
Business-type activities capital assets, net	$ 16,980	$ (1,695)	$ 1,003	$ 14,282

Construction in progress for governmental activities consisted of costs incurred in connection with an air conditioning project.

Depreciation expenses was charged to the functions of the as follows:

Governmental Activities:	
Regular Instruction	$ 25,161
Non-Instructional Programs	155,680
Operation and Maintenance	9,801
Transportation Services	31,847
Total depreciation expenses – governmental activities	$ 222,489
Business-type activities:	
Food Service Operations	$ 2,552

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-Type Activities
Construction in Progress	$ 93,594	
Land	11,388	
Capital Assets (net of accumulated depreciation)	3,553,638	$ 14,282
Less: Bonds Payable	1,500,000	
Notes Payable	164,050	
General Obligation Capital Loan Notes	56,000	
Invested in Capital Assets, Net of Related Debt	$ 1,938,570	$ 14,282

NOTE 5 – LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 1,570,000	-	$ 1,570,000	-	-
General Obligation Refunding Bonds	1,500,000	-	-	$ 1,500,000	$ 145,000
General Obligation Capital Loan Notes	84,000	-	28,000	56,000	28,000
Notes Payable	246,039	-	81,989	164,050	84,667
Early Retirement	57,434	$ 349,686	43,936	363,184	5,597
Governmental Activities Long-Term Liabilities	$ 3,457,473	$ 349,686	$ 1,723,925	$ 2,083,234	$ 263,264

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds are direct obligations as of June 30, 2006, are as follows:

Purpose	Interest Rates	Amounts
Governmental Activities – Series 2004 Refunding	2.60-4.10%	$ 1,500,000

NOTE 5 – LONG-TERM LIABILITIES – (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Governmental Activities Principal	Interest
2007	$ 145,000	$ 55,238
2008	155,000	50,163
2009	155,000	44,738
2010	165,000	39,313
2011	170,000	33,703
2012-2015	710,000	68,306
Total	$ 1,500,000	$ 291,461

In December 2004 the District issued $1,500,000 of General Obligation Refunding Bonds in a crossover advance refunding of the 1995 General Obligation Notes. The 2004 bonds have an average interest rate of 3.75% and the 1995 bonds being refunded have an average interest rate of 5.33%. The net proceeds from this issuance were used to purchase a U.S. government securities and were deposited in an escrow account with Bankers Trust Company. As of the balance sheet date, the escrow was closed. The money in escrow was used to refund the remaining $1,570,000 of the 1995 notes on May 31, 2006, when these notes became callable. As a result of this refunding, the District will reduce its debt service payments over the next ten years by $53,850, and obtain an economic gain of $55,071.

General Obligation Capital Loan Notes

On November 1, 2003, the District issued $140,000 general obligation capital loan notes with an interest rate of 3.05% to provide funds for capital improvements. The notes will be repaid with proceeds from the voter approved physical plan and equipment levy and physical plant and equipment income surtax.

The annual debt service requirements to maturity for general obligation capital loan notes are as follows:

Year Ending June 30	Governmental Activities Principal	Interest
2007	$ 28,000	$ 1,708
2008	28,000	854
Total	$ 56,000	$ 2,562

NOTE 5 – LONG-TERM LIABILITIES – (CONTINUED)

Notes Payable

During the year ended June 30, 1998, the District borrowed $705,000 by issuing two separate capital loan notes for $455,000 and $250,000, respectively, to fund the construction of a wind generator. During the year ended June 30, 2001, the District entered into a $51,647 loan agreement with the Hoyt School District to purchase a school bus. The loan is interest free and will be repaid with a reduction of transportation charges over the next ten years. Details of the District's notes payable are as follows:

Year Ending June 30,	$455,000 Note Payable			$250,000 Note Payable No Interest	$51,647 Note Payable No Interest
	Principal	4.85% Interest	Total	Principal Only	Principal Only
2007	$ 53,351	$ 4,663	$ 58,014	$ 26,316	$ 5,000
2008	57,736	1,386	58,760		5,000
2009					5,000
2010					5,000
2011					5,000
2012					1,647
Total	$ 111,087	$ 6,049	$ 116,774	$ 26,316	$ 26,647

Early Retirement – Termination Benefits

During 1993, the Board of Education established an early retirement policy. All licensed professional employees who have completed at least 15 years of service within the District and are between the ages of 55 and 62 are eligible to make application for retirement benefits. Benefits are payable in two equal installments on January 20 of the two succeeding years after retirement. Benefits are based upon thirty percent of the employee's current salary plus 0.5 percent of current salary for each year of credited experience. In addition, the District will apply $141 for retirees prior to fiscal year 2004, $300 for retirees in fiscal year 2004, and $425 for retirees in fiscal year 2005 and thereafter, on a monthly basis, towards an employee benefit until the earlier of the employee's death or reaching age 65.

