

**WEST HANCOCK COMMUNITY SCHOOL DISTRICT
BRITT, IOWA**

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

YEAR ENDED JUNE 30, 2006

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**West Hancock Community School District
Britt, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Jay Burgardt	President	2006
Debra Trulson	Vice President	2005
Dan Abels	Board Member	2005
Steve Kelly	Board Member	2005
Paul Verbugge	Board Member	2006
Glee Christ	Board Member	2007
Darrin Eckels	Board Member	2007
Board of Education (After September 2005 Election)		
Jay Burgardt	President	2006
Paul Verbugge	Vice President	2006
Steve Kelly	Board Member	2006
Glee Christ	Board Member	2007
Darrin Eckels	Board Member	2007
Darla Yaekel	Board Member	2008
Paul Kumsher	Board Member	2008
School Officials		
Richard Keith	Superintendent	2009
Mona Buns	District Secretary/Treasurer and Business Manager	2006
Rick Engel	Attorney	Indefinite

Independent Auditor's Report

To the Board of Education of
West Hancock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District, Britt, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2006 on our consideration of West Hancock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 45 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Hancock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which is presented herein) and expressed qualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

October 11, 2006

Management Discussion and Analysis

The West Hancock 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.

Financial Highlights

- General Fund revenues for fiscal 2006 were \$5,391,784 while General Fund expenditures were \$4,997,833. This resulted in a increase in the District's General Fund balance from \$806,449 in fiscal 2005 to \$1,147,643 in fiscal 2006, or a \$341,194 increase from the prior year.
- The increase in General Fund balance was attributable to the \$450,000 budget cuts made for the 2005-06 school year as described below.
- The District approved \$450,000 in budget cuts for the 2005-2006 school year. This included combining the Kindergarten through 4th grade students from Britt and Kanawha into a single elementary program in Britt, while all 5th grade students became part of the middle school in Kanawha.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.
- The statements for *governmental funds* explains how basic services, such as regular and special education were financed in the *short term* as well as what remains for future spending.
- The statement for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1

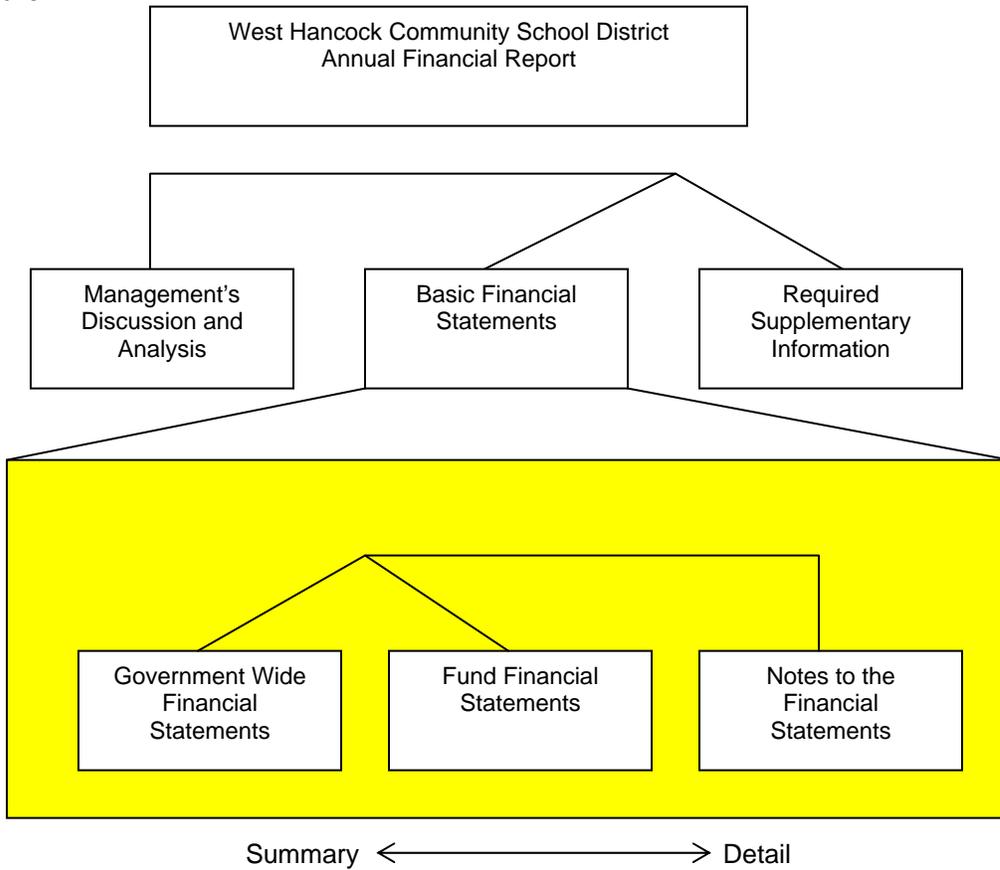


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

	Government-wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows • Statement of revenues, expenses and changes in net assets 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, and 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 and payable	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

Government-wide Financial Statements

The government-wide 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 statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

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

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
 - The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
 - The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Financial Analysis of the District as a Whole

Net assets. - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006.

