

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
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CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 Election)		
Debra Griebel	Board President	2007
Todd Rohling	Board Member	2005
Dean Bousselet	Board Member	2005
Bret Dosland	Board Member	2005
Nancy Kelting	Board Member	2006
Jan Muhl	Board Member	2006
Kimberly Kay	Board Member	2007
(After September 2005 Election)		
Debra Griebel	Board President	2007
Nancy Kelting	Board Member	2006
Jan Muhl	Board Member	2006
Kimberly Kay	Board Member	2007
Todd Rohling	Board Member	2008
Dean Bousselet	Board Member	2008
Bret Dosland	Board Member	2008
School Officials		
Charles Freese	Superintendent	2006
Marika Pewe	District Secretary/Treasurer	2006
Lane & Waterman	Attorney	2006

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Calamus Wheatland Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Calamus Wheatland Community School District, Calamus, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 Calamus Wheatland 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, I have also issued my report dated August 15, 2006 on my consideration of Calamus Wheatland Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calamus Wheatland Community School District's basic financial statements. I 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. 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Kay L. Chapman, CPA PC
August 15, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,903,584 in fiscal 2005 to \$4,092,496 in fiscal 2006, while General Fund expenditures increased from \$3,874,138 in fiscal 2005 to \$4,035,000 in fiscal 2006. The District's General Fund balance increased from \$582,357 in fiscal 2005 to \$643,656 in fiscal 2006, a 10% increase.
- The main reason for the increase in revenue was in open enrollment and state aid. Open enrollment revenue increased from \$276,019 in FY05 to \$317,218 in FY06 or 15%. State aid revenue increased from \$1,850,344 in FY05 to \$1,932,206 in FY06 or 4% primarily through the funding formula. Property taxes increased approximately 5%.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

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 Calamus Wheatland 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 Calamus Wheatland Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calamus Wheatland Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