At June 30, 2006, the District has obligations to eleven participants with a total liability of $363,184. Actual early retirement expenditures for the year ended June 30, 2006, totaled $40,990. The cost of early retirement payments expected to be liquidated within 60 days have been recorded as a liability of the Special Revenue – Management Levy Fund in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 6 – INTERFUND RECEIVABLES & PAYABLES

As of June 30, 2006, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General	Capital Projects	$ 27,938 *
PPEL	General	620**
General	Management	62,679 *
		$ 91,237

*The purpose of the interfund balances is to help finance the short-term cash shortage in the Capital Projects and Management Funds.

**Expenses were incorrectly paid out of the PPEL Fund, so the interfund balance has been recorded until the cash is transferred from the General Fund.

NOTE 6 – INTERFUND RECEIVABLES & PAYABLES (CONTINUED)

As of June 30, 2006, long-term advances were as follows:

Fund Due To	Fund Due From	Amount
PPEL	Debt Service	$ 62,368
General	Capital Projects	1,593
		$ 63,961

NOTE 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 that 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 salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were $180,339, $169,755 and $170,729 respectively, equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

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

NOTE 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 $162,508 for the year ended June 30, 2006, and is recorded in the General Fund.

NOTE 10 – DEFICIT FUND BALANCE

As of June 30, 2006, the following fund had a deficit fund balance in the amount shown:

Management Levy	$ 65,477
Capital Projects	$ 21,957

The deficit will be funded by future operating revenues and property tax levies.

NOTE 11 – COMMITMENTS

The District has entered into a contract totaling $298,500 for the air conditioning project. As of June 30, 2006, costs of $62,698 have been incurred against the contract. The balance of $235,802 will be paid as work on the project progresses.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended June 30, 2005, an error was made in accounting for the receipt of federal funds for Small Rural School Achievement Program. The funds were due and payable to the District as of June 30, 2005, thus should have been recorded as accounts receivable. The error has been corrected and has had the following effect on the beginning fund balance:

	General Fund
Beginning Fund Balance, As Previously Reported	$ 421,664
Prior Period Adjustment	35,800
Beginning Fund Balance, As Corrected	$ 457,464

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Governmental Funds	Proprietary Fund	Total	Final to Actual
	Original	Amended	Actual	Actual	Actual	Variance
REVENUE:						
Local Sources:						
Local Tax	$ 2,177,964	$ 2,177,964	$ 2,199,256	$ -	$ 2,199,256	$ 21,292
Tuition	525,500	525,500	1,011,163	-	1,011,163	485,663
Other	705,470	705,470	587,568	155,161	742,729	37,259
Intermediate Sources	79,075	79,075	-	-	-	(79,075)
State Sources	2,525,679	2,525,679	2,317,042	3,521	2,320,563	(205,116)
Federal Sources	291,000	291,000	226,951	82,693	309,644	18,644
Total Revenue	6,304,688	6,304,688	6,341,980	241,375	6,583,355	278,667
EXPENDITURES:						
Current:						
Instruction	4,151,457	4,151,457	3,569,271	-	3,569,271	582,186
Support Services	1,903,215	1,903,215	1,889,079	-	1,889,079	14,136
Non-instructional Programs	328,440	328,440	-	241,815	241,815	86,625
Other Expenditures	810,773	810,773	457,145	-	457,145	353,628
Total Expenditures	7,193,885	7,193,885	5,915,495	241,815	6,157,310	1,036,575
Excess (Deficiency) of Revenues Over Expenditures	(889,197)	(889,197)	426,485	(440)	426,045	1,315,242
Other Financing Sources (Uses):						
Transfers In	231,970	231,970	119,930	-	119,930	(112,040)
Transfers Out	(166,420)	(166,420)	(119,930)	-	(119,930)	46,490
Payment to Refunded Bond Escrow Agent	-	-	(1,570,000)	-	(1,570,000)	(1,570,000)
Proceeds from Sale of Capital Assets	1,000	1,000	-	895	895	(105)
Total Other Financing Sources (Uses)	66,550	66,550	(1,570,000)	895	(1,569,105)	(1,635,655)
Net Change in Fund Balances	(822,647)	(822,647)	(1,143,515)	455	(1,143,060)	(320,413)
Fund Balances - Beginning of Year	2,744,827	2,744,827	2,724,905	19,922	2,744,827	-
Fund Balances - End of Year	$ 1,922,180	$ 1,922,180	$ 1,581,390	$ 20,377	$ 1,601,767	$ (320,413)

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 the internal service fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the fiscal year 2006, there were no budget amendments.