Figure A-3

Condensed Statement of Net Assets (in millions of dollars) June 30, 2006

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2005	2006	2005	2006	2005	2006
Current and other assets	6.659	7.203	.068	.096	6.727	7.299
Capital assets	8.190	8.095	.008	.12	8.198	8.107
Total assets	14.849	15.298	.076	.108	14.925	15.406
Long-term debt outstanding	6.426	6.135	-	-	6.420	6.135
Other liabilities	5.001	5.045	.	-	5.001	5.045
Total liabilities	11.427	11.180	.	-	11.427	11.180
Net assets						
Invested in capital assets, net of related debt	1.83	2.011	.008	.012	1.838	2.023
Restricted	.363	.429	-	-	0.363	.429
Unrestricted	1.229	1.678	.068	.096	1.297	1.774
Total net assets	\$3.422	4.118	.076	.108	3.498	4.226

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

Figure A-4
Changes in Net Assets from Operating Results (in millions of dollars)

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Revenues						
Program revenues						
Charges for services	.336	.332	0.141	.139	.477	.471
Operating Grants & Contributions	.573	.600	0.116	.128	.689	.728
Capital Grants & Contributions	.050	.109	-	-	.050	.109
General revenues						
Property Taxes & Other Local Taxes	3.243	3.201	-	-	3.201	
Unrestricted State Aid	2.281	2.349	-	-	2.281	2.349
Other	.275	.240	.001	.001	.273	.241
Total revenues	6.758	6.83	.258	.268	7.016	7.099
Expenses						
Instruction	3.458	3.474	-	-	3.458	3.474
Support Services	1.919	1.771	-	-	1.919	1.771
Non-instructional programs	.050	.000	.237	.236	.287	.236
Other	.884	.890	-	-	.884	.890
Total expenses	6.311	6.135	.237	.236	6.548	6.371
Increase (decrease) in net assets	0.447	.696	.021	.032	.468	.728

Property tax, income surtax, sales taxes and state foundation aid account for 85 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 85 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,830,602 and expenses were \$6,134,991. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Figure A-5 The following graph presents the total Revenue for the District's major governmental activities: state aid, federal and state grants, property taxes, charges for services and other incomes.

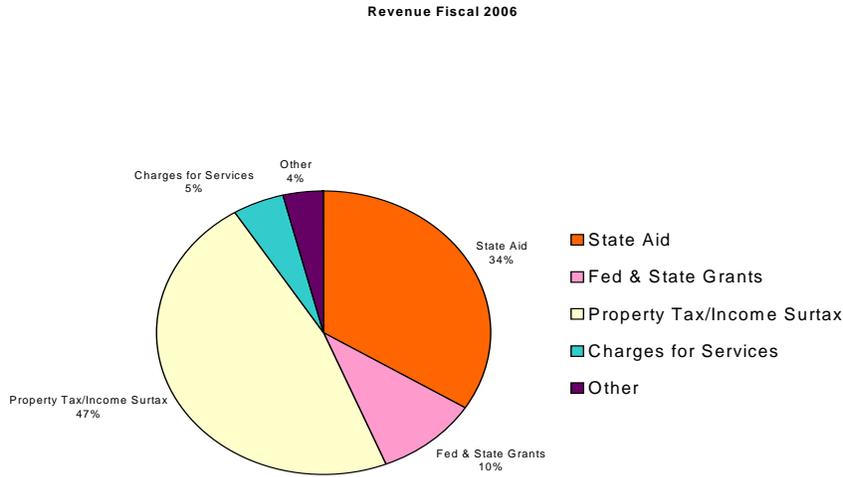
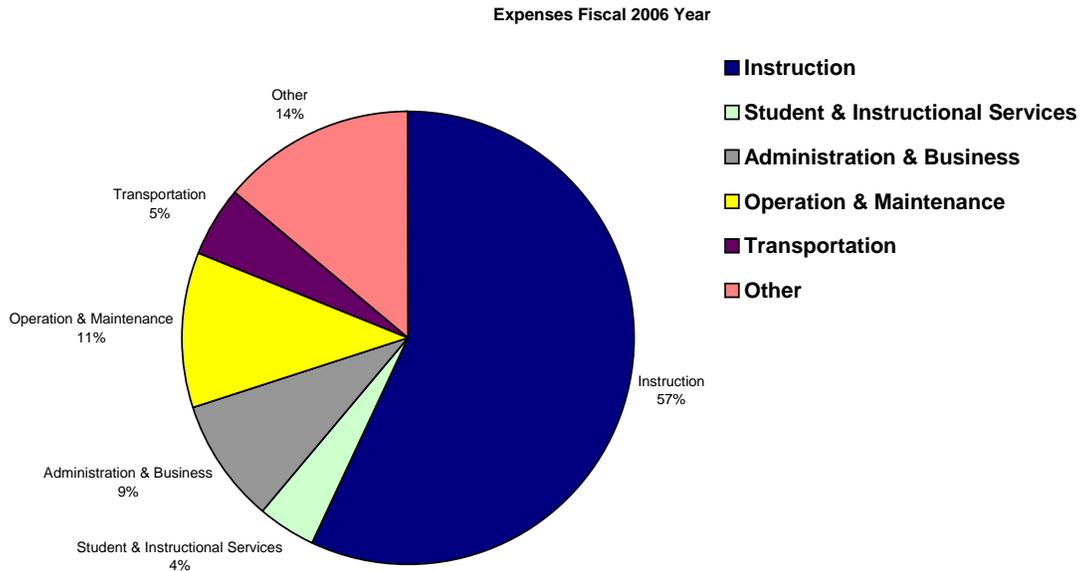


Figure A-6 The following graph presents the total Expenditures for the District's major governmental activities: instruction, student & instructional services, administration & business operations & maintenance, transportation and AEA flow thru.