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

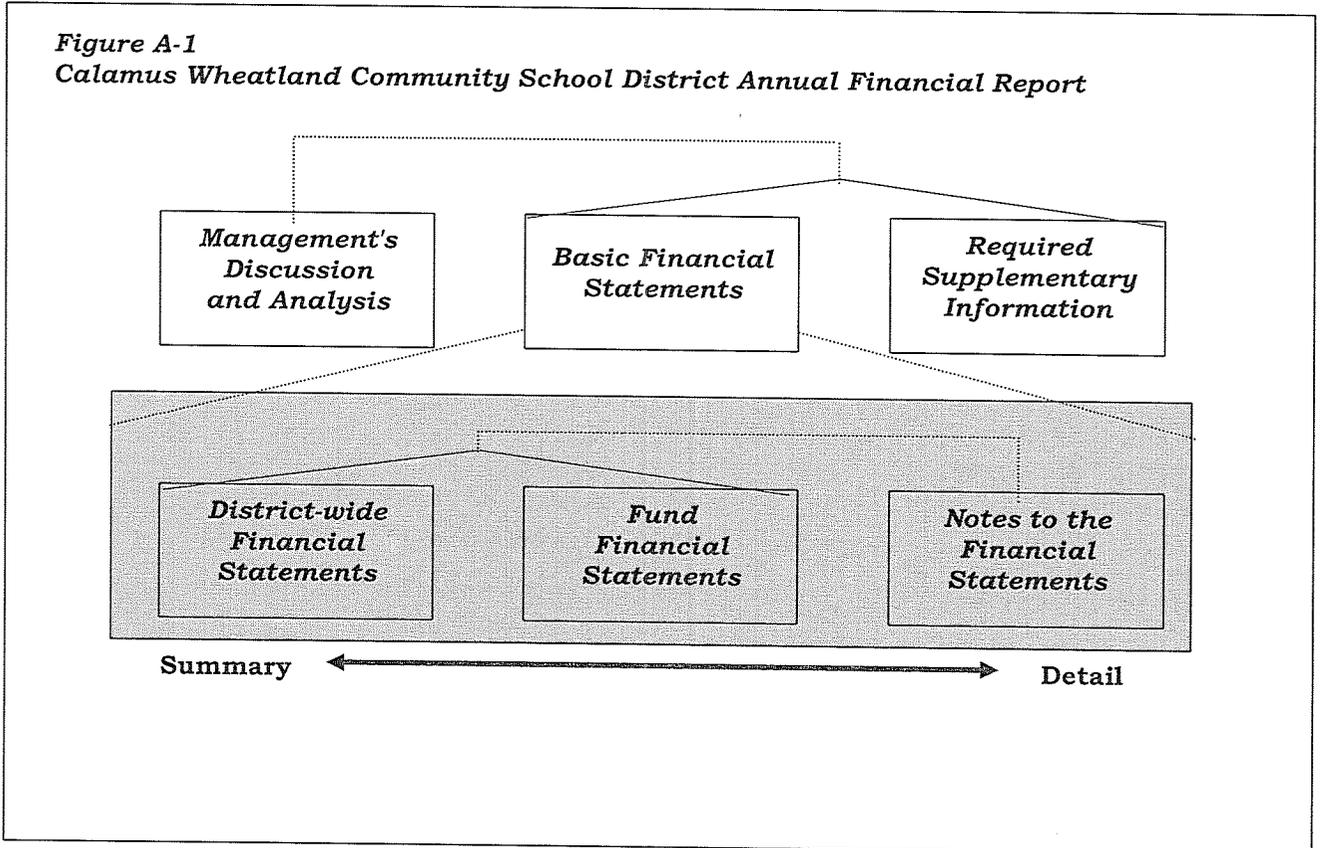


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds also account for the District's Internal Service Fund, which is an accounting device used to accumulate and allocate costs internally among the District's various functions. 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 and one Internal Service Fund, Flex-benefit 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.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Current and other assets	\$ 3,275,454	\$ 2,925,416	\$ 29,258	\$ 23,164	\$ 3,304,712	\$ 2,948,580	12.08%
Capital assets	<u>6,513,489</u>	<u>6,647,630</u>	-	-	<u>6,513,489</u>	<u>6,647,630</u>	-2.02%
Total assets	<u>9,788,943</u>	<u>9,573,046</u>	<u>29,258</u>	<u>23,164</u>	<u>9,818,201</u>	<u>9,596,210</u>	2.31%
Long-term obligations	3,321,550	3,655,000	-	-	3,321,550	3,655,000	-9.12%
Other liabilities	<u>2,206,051</u>	<u>2,085,083</u>	<u>13,549</u>	<u>13,162</u>	<u>2,219,600</u>	<u>2,098,245</u>	5.78%
Total liabilities	<u>5,527,601</u>	<u>5,740,083</u>	<u>13,549</u>	<u>13,162</u>	<u>5,541,150</u>	<u>5,753,245</u>	-3.69%
Net assets							
Invested in capital assets, net of related debt	3,191,939	2,992,630	-	-	3,191,939	2,992,630	6.66%
Restricted	347,496	216,695	-	-	347,496	216,695	60.36%
Unrestricted	<u>721,907</u>	<u>623,638</u>	<u>15,709</u>	<u>10,002</u>	<u>737,616</u>	<u>633,640</u>	16.41%
Total net assets	<u>\$ 4,261,342</u>	<u>\$ 3,832,963</u>	<u>\$ 15,709</u>	<u>\$ 10,002</u>	<u>\$ 4,277,051</u>	<u>\$ 3,842,965</u>	11.30%

The District's combined net assets increased by approximately 11%, or \$434,086 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$130,801, or approximately 60% from the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund and the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$103,976, or approximately 16%. This increase in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues							
Program revenues							
Charges for service and sales	\$ 554,773	\$ 390,032	\$ 124,591	\$ 124,091	\$ 679,364	\$ 514,123	32.14%
Operating grant and, contributions	495,832	522,258	106,722	92,598	602,554	614,856	-2.00%
General revenues							
Property tax	1,785,832	1,698,024	-	-	1,785,832	1,698,024	5.17%
Local option sales and service tax	332,054	316,399	-	-	332,054	316,399	4.95%
Unrestricted state grants	1,932,969	1,850,344	-	-	1,932,969	1,850,344	4.47%
Unrestricted investment earnings	27,785	15,390	111	109	27,896	15,499	79.99%
Contributions and donations	1,263	268,790	-	-	1,263	268,790	-99.53%
Other	45,917	-	-	-	45,917	-	100.00%
Gain on disposal of materials	3,803	-	-	-	3,803	-	100.00%
Total revenues	<u>5,180,228</u>	<u>5,061,237</u>	<u>231,424</u>	<u>216,798</u>	<u>5,411,652</u>	<u>5,278,035</u>	2.53%
Program expenses							
Governmental activities							
Instruction	2,851,905	2,799,240	-	-	2,851,905	2,799,240	1.88%
Support services	1,303,905	1,150,705	-	-	1,303,905	1,150,705	13.31%
Non-instructional programs	84,476	55,236	225,717	217,443	310,193	272,679	13.76%
Other expenses	<u>511,563</u>	<u>452,534</u>	<u>-</u>	<u>-</u>	<u>511,563</u>	<u>452,534</u>	13.04%
Total expenses	<u>4,751,849</u>	<u>4,457,715</u>	<u>225,717</u>	<u>217,443</u>	<u>4,977,566</u>	<u>4,675,158</u>	6.47%
Change in net assets	<u>\$ 428,379</u>	<u>\$ 603,522</u>	<u>\$ 5,707</u>	<u>\$ (645)</u>	<u>\$ 434,086</u>	<u>\$ 602,877</u>	-28.00%