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2005-2006 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis, which is consistent with the District's budgeted expenditures/expenses. The adjustments required to convert the expenses/expenditures to cash basis at the end of the year are as follows:

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 6,341,980	$ (36,042)	$ 6,305,938
Expenditures	5,915,495	(95,229)	5,820,266
Net	426,485	59,187	485,672
Other Financing Sources (Uses)	(1,570,000)	-	(1,570,000)
Beginning Fund Balance	2,724,905	(237,103)	2,487,802
Ending Fund Balance	$ 1,581,390	$ (177,916)	$ 1,403,474

	Proprietary Fund		
	School Nutrition		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 241,375	$ 22,527	$ 263,902
Expenditures	241,815	18,560	260,375
Net	(440)	3,967	3,527
Other Financing Sources (Uses)	895	(1,003)	(108)
Beginning Fund Balance	19,922	22,805	42,727
Ending Fund Balance	$ 20,377	$ 25,769	$ 46,146

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 1

Revenues:		
Local Sources:		
Local Tax:		
Property Tax	$	1,736,518
Mobile Home Tax		1,021
		1,737,539
Other Local Sources:		
Interest on Investments		31,770
Tuition from Other Districts		656,329
Transportation Fees		44,560
Sales of Services to Other LEA's/AEA's		376
Miscellaneous		120,114
		853,149
		2,590,688
State Sources:		
State Foundation Aid		1,900,977
Instructional Support State Aid		22,935
Educational Excellence Program:		
Phase I		51,358
Phase II		44,230
Non-Public Transportation Aid		2,684
Teacher Compensation		80,281
Vocational Education Aid		3,785
AEA Flow-Through		162,508
Iowa Early Intervention Block Grant		35,582
Other State Aid		11,567
		2,315,907
Federal Sources:		
Title I Grants to Local Educational Agencies		63,965
Safe and Drug-Free Schools and Communities-States Grants		3,216
Innovative Education Program Strategies (Title V Program)		2,029
Vocational Education - Basic Grants to States		3,888
Special Education - Grants to States		28,756
Title VI Grants for Assessments and Related Activities		3,738
Learn and Serve America School and Community Based Programs		6,620
Improving Teacher Quality State Grants		16,125
Medical Assistance Program (Title XIX Program)		63,640
Small Rural School Achievement Program		35,800
		227,777
Total Revenue	$	5,134,372

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 1 (Continued)

Expenditures:		
Instruction:		
Regular Instruction:		
Salaries	$	1,491,250
Benefits		501,050
Services		123,891
Supplies		78,799
Property		3,645
Other		4,171
		2,202,806
Special Education Instruction:		
Salaries		350,139
Benefits		99,870
Services		70,834
Supplies		29,312
Property		8,144
Other		495
		558,794
Vocational Instruction:		
Salaries		154,203
Benefits		48,502
Services		494
Supplies		10,962
Property		4,384
Other		175
		218,720
Co-curricular Instruction:		
Salaries		101,639
Benefits		12,717
Services		227
		114,583
Other Instruction:		
Salaries		43,495
Benefits		21,448
Services		6
Supplies		100
Other		10
		65,059
Total Instruction		3,159,962
Support Services:		
Student Services:		
Guidance Services:		
Salaries		78,817
Benefits		18,931
Services		1,126
Supplies		3,433
Other		355
		102,662
Appraisal Services:		
Services		3,738
	$	3,738

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 1 (Continued)

Support Services (Continued):		
Student Services (Continued):		
Health Services:		
Salaries	$	49,305
Benefits		6,493
Services		41
Supplies		1,389
Other		64
		57,292
Total Student Services		163,692
Instructional Staff:		
Improvement of Instruction Services:		
Services		4,096
Supplies		230
		4,326
Educational Media Services:		
Salaries		49,281
Benefits		10,237
Services		834
Supplies		22,360
Property		28,218
		110,930
Total Instructional Staff Services		115,256
Administration:		
Executive Administration:		
Salaries		80,000
Benefits		25,892
Services		14,942
Supplies		1,105
Other		1,234
		123,173
School Administration:		
Salaries		186,088
Benefits		61,362
Services		2,838
Supplies		1,201
Property		129
Other		2,501
	$	254,119