The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7
Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Instruction	\$3.473	\$ 2.756
Pupil & Instructional Services	.225	.225
Administrative & Business	.548	.548
Maintenance & operations	.686	.685
Transportation	.312	.297
Other	.891	.583
Total	\$ 6.135	\$ 5.094

- The cost of all governmental activities this year was \$6,134,999
- Some of the cost was financed by the users of the District's programs in the amount of \$332,025.
- The federal and state governments subsidized certain programs with grants and contributions \$709,388.
- Most of the District's costs were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,557,775 million in property taxes, \$329,194 of income surtax and 313,548 of sales tax \$2,2349,344 million of unrestricted state aid based on the statewide finance formula, and investment earnings.

Business Type Activities

Revenues from the District's business-type activities included charges for services in the amount of \$139,306 and \$127,795 from operating grants, contributions and restricted interest. Expenses from the District's business type activities amounted to \$236,494. The Hot Lunch program was the only Business Type Activity for the District during the 2006 school year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,928,256 which is \$471,102 above last year's ending fund balances of \$1,457,154.

Governmental Fund Highlights

- The District's stabilizing General Fund financial position is the product of many factors. During the year property tax proceeds, open enrollment, interest income, replacement taxes and federal programs stayed consistent with budgeted amounts and expenditures were in line with projections.
- The General Fund balance increased from \$806,449 to 1,147,643 due mainly to an across the 100% budget guarantee scale down.
- The Capital Projects Fund balance increase of \$63,911 is due to the local option sales tax revenue. In this fund we have also decreased the debt service asking by \$100,000. We have done many improvements to the buildings such as new ceilings, cemented north parking lot, new bleachers in the high school gym and other smaller projects paid for with this fund

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$76,175 at June 30, 2005 to \$107,713. Revenues have increased due to the increased lunch prices and some staff reduction.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$74,000 more than that budgeted receipts.

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the same amount as budgeted revenues in all funds. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the Other expenditures line item as not sufficient amounts were budgeted for the repayment of debt.

Capital Asset and Debt Administration

Capital Assets

By the end of 2006 the District had invested \$11.97 million, in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8) **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year exceeded \$150,000.

	Governmental Activities <u>2006</u>	Business Type Activities <u>2006</u>	Total School District <u>2006</u>
Land	0.013	0	0.013
Construction in progress	0	0	0.541
Buildings	7.711	0	7.711
Improvements	.084	0	.084
Equipment & Furniture	0.287	0.012	0.299
	8.095	0.012	8.107

Long-Term Debt

At year-end, the District had \$6,141,030 in general obligation bonds and other long-term debt outstanding. This represents a decrease of 4.49% over the previous fiscal year as can be seen in Figure A-9 below.

Figure A-9
Outstanding Long-Term Debt (in millions of dollars)

	Total School District		Total Percentage Change
	<u>2005</u>	<u>2006</u>	<u>2005-2006</u>
General Obligation bonds & notes (financed with property tax)	6.358	6.067	(4.58)
Other general obligation debt	.068	0.074	.09
Total	6.426	6.141	(4.49)

Factors Bearing on the District's Future

The following factors will have some impact on the district's financial future.

- The district currently has a negative unspent budget balance, but we have gone before the SBRC and they have granted us our negative balance amount plus they have given us the GAAP conversion authority. We feel that we are in good financial condition with regard to unspent balance.
- Approximately \$450,000 were identified for expenditure cuts for the 2005-06 year. Some of these expenditures are recurring expenses which will save us money for the following years.
- The district must expect and plan for a continued enrollment decline of approximately 6% over the next five years.
 1. There has been a steady decline in enrollment during the past ten years.
 2. The number of farms in Hancock County continues to decline
 3. Few new houses have been built in Britt or Kanawha in the past few years.
- Future state funding will be a major factor in the district's future
- State and Federal unfounded mandates.
- The degree to which the district will commit itself to effectively manage the fiscal matters of the district.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact either Richard Keith, Superintendent or Mona Buns, Board Secretary/Business Manager, West Hancock Community School District, 510 9th Ave. SW., Britt, Iowa 50423

Basic Financial Statements

West Hancock Community School District
Britt, Iowa

Exhibit A

Statement of Net Assets

June 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents:			
ISCAP	\$ 2,004,390	-	2,004,390
Other	1,826,607	83,631	1,910,238
Receivables:			
Property tax:			
Delinquent	38,491	-	38,491
Succeeding year	2,883,153	-	2,883,153
Accounts	8,037	88	8,125
Accrued interest:			
ISCAP	21,849	-	21,849
Other	8,345	-	8,345
Due from other governments	412,096	-	412,096
Inventories	-	11,788	11,788
Capital assets, net of accumulated depreciation	8,094,967	12,406	8,107,373
Total assets	<u>15,297,935</u>	<u>107,913</u>	<u>15,405,848</u>
 Liabilities			
Accounts payable	86,390	200	86,590
Salaries and benefits payable	3,154	-	3,154
Termination benefits	6,137	-	6,137
Accrued interest payable	31,713	-	31,713
Deferred revenue - succeeding year property tax	2,883,153	-	2,883,153
ISCAP warrants payable	2,002,000	-	2,002,000
ISCAP accrued interest payable	18,925	-	18,925
ISCAP unamortized premium	13,789	-	13,789
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	240,000	-	240,000
Lease payable	4,440	-	4,440
Notes payable	63,361	-	63,361
Termination benefits	29,969	-	29,969
Portion due after one year:			
General obligation bonds payable	5,275,000	-	5,275,000
Lease payable	12,346	-	12,346
Notes payable	488,794	-	488,794
Termination benefits	20,983	-	20,983
Total liabilities	<u>11,180,154</u>	<u>200</u>	<u>11,180,354</u>

West Hancock Community School District
Britt, Iowa

Exhibit A

Statement of Net Assets

June 30, 2006

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	2,011,026	12,406	2,023,432
Restricted for:			
Management levy	274,074	-	274,074
Physical plant and equipment levy	66,575	-	66,575
Other special revenue purposes	88,207	-	88,207
Unrestricted	<u>1,677,899</u>	<u>95,307</u>	<u>1,773,206</u>
Total net assets	<u>\$ 4,117,781</u>	<u>107,713</u>	<u>4,225,494</u>

See notes to financial statements.