In fiscal 2006, property tax and unrestricted state grants account for 71% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$5,411,652 of which \$5,180,228 was for governmental activities and \$231,424 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.53% increase in revenues and a 6.47% increase in expenses. Property tax increased \$87,808 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$5,180,228 and expenses were \$4,751,849. 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-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
Instruction	\$ 2,851,905	\$ 2,799,240	1.9%	\$ 2,010,356	\$ 2,142,061	-6.1%
Support services	1,303,905	1,150,705	13.3%	1,249,224	1,094,398	14.1%
Non-instructional programs	84,476	55,236	52.9%	84,476	8,115	941.1%
Other expenses	<u>511,563</u>	<u>452,534</u>	<u>13.0%</u>	<u>357,188</u>	<u>300,851</u>	<u>18.7%</u>
Total expenses	<u>\$ 4,751,849</u>	<u>\$ 4,457,715</u>	<u>6.6%</u>	<u>\$ 3,701,244</u>	<u>\$ 3,545,425</u>	<u>4.4%</u>

- The cost financed by users of the District's programs was \$554,773.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$495,832.
- The net cost of governmental activities was financed with \$2,117,886 in property taxes and \$1,932,969 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$231,424, representing a 6.7% increase over the prior year and expenses were \$225,717, a 3.8% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the District did increase meal prices by \$.05. The District considers meal price increases only when deemed necessary to meet the obligations of the School Nutrition Fund.

INDIVIDUAL FUND ANALYSIS

As previously noted, Calamus Wheatland 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 \$949,498, well above last year's ending fund balances of \$760,448. The primary reason for the increase in combined fund balances in fiscal 2006 is due to the completion of the Activity Center building and increased revenue from open enrollment and state aid.

Governmental Fund Highlights

- The District's growth of the General Fund financial position is the product of several factors. Growth during the year in revenue, as a whole, more than offset the District's increase in General Fund expenditures allowing the District to grow carryover fund balances to meet its financial obligations during the coming years.
- The General Fund balance increased from \$582,357 to \$643,656, due in part to the negotiated salary and benefits settlement and an increase in state aid and open enrollment revenue.
- The Debt Service Fund balance increased slightly from \$(38,604) in 2005 to \$(36,786) in 2006. The increase is a result of fees from when construction and remodeling building project bonds were refinanced in 2001. The revenues will even the deficit over the life of the bonds.
- The Capital Projects Fund balance increased \$122,566 from the fiscal 2005 balance of \$182,064 to the fiscal 2006 balance of \$304,630. The increase consisted primarily of Local Option Sales and Service Tax revenue that was not expended as a result of a building project that was completed in fiscal year 2006.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$10,002 at June 30, 2005 to \$15,709 at June 30, 2006, representing an increase of approximately 57%. The District reviews this fund annually and makes adjustments to the lunch fees as necessary.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calamus Wheatland Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with computer purchases, increased utility costs, year-end adjustments, and the Activity Center building interest and principal payments that were not known at the time the budget was certified.

The District's receipts were \$342,962 more than budgeted receipts, a variance of approximately 6%.

Total expenditures were \$86,570 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at a reasonably higher amount but less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services function due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$6,513,489, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 33% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$276,277.