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 1 (Continued)

Support Services (Continued):		
Administration (Continued):		
Business Administration:		
Salaries	$	40,690
Benefits		13,236
Services		3,756
Supplies		1,475
Other		7,072
		66,229
Board of Education:		
Services		17,941
Supplies		452
Other		1,096
		19,489
Total Administration Services:		463,010
Operation and Maintenance:		
Plant Operation and Maintenance:		
Salaries		107,392
Benefits		29,868
Services		85,809
Supplies		166,803
Property		1,573
Other		237
		391,682
Other Support Services:		
Salaries		25,516
Benefits		7,113
Services		2,060
Supplies		7,699
Property		11,291
Other		894
		54,573
Total Operation and Maintenance:		446,255
Transportation Services:		
Student Transportation:		
Salaries		149,951
Benefits		31,206
Services		25,966
Supplies		66,760
Property		17,753
Other		240
		291,876
Total Transporation Services:		291,876
Total Support Services	$	1,480,089

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 1 (Continued)

Other Expenditures:		
AEA Flow-Through	$	162,508
Total Expenditures		4,802,559
Excess of Revenues Over Expenditures		331,813
Other Financing Uses:		
Transfers To Other Funds		(89,330)
Excess of Revenues Over Expenditures and Other Financing Uses		242,483
Fund Balance - Beginning of Year		421,664
Prior Period Adjustment		35,800
Fund Balances - Beginning of Year, Restated		457,464
Fund Balance - End of Year	$	699,947

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2006

	Special Revenue Funds		
	Physical Plant and Equipment Levy	Student Activity	Capital Projects
Assets			
Cash and Pooled Investments	$ 225,679	$ 172,810	
Receivables:			
Property Tax	1,683		
Succeeding Year Property Tax	75,480		
Accrued Interest	2,403	1,231	
Due from Other Funds	620		
Advance to Other Funds	62,368		
Due from Other Goverments	9,102		$ 7,574
Total Assets	377,335	174,041	7,574
Liabilities and Equity			
Liabilities:			
Accounts Payable	525	400	
Due to Other Funds			27,938
Advance from Other Funds			1,593
Unearned Revenue	222		
Deferred Revenue - Succeeding Year Property Taxes	75,480		
Total Liabilities	76,227	400	29,531
Fund Balances:			
Unreserved for:			
Special Revenue Fund	301,108	173,641	
Capital Project Fund			(21,957)
Total Fund Balances (Deficits)	301,108	173,641	(21,957)
Total Liabilities and Equity	$ 377,335	$ 174,041	$ 7,574

Schedule 2

Capital Projects LOST	Total
$ 181,776	$ 580,265
	1,683
	75,480
	3,634
	620
	62,368
51,147	67,823
232,923	791,873
1,164	2,089
	27,938
	1,593
	222
	75,480
1,164	107,322
	474,749
231,759	209,802
231,759	684,551
$ 232,923	$ 791,873

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	Physical Plant and Equipment Levy	Student Activity	Capital Projects
Revenue:			
Local Sources:			
Local Tax	$ 121,990		
Other	3,562	$ 298,249	$ 15,300
Federal Sources	9,102	-	-
Total Revenue	134,654	298,249	15,300
Expenditures:			
Current:			
Instruction:			
Regular Instruction	-	-	-
Other Instruction	-	297,034	-
Support Services:			
Instructional Staff Services	-	-	-
Administration Services	-	-	-
Operation and Maintenance	8,251	-	-
Transportation Services	-	-	-
Other Exependitures:			
Facilities Acquisition and Construction	9,102	-	-
Total Expenditures	17,353	297,034	-
Excess(Deficiency) of Revenues Over Expenditures	117,301	1,215	15,300
Other Financing Sources (Uses):			
Transfers Out	(30,600)	-	-
Total Other Financing Sources (Uses)	(30,600)	-	-
Net Change in Fund Balances	86,701	1,215	15,300
Fund Balances (Deficits) - Beginning of Year	214,407	172,426	(37,257)
Fund Balances (Deficits) - End of Year	$ 301,108	$ 173,641	$ (21,957)