West Hancock Community School District
 Britt, Iowa
 Statement of Activities
 Year ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,126,415	115,933	309,347	-
Special instruction	695,797	36,052	77,739	-
Other instruction	651,426	178,540	-	-
	<u>3,473,638</u>	<u>330,525</u>	<u>387,086</u>	<u>-</u>
Support services:				
Student services	89,784	-	-	-
Instructional staff services	135,273	-	-	-
Administration services	547,857	-	-	-
Operation and maintenance of plant services	686,097	1,500	-	-
Transportation services	311,554	-	14,843	-
	<u>1,770,565</u>	<u>1,500</u>	<u>14,843</u>	<u>-</u>
Non-instructional programs	139	-	-	-
Other expenditures:				
Facilities acquisition	203,337	-	-	109,469
Long-term debt interest	273,870	-	-	-
AEA flowthrough	197,990	-	197,990	-
Depreciation (unallocated)*	215,452	-	-	-
	<u>890,649</u>	<u>-</u>	<u>197,990</u>	<u>109,469</u>
Total governmental activities	6,134,991	332,025	599,919	109,469
Business type activities:				
Non-instructional programs:				
Food service operations	236,494	139,306	127,795	-
Total	<u>\$ 6,371,485</u>	<u>471,331</u>	<u>727,714</u>	<u>109,469</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Income surtaxes				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(1,701,135)	-	(1,701,135)
(582,006)	-	(582,006)
(472,886)	-	(472,886)
<u>(2,756,027)</u>	<u>-</u>	<u>(2,756,027)</u>
(89,784)	-	(89,784)
(135,273)	-	(135,273)
(547,857)	-	(547,857)
(684,597)	-	(684,597)
(296,711)	-	(296,711)
<u>(1,754,222)</u>	<u>-</u>	<u>(1,754,222)</u>
<u>(139)</u>	<u>-</u>	<u>(139)</u>
(93,868)	-	(93,868)
(273,870)	-	(273,870)
-	-	-
(215,452)	-	(215,452)
(583,190)	-	(583,190)
(5,093,578)	-	(5,093,578)
<u>-</u>	<u>30,607</u>	<u>30,607</u>
<u>(5,093,578)</u>	<u>30,607</u>	<u>(5,062,971)</u>
\$ 2,097,133	-	2,097,133
381,291	-	381,291
79,351	-	79,351
313,548	-	313,548
329,194	-	329,194
2,349,344	-	2,349,344
122,072	931	123,003
117,256	-	117,256
<u>5,789,189</u>	<u>931</u>	<u>5,790,120</u>
695,611	31,538	727,149
3,422,170	76,175	3,498,345
<u>\$ 4,117,781</u>	<u>107,713</u>	<u>4,225,494</u>

West Hancock Community School District
Britt, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments:					
ISCAP	\$ 2,004,390	-	-	-	2,004,390
Other	1,115,076	20,357	258,931	432,243	1,826,607
Receivables:					
Property tax:					
Delinquent	26,767	5,715	-	6,009	38,491
Succeeding year	2,011,580	383,926	-	487,647	2,883,153
Accounts	6,192	-	-	1,845	8,037
Accrued interest:					
ISCAP	21,849	-	-	-	21,849
Other	8,173	42	-	130	8,345
Due from other governments	<u>337,407</u>	<u>3</u>	<u>74,684</u>	<u>2</u>	<u>412,096</u>
Total assets	<u>\$ 5,531,434</u>	<u>410,043</u>	<u>333,615</u>	<u>927,876</u>	<u>7,202,968</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 73,179	-	7,975	5,236	86,390
Salaries and benefits payable	3,154	-	-	-	3,154
Termination benefits	-	-	-	6,137	6,137
ISCAP warrants payable	2,002,000	-	-	-	2,002,000
ISCAP accrued interest payable	18,925	-	-	-	18,925
ISCAP unamortized premium	13,789	-	-	-	13,789
Deferred revenue:					
Succeeding year property tax	2,011,580	383,926	-	487,647	2,883,153
Other	<u>261,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,164</u>
Total liabilities	<u>4,383,791</u>	<u>383,926</u>	<u>7,975</u>	<u>499,020</u>	<u>5,274,712</u>
Fund balances:					
Reserved for debt service	-	26,117	-	-	26,117
Unreserved	<u>1,147,643</u>	<u>-</u>	<u>325,640</u>	<u>428,856</u>	<u>1,902,139</u>
Total fund balances	<u>1,147,643</u>	<u>26,117</u>	<u>325,640</u>	<u>428,856</u>	<u>1,928,256</u>
Total liabilities and fund balances	<u>\$ 5,531,434</u>	<u>410,043</u>	<u>333,615</u>	<u>927,876</u>	<u>7,202,968</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit D

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

June 30, 2006

Total fund balances of governmental funds (page 22)	\$ 1,928,256
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,094,967
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	261,164
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.	(31,713)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,134,893)</u>
Net assets of governmental activities (page 17)	<u><u>\$ 4,117,781</u></u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,077,956	381,034	313,548	398,986	3,171,524
Tuition	247,043	-	-	-	247,043
Other	116,310	101	117,681	189,403	423,495
State sources	2,809,431	257	9,200	272	2,819,160
Federal sources	141,044	-	-	-	141,044
Total revenues	<u>5,391,784</u>	<u>381,392</u>	<u>440,429</u>	<u>588,661</u>	<u>6,802,266</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,137,232	-	-	-	2,137,232
Special instruction	686,697	-	-	-	686,697
Other instruction	459,546	-	-	191,880	651,426
	<u>3,283,475</u>	<u>-</u>	<u>-</u>	<u>191,880</u>	<u>3,475,355</u>
Support services:					
Student services	87,727	-	-	-	87,727
Instructional staff services	135,273	-	-	-	135,273
Administration services	501,172	-	5,185	20,312	526,669
Operation and maintenance of plant services	518,854	-	-	163,664	682,518
Transportation services	273,342	-	-	105	273,447
	<u>1,516,368</u>	<u>-</u>	<u>5,185</u>	<u>184,081</u>	<u>1,705,634</u>
Other expenditures:					
Community services	-	-	-	139	139
Facilities acquisition	-	-	282,171	104,738	386,909
Long-term debt:					
Principal	-	291,200	-	-	291,200
Interest and fiscal charges	-	275,020	-	-	275,020
AEA flowthrough	197,990	-	-	-	197,990
	<u>197,990</u>	<u>566,220</u>	<u>282,171</u>	<u>104,877</u>	<u>1,151,258</u>
Total expenditures	<u>4,997,833</u>	<u>566,220</u>	<u>287,356</u>	<u>480,838</u>	<u>6,332,247</u>
Excess (deficiency) of revenues over (under) expenditures	<u>393,951</u>	<u>(184,828)</u>	<u>153,073</u>	<u>107,823</u>	<u>470,019</u>
Other financing sources (uses):					
Operating transfers in	30,979	184,819	10,838	-	226,636
Operating transfers out	(84,819)	-	(100,000)	(41,817)	(226,636)
Sale of equipment	1,083	-	-	-	1,083
Total other financing sources (uses)	<u>(52,757)</u>	<u>184,819</u>	<u>(89,162)</u>	<u>(41,817)</u>	<u>1,083</u>
Net change in fund balances	341,194	(9)	63,911	66,006	471,102
Fund balances beginning of year	806,449	26,126	261,729	362,850	1,457,154
Fund balances end of year	<u>\$ 1,147,643</u>	<u>26,117</u>	<u>325,640</u>	<u>428,856</u>	<u>1,928,256</u>

See notes to financial statements.

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

Year ended June 30, 2006

Net change in fund balances - total governmental funds (page 22) \$ 471,102

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 204,816	
Depreciation expense	(299,901)	(95,085)

Certain income surtaxes not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 27,253

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 transactions are as follows:

Repaid	295,156	
Capital lease issued	(19,500)	275,656

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,450

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	15,235	
------------------	--------	--

Change in net assets of governmental activities (page 19) \$ 695,611

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2006

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 83,631
Receivables	88
Inventories	11,788
Capital assets, net of accumulated depreciation	<u>12,406</u>
Total assets	<u>107,913</u>
Liabilities	
Accounts Payable	<u>200</u>
Total liabilities	<u>200</u>
Net Assets	
Invested in capital assets, net of related debt	12,406
Unrestricted	<u>95,307</u>
Total net assets	<u>\$ 107,713</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit H

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

Year ended June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 139,306</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	119,375
Purchased services	2,551
Supplies	110,325
Depreciation	<u>4,243</u>
Total operating expenses	<u>236,494</u>
Operating loss	<u>(97,188)</u>
Non-operating revenues:	
State sources	14,648
Federal sources	113,147
Interest income	<u>931</u>
Total non-operating revenues	<u>128,726</u>
Change in net assets	31,538
Net assets beginning of year	<u>76,175</u>
Net assets end of year	<u><u>\$ 107,713</u></u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

School
Nutrition

Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 139,218
Cash paid to employees for services	(119,375)
Cash paid to suppliers for goods or services	<u>(97,992)</u>
Net cash used by operating activities	<u>(78,149)</u>
Cash flows from non-capital financing activities:	
State grants received	14,648
Federal grants received	<u>95,365</u>
Net cash provided by non-capital financing activities	<u>110,013</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,872)</u>
Cash flows from investing activities:	
Interest on investments	<u>931</u>
Net increase in cash and cash equivalents	23,923
Cash and cash equivalents beginning of year	<u>59,708</u>
Cash and cash equivalents end of year	<u>\$ 83,631</u>

West Hancock Community School District
Britt, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

School
Nutrition

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

Operating loss	\$ (97,188)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,782
Depreciation	4,243
Increase in receivables	(88)
Increase in inventories	(3,098)
Increase in salaries and benefits payable	<u>200</u>
Net cash used by operating activities	<u>\$ (78,149)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$17,782 of federal commodities.

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

West Hancock 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 Britt and Kanawha, Iowa, and the predominate agricultural territory in Hancock and Wright counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Hancock 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 to 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. West Hancock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

B. Basis of Presentation

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

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

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

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

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

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 financing sources.