Schedule 3

Capital Projects LOST	Total
$ 328,792	$ 450,782
1,000	318,111
-	9,102
329,792	777,995
13,204	13,204
-	297,034
23,167	23,167
22,773	22,773
160,728	168,979
61,245	61,245
24,584	33,686
305,701	620,088
24,091	157,907
-	(30,600)
-	(30,600)
24,091	127,307
207,668	557,244
$ 231,759	$ 684,551

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 4

	Balance June 30, 2005	Revenues	Expenditures	Operating Transfers	Balance June 30, 2006
Adult Education	$ 291				$ 291
Ag. And Industrial Arts Resale	1,997	$ 1,904	$ 1,300		2,601
Alumni	475				475
Art Club	806	360	30		1,136
Art-Science Trip	106				106
Athletics	38,368	62,553	61,428	$ 472	39,965
Athletic Pop	12,671	9,840	5,744		16,767
AW Store	4,695	8,044	9,344		3,395
Class of 2006	(19)			19	-
Class of 2007	-	8,714	8,714		-
Class of 2008	-	2,689	2,670	(19)	-
Climate Committee	(459)	929	470		-
Coaches Towels	(74)	3,058	2,984		-
Concessions	5,500	27,899	27,974		5,425
Drill Team	3,457	9,866	9,192		4,131
Extra Duty	619				619
Future Farmers of America	7,308	27,731	28,295		6,744
Family Career Community Leader of America	643	3,040	2,768		915
High School Student Council	6,690	7,319	7,856		6,153
Home Economics	477	5	5		477
Interest/Student Management	16,937	5,154	7,187		14,904
Kindergarten Milk	1,586	825	588		1,823
Lakeside Lab	(156)	6,580	5,723		701
Medicaid Adm. Claim	658				658
Middle School Student Council	10,200	31,160	31,389		9,971
Music - Instrumental	6,396	17,724	19,103	(65)	4,952
Music - Vocal	11,436	21,559	21,664	65	11,396
National Honor Society	(39)	612	573		-
Pep Club	5,512	4,069	5,725		3,856
Physical Education Revolving	7,373	976	659		7,690
Pictures	1,871				1,871
Project Prom	3,901	3,415	4,730		2,586
Revolving	2,265			(472)	1,793
Scholarship	911				911
Speech	394	878	998		274
TAG	21	3,302	3,323		-
Textbooks	391	14,424	14,777		38
Thespians	5,269	3,747	2,691		6,325
Towel	8,920	1,754	1,259		9,415
Western Roundup	5,029	8,119	7,871		5,277
	$ 172,426	$ 298,249	$ 297,034	$ -	$ 173,641

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2006

Schedule 5

	Athletic Boosters	Employee Flex Account	Total
ASSETS			
Cash and Pooled Investments	$ -	$ 773	$ 773
Total Assets	-	773	773
LIABILITIES			
Due to Others	-	773	773
Total Liabilities	$ -	$ 773	$ 773

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 6

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Athletic Boosters				
Assets				
Cash and Pooled Investments	$ -	$ 6,938	$ 6,938	$ -
Total Assets	-	6,938	6,938	-
Liabilities				
Due to Others	-	6,938	6,938	-
Total Liabilities	-	6,938	6,938	-
Employee Flex Account				
Assets				
Cash and Pooled Investments	1,628	37,082	37,937	773
Total Assets	1,628	37,082	37,937	773
Liabilities				
Due to Others	1,628	37,937	37,082	773
Total Liabilities	1,628	37,937	37,082	773
Total				
Assets				
Cash and Pooled Investments	1,628	44,020	44,875	773
Total Assets	1,628	44,020	44,875	773
Liabilities				
Due to Others	1,628	44,875	44,020	773
Total Liabilities	$ 1,628	$ 44,875	$ 44,020	$ 773

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES AND RECEIPTS
FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004, 2003