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5-15

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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

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

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the other expenditures functional area exceeded the amounts budgeted.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

(2) Cash and Pooled Investments

The District's deposits 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.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 4,740 =====

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 84,819
	Capital Projects	100,000
General	PPEL	30,979
Capital Projects		<u>10,838</u>
Total		\$ 226,636
		=====

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP).

ISCAP

is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premiums</u>
2005-06B	1-26-06	1-27-07	\$ 1,063,699	21,556	1,060,000	18,686	6,620
2006-07A	6-28-06	6-28-07	<u>940,691</u>	<u>293</u>	<u>942,000</u>	<u>239</u>	<u>7,169</u>
Total			\$ 2,004,390	21,849	2,002,000	18,925	13,789
			=====	=====	=====	=====	=====

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity during the year ended June 30, 2006.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,500	---	---	13,500
Construction in progress	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total capital assets not being depreciated	<u>13,500</u>	<u>---</u>	<u>---</u>	<u>13,500</u>
Capital assets being depreciated:				
Buildings	10,148,380	118,252	---	10,266,632
Improvements other than buildings	224,143	22,165	---	246,308
Furniture and equipment	<u>1,252,509</u>	<u>64,399</u>	<u>---</u>	<u>1,316,908</u>
Total capital assets being depreciated	<u>11,625,032</u>	<u>204,816</u>	<u>---</u>	<u>11,829,848</u>
Less accumulated depreciation for:				
Buildings	2,344,716	211,190	---	2,555,906
Improvements other than buildings	157,806	4,261	---	162,067
Furniture and equipment	<u>945,958</u>	<u>84,450</u>	<u>---</u>	<u>1,030,408</u>
Total accumulated depreciation	<u>3,448,480</u>	<u>299,901</u>	<u>---</u>	<u>3,748,381</u>
Total capital assets being depreciated, net	<u>8,176,552</u>	<u>(95,085)</u>	<u>---</u>	<u>8,081,467</u>
Governmental activities capital assets, net	<u>\$ 8,190,052</u>	<u>(95,085)</u>	<u>---</u>	<u>8,094,967</u>

Included in furniture and equipment is the following amounts capitalized under capital leases:

Cost	\$ 30,554
Accumulated depreciation	<u>(7,373)</u>
Net book value	<u>\$ 23,181</u>
	=====

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 119,648	8,875	---	128,523
Less accumulated depreciation	<u>111,871</u>	<u>4,243</u>	---	<u>116,114</u>
Business type activities capital assets, net	<u>\$ 7,777</u>	<u>4,632</u>	---	<u>12,409</u>
	=====	=====	=====	=====

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 7,159

Special education 9,100

Support services:

Student support 2,057

Administration 21,188

Operation and maintenance of plant 6,838

Transportation 38,107

Unallocated 215,452

Total depreciation expense – governmental activities \$ 299,901

=====

Business type activities:

Food service operations \$ 4,243

=====

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,745,000	---	230,000	5,515,000	240,000
Notes payable	613,055	---	60,900	552,155	63,361
Capital lease	1,542	19,500	4,256	16,786	4,440
Termination benefits	<u>72,092</u>	<u>17,145</u>	<u>32,148</u>	<u>57,089</u>	<u>36,106</u>
Total	<u>\$ 6,431,689</u>	<u>36,645</u>	<u>327,304</u>	<u>6,141,030</u>	<u>339,467</u>
	=====	=====	=====	=====	=====

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees.

Eligible employees must be at least age fifty-nine and must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is subject to a maximum of \$15,000 per individual. Early retirement benefits paid during the year ended June 30, 2006 totaled \$32,148.

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	3.25	240,000	243,626	483,626
2008	3.40	250,000	235,826	485,826
2009	3.70	265,000	227,326	492,326
2010	5.125	275,000	217,521	492,521
2011	5.20	290,000	203,428	493,428
2012	5.20	300,000	188,348	488,348
2013	4.05	315,000	172,747	487,747
2014	4.125	330,000	159,990	489,990
2015	4.20	345,000	146,378	491,378
2016	4.30	360,000	131,887	491,887
2017	4.40	380,000	116,408	496,408
2018	4.50	395,000	99,687	494,687

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	4.55	415,000	81,913	496,913
2020	4.60	430,000	63,030	493,030
2021	4.65	450,000	43,250	493,250
2022	4.70	<u>475,000</u>	<u>22,325</u>	<u>497,325</u>
Total		\$ 5,515,000	2,353,690	7,868,690
		=====	=====	=====

Energy Management Improvement Capital Loan Note

Details of the District's June 30, 2006 note payable is as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.00%	63,361	21,458	84,819
2008	4.00	65,920	18,899	84,819
2009	4.00	68,583	16,236	84,819
2010	4.00	71,354	13,465	84,819
2011	4.00	74,236	10,583	84,819
2012	4.00	77,236	7,583	84,819
2013	4.00	80,356	4,463	84,819
2014	4.00	<u>51,109</u>	<u>1,022</u>	<u>52,129</u>
Total		\$ 552,155	93,709	645,862
		=====	=====	=====

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

Lease-Purchase Agreement

The West Hancock Community School District entered into a lease purchase agreement with Apple Computer Inc. for the purpose of financing computer equipment. The amount financed was \$12,505 for thirty-six months at an interest rate of 3.13%. The District paid \$1,599 towards this lease during the fiscal year, which included \$57 interest. This lease was paid off as of June 30, 2006.

The West Hancock Community School District entered into a lease purchase agreement with Minolta Inc. for the purpose of financing a copier. The amount financed was \$19,500 for sixty months at an interest rate of 10.448%. Payments are monthly in the amount of \$498.78.

Details of the lease-purchase are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,714	1,277	3,991
2007	4,440	1,545	5,985
2008	4,927	1,058	5,985
2009	5,467	518	5,985
2010	<u>1,952</u>	<u>43</u>	<u>1,995</u>
Total	19,500	4,441	23,941
	=====	=====	=====

During the year ended June 30, 2006, the District made the payments as scheduled above.

(7) Pension and Retirement Benefits

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2006

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$168,849, \$185,370 and \$189,116, respectively, equal to the required contributions for each year.

(8) Risk Management

West Hancock 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.

(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 \$197,990 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

West Hancock Community School District
Britt, Iowa

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 3,651,601	140,149
State sources	2,871,119	14,648
Federal sources	<u>198,728</u>	<u>95,294</u>
Total receipts	<u>6,721,448</u>	<u>250,091</u>
Disbursements:		
Instruction	3,454,928	-
Support services	1,701,806	-
Non-instructional programs	-	226,169
Other expenditures	<u>1,215,257</u>	<u>-</u>
Total disbursements	<u>6,371,991</u>	<u>226,169</u>
Excess (deficiency) of receipts over (under) disbursements	349,457	23,922
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	349,457	23,922
Balances beginning of year	<u>1,477,010</u>	<u>59,709</u>
Balances end of year	<u>\$ 1,826,467</u>	<u>83,631</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts Original & Final</u>	<u>Final to Actual Variance</u>
3,791,750	3,828,268	(36,518)
2,885,767	2,793,243	92,524
294,022	275,909	18,113
<u>6,971,539</u>	<u>6,897,420</u>	<u>74,119</u>
3,454,928	3,737,702	282,744
1,701,806	2,127,993	426,187
226,169	311,562	85,393
<u>1,215,257</u>	<u>1,193,305</u>	<u>(21,952)</u>
<u>6,598,160</u>	<u>7,370,562</u>	<u>772,372</u>
373,379	(473,142)	846,521
373,379	(473,142)	846,521
<u>1,536,719</u>	<u>1,596,013</u>	<u>(59,294)</u>
<u><u>1,910,098</u></u>	<u><u>1,122,871</u></u>	<u><u>(787,227)</u></u>

West Hancock Community School District
Britt, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,721,448	81,901	6,803,349
Expenditures	6,371,991	(39,744)	6,332,247
Net	349,457	121,645	471,102
Other financing sources, net	-	-	-
Beginning fund balances	1,477,010	(19,856)	1,457,154
Ending fund balances	\$ 1,826,467	101,789	1,928,256
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 250,091	17,941	268,032
Expenses	226,169	10,325	236,494
Net	23,922	7,616	31,538
Beginning net assets	59,709	16,466	76,175
Ending net assets	\$ 83,631	24,082	107,713

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance

with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2006, disbursements in the other expenditures function exceeded the amount budgeted.

Other Supplementary Information

West Hancock Community School District
Britt, Iowa

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Playground Equipment Recreation <u>Levy</u>
Assets				
Cash and pooled investments	\$ 275,391	65,358	66,711	24,643
Receivables:				
Property tax:				
Delinquent	4,818	-	847	344
Succeeding year	400,000	-	62,453	25,194
Accounts	-	1,845	-	-
Interest	-	80	50	-
Due from other governments	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 680,211</u>	<u>67,283</u>	<u>130,061</u>	<u>50,181</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	4,064	1,033	139
Early retirement	6,137	-	-	-
Deferred revenue:				
Succeeding year property tax	<u>400,000</u>	<u>-</u>	<u>62,453</u>	<u>25,194</u>
Total liabilities	<u>406,137</u>	<u>4,064</u>	<u>63,486</u>	<u>25,333</u>
Fund equity:				
Unreserved fund balances	<u>274,074</u>	<u>63,219</u>	<u>66,575</u>	<u>24,848</u>
Total liabilities and fund equity	<u>\$ 680,211</u>	<u>67,283</u>	<u>130,061</u>	<u>50,181</u>

See accompanying independent auditor's report.

Schedule 1

Riebsamen <u>Memorial</u>	<u>Total</u>
140	432,243
-	6,009
-	487,647
-	1,845
-	130
-	<u>2</u>
<u>140</u>	<u>927,876</u>
-	5,236
-	6,137
-	<u>487,647</u>
-	<u>499,020</u>
<u>140</u>	<u>428,856</u>
<u>140</u>	<u>927,876</u>

West Hancock Community School District
Britt, Iowa

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

Year ended June 30, 2006

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Playground Equipment/ Recreation <u>Levy</u>
Revenues:				
Local sources:				
Local tax	\$ 319,688	-	56,444	22,854
Other	5,029	179,441	4,217	715
State sources	<u>218</u>	<u>-</u>	<u>38</u>	<u>16</u>
Total revenues	<u>324,935</u>	<u>179,441</u>	<u>60,699</u>	<u>23,585</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	29,704	162,176	-	-
Support services:				
Administration services	5,062	-	-	15,250
Transportation services	105	-	-	-
Operation and maintenance of plant services	146,453	-	17,211	-
Other expenditures:				
Community services	-	-	-	139
Facilities acquisition	<u>-</u>	<u>-</u>	<u>104,738</u>	<u>-</u>
Total expenditures	<u>181,324</u>	<u>162,176</u>	<u>121,949</u>	<u>15,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>143,611</u>	<u>17,265</u>	<u>(61,250)</u>	<u>8,196</u>
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(41,817)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(41,817)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>143,611</u>	<u>17,265</u>	<u>(103,067)</u>	<u>8,196</u>
Fund balances beginning of year	<u>130,463</u>	<u>45,954</u>	<u>169,642</u>	<u>16,652</u>
Fund balances end of year	<u>\$ 274,074</u>	<u>63,219</u>	<u>66,575</u>	<u>24,848</u>

See accompanying independent auditor's report.