Schedule 7

	Modified Accrual Basis of Accounting			
	2006	**2005**	**2004**	**2003**
Local Sources:				
Local Taxes:				
Property Taxes	$ 2,348,462	$ 2,185,813	$ 1,861,717	$ 1,978,452
Mobile Home Taxes	1,285	1,429	1,306	1,394
Instructional Support Income Taxes	178,063	174,549	155,699	48,303
	2,527,810	2,361,791	2,018,722	2,028,149
State Sources:				
State Foundation Aid	1,900,977	2,063,058	1,821,776	1,833,864
Instructional Support State Aid	22,935	24,326	23,339	24,878
Teacher Quality & Salary Improvement	80,281	50,969	48,302	42,852
Educational Excellence Program:				
Phase I	51,358	50,625	53,404	55,761
Phase II	44,230	44,390	44,594	45,392
Phase III			-	11,279
Non-Public Transporation	2,684	2,854	3,246	1,967
Vocational Education Aid	3,785	4,575	3,979	4,151
Revenue in Lieu of Taxes - Military Credit		1,413	1,759	1,852
Iowa Early Intervention Block Grant	35,582	31,121	34,502	36,878
State Breakfast Reimbursements	410			
State Lunch Reimbursements	3,111	3,567	3,499	3,832
AEA Flow-Through	162,508	184,103	182,474	182,778
Other	11,567	9,203	21,110	13,870
	2,319,428	2,470,204	2,241,984	2,259,354
Federal Sources:				
Title I Grants to Local Educational Agencies	63,965	51,378	73,081	54,937
Grants for Assessments & Related Activities (Title VI A Program)	3,738	3,762	3,780	3,150
Safe and Drug FreeSchools and Communities - State Grants	3,216	1,335	3,475	3,396
Innovative Education Program Strategies (Title V Program)	2,029		3,105	3,176
National School Lunch Program	70,903	84,513	81,282	77,108
Century 21 Grant			128,125	168,394
Food Distribution	22,527	18,866	26,251	24,573
Child Nutrition School Breakfast	11,790			
Learn & Serve America Community Based Programs	6,620		4,500	5,000
Special Education - Grants to States	28,756	27,265	20,949	14,293
Vocational Education - Basic Grants to States	3,888			
Improving Teacher Quality State Grants	16,125	16,806	16,891	17,937
Eisenhower Professional Development - State Grants				1,482
Americorps			699	627
Medical Assistance Program (Title XIX Program)	63,640	64,670	96,212	
Improvement of Education	9,102			
Small Rural School Achievement Program	35,800			
Other		12,016	847	9,435
	342,099	280,611	459,197	383,508
Total	$ 5,189,337	$ 5,112,606	$ 4,719,903	$ 4,671,011

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Schedule 8

Part I: Summary of the Independent Auditor's Results

(a) An unqualified opinion was issued on the financial statements.

(b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

II-A-06 Financial Accounting – Segregation of Duties

Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that invoices/claims are not paid until reviewed by the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-06 Grant Administration

Observation – The District does not have a system in place to monitor the various grants received by the District. Budgets, drawdowns, and reporting requirements were done with no administrative oversight.

Recommendation – The District should assign an individual to be responsible for grant administration including internal accounting and external reporting to ensure both timely reimbursement and compliance with applicable laws, regulations, contracts, and grant agreements.

Response – The District understands the nature of the weakness and will strive to improve grant administration.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

III-A-06 Certified Budget – Expenditures for the year ended June 30, 2006, did not exceed the certified budget amount.

III-B-06 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

III-D-06 Business Transactions – There were no business transactions between the District and District officials or employees noted during the year ended June 30, 2006.

III-E-06 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.

III-F-06 Board Minutes – No transactions requiring Board approval that had not been approved by the Board were noted.

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

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

III-I-06 Certified Annual Report – The Certified Annual Report was not filed timely with the Department of Education.

Recommendation – We recommend that the District file the Certified Annual Report by September 15 as required by the State in future years.

Response – The District will take the steps necessary to ensure that the report is filed timely in the future.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting – (Continued):

III-J-06 Financial Condition – The District had deficits in the management levy special revenue fund and capital projects fund at June 30, 2006.

Recommendation – The District should investigate alternatives to significantly reduce and/or eliminate this deficit.

Response – The District is aware of this situation and will investigate alternatives to significantly reduce and/or eliminate these deficits by June 30, 2007.

Conclusion – Response accepted.

Schedule 9

II-A-05 Financial Accounting – Segregation of Duties

Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that invoices/claims are not paid until reviewed by the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Current Status – The finding still exists at June 30, 2006 (see Comment II-A-06).

WILLIAMS & COMPANY P.C.
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of the
Akron-Westfield Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT 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, and have issued our report thereon dated August 17, 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.

Compliance:
As part of obtaining reasonable assurance about whether the Akron-Westfield 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

Internal Control Over Financial Reporting:
In planning and performing our audit, we considered Akron-Westfield Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Akron-Westfield Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-06.

A material weakness is a 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 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, we believe II-A-06 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Akron-Westfield Community School District and other parties to whom the Akron-Westfield 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 Akron-Westfield Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
August 17, 2006