Riebsamen	
<u>Memorial</u>	<u>Total</u>
-	398,986
1	189,403
-	<u>272</u>
<u>1</u>	<u>588,661</u>
-	191,880
-	20,312
-	105
-	163,664
-	139
-	<u>104,738</u>
-	<u>480,838</u>
<u>1</u>	<u>107,823</u>
-	<u>(41,817)</u>
-	<u>(41,817)</u>
<u>1</u>	<u>66,006</u>
<u>139</u>	<u>362,850</u>
<u>140</u>	<u>428,856</u>

West Hancock Community School District
Britt, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Athletics	\$ 2,702	44,163	39,269	7,596
Class of 2003	608	-	608	-
Class of 2004	528	-	528	-
Class of 2005	755	-	755	-
Class of 2006	5,642	791	5,526	907
Class of 2007	379	21,174	16,394	5,159
FFA	1,410	9,286	9,279	1,417
FCCLA	189	175	200	164
SES	182	9	-	191
Student Council	8,119	3,618	4,938	6,799
Vocal Music	837	3,618	4,580	(125)
Cheerleaders	2,507	17,461	19,666	302
Band	60	1,774	1,349	485
Drama	1,152	1,234	2,266	120
Pep Club	52	186	26	212
Yearbook	2,311	7,560	6,164	3,707
Girls Basketball	966	1,725	1,405	1,286
Mat Maids	67	333	160	240
Wrestling	314	1,546	1,248	612
Weight Lifting	965	9,512	9,253	1,224
Boys Basketball	818	435	75	1,178
Interest	3,074	802	-	3,876
Student Fees	283	-	-	283
Spanish Club	1,072	-	-	1,072
Speech	91	6,014	4,930	1,175
Volleyball	1,510	2,916	3,148	1,278
Student Council	678	5,212	5,276	614
Business Club	-	1,128	921	207

West Hancock Community School District
Britt, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Softball	2,507	439	1,001	1,945
Magazines/Athletics	30	40	2,280	(2,210)
Junior High Athletics	529	640	2,814	(1,645)
Cheerleaders	424	2,328	1,435	1,317
Junior High Music	2,209	103	1,328	984
Interest	543	98	-	641
Renaissance	2,326	-	-	2,326
Golf Co-Ed	-	830	675	155
Junior High Student Projects	-	20,370	11,698	8,672
Junior High Accelerated Reading	-	934	-	934
Elementary Accelerated Reading	-	9,003	2,078	6,925
Book & Tech Donation	-	3,282	299	2,983
Sunshine Fund	115	702	604	213
Total	<u>\$ 45,954</u>	<u>179,441</u>	<u>162,176</u>	<u>63,219</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 4

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 3,171,524	3,124,363	3,243,080	3,079,535
Tuition	247,043	150,372	217,989	128,435
Other	423,495	355,892	400,506	389,153
State sources	2,819,160	2,811,629	2,413,933	2,555,661
Federal sources	141,044	195,169	155,909	197,080
Total	\$ 6,802,266	6,637,425	6,431,417	6,349,864
Expenditures:				
Instruction:				
Regular instruction	2,137,232	2,073,955	2,308,112	2,410,634
Special instruction	686,697	1,053,412	870,581	742,269
Other instruction	651,426	342,178	539,338	469,570
Support services:				
Student services	87,727	113,202	127,996	124,229
Instructional staff services	135,273	100,670	73,170	94,956
Administration services	526,669	622,136	646,372	620,292
Operation and maintenance of plant services	682,518	698,966	701,754	652,553
Transportation services	273,447	301,623	239,613	239,604
Central support services	-	-	17,594	-
Other support services	-	156,634	25	-
Non-instructional programs	139	50,296	25,518	41,221
Other expenditures:				
Facilities acquisition	386,909	364,656	4,074,016	3,061,916
Long-term debt:				
Principal	291,200	273,535	237,422	262,580
Interest and other charges	275,020	284,673	279,749	228,491
AEA flowthrough	197,990	193,975	207,842	208,842
Total	\$ 6,332,247	6,629,911	10,349,102	9,157,157

See accompanying independent auditor's report.

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

To the Board of Education of
West Hancock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over

financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Hancock Community School District and other parties to whom West Hancock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

October 11, 2006

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported:

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties – One important aspect of internal control is the segregation

of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

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

Response – We are doing everything we can with the limited number of staff we have.

Conclusion – Response acknowledged.

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget - Disbursements for the year ended June 30, 2006 exceeded the amounts budgeted in the other expenditures function.

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

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

Conclusion - Response accepted.

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2006

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

II-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.

II-D-06 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Elizabeth Treiten, teacher, spouse is owner of Kanawha Reporter	Publications	\$ 2,780
Paul Kumsher, Board Member, Part-time officer	Services	\$ 275

In accordance with an Attorney General's opinion dated November 9, 1976, the transaction with the spouse of a District employee does not appear to represent a conflict of interest. Also, the transaction with the Board Member does not appear to represent a conflict of interest as it is less than \$2,500.

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

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

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2006

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

II-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.

II-I-06 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-06 Deficit Balances – Several student activity accounts had deficit balances at June 30, 2006.

Recommendation – The District should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – We will do this.

Conclusion – Response accepted.