The original cost of the District's capital assets was \$10,297,990 all within the Governmental Funds.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled \$301,205 at June 30, 2006 compared to \$372,360 at June 30, 2005. The change resulted from depreciation expense during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Land	\$ 260,444	\$ 260,444	\$ -	\$ -	\$ 260,444	\$ 260,444	0.00%
Buildings and improvements	5,707,838	5,760,686	-	-	5,707,838	5,760,686	-0.92%
Improvements, other than buildings	244,002	254,140	-	-	244,002	254,140	-3.99%
Furniture and equipment	<u>301,205</u>	<u>372,360</u>	<u>-</u>	<u>-</u>	<u>301,205</u>	<u>372,360</u>	-19.11%
Totals	<u>\$6,513,489</u>	<u>\$6,647,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,513,489</u>	<u>\$6,647,630</u>	-2.02%

Long-Term Debt

At June 30, 2006, the District had \$3,321,550 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total
	School District		
	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
General obligation bonds	\$ 2,285,000	\$ 2,525,000	-9.50%
Revenue anticipation notes	<u>1,036,550</u>	<u>1,130,000</u>	-8.27%
Totals	<u>\$ 3,321,550</u>	<u>\$ 3,655,000</u>	-9.12%

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:

- Although the District has experienced stable enrollment for the past few years, the District expects a slight increase in enrollment due to smaller graduating classes and then a decline with several larger graduating classes.
- The District continually evaluates the condition of its vehicle fleet. Due to increased mileage on cars, the District will pursue replacing vehicles with funds available in the Physical Plant and Equipment Levy Fund.
- The District negotiates with the Calamus Wheatland Education Association on an annual basis. The negotiated wage and benefit package with health insurance benefits have continued to increase over the past years. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marika Pewe, District Secretary/Treasurer and Business Manager, Calamus Wheatland Community School District, 110 East Park Road, PO Box 279, Wheatland, Iowa, 52777.

Basic Financial Statements

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

ASSETS	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,330,770	\$ 26,888	\$ 1,357,658
Receivables			
Property tax			
Delinquent	21,490	-	21,490
Succeeding year	1,837,189	-	1,837,189
Accrued interest	840	-	840
Accounts receivable	31,785	356	32,141
Due from other governments	53,080	-	53,080
Due from other fund	300	-	300
Inventories	-	2,014	2,014
Capital assets, net of accumulated depreciation	6,513,489	-	6,513,489
Total assets	<u>9,788,943</u>	<u>29,258</u>	<u>9,818,201</u>
 LIABILITIES			
Accounts payable	43,872	80	43,952
Salaries and benefits payable	309,082	13,169	322,251
Accrued interest payable	8,089	-	8,089
Due to other fund	-	300	300
Deferred revenue - succeeding year property tax	1,837,189	-	1,837,189
Deferred revenue - unspent grant proceeds	7,819	-	7,819
Long-term liabilities			
Portion due within one year			
Bonds payable	250,000	-	250,000
Notes payable	1,036,550	-	1,036,550
Portion due after one year			
Bonds payable	2,035,000	-	2,035,000
Total liabilities	<u>5,527,601</u>	<u>13,549</u>	<u>5,541,150</u>
 NET ASSETS			
Invested in capital assets, net of related debt	3,191,939	-	3,191,939
Restricted for			
Capital projects	304,630	-	304,630
Physical plant and equipment levy	9,421	-	9,421
Other special revenue purposes	33,445	-	33,445
Unrestricted	721,907	15,709	737,616
Total net assets	<u>\$ 4,261,342</u>	<u>\$ 15,709</u>	<u>\$ 4,277,051</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental activities							
Instruction							
Regular instruction	\$2,028,151	\$ 405,615	\$ 174,350	\$ -	\$ (1,448,186)	-	\$ (1,448,186)
Special instruction	576,385	49,352	115,351	-	(411,682)	-	(411,682)
Other instruction	247,369	91,061	5,820	-	(150,488)	-	(150,488)
	<u>2,851,905</u>	<u>546,028</u>	<u>295,521</u>	<u>-</u>	<u>(2,010,356)</u>	<u>-</u>	<u>(2,010,356)</u>
Support services							
Student services	106,530	-	39,670	-	(66,860)	-	(66,860)
Instructional staff services	126,750	-	3,366	-	(123,384)	-	(123,384)
Administration services	429,509	-	-	-	(429,509)	-	(429,509)
Operation and maintenance of plant services	377,675	-	2,900	-	(374,775)	-	(374,775)
Transportation services	263,441	8,745	-	-	(254,696)	-	(254,696)
	<u>1,303,905</u>	<u>8,745</u>	<u>45,936</u>	<u>-</u>	<u>(1,249,224)</u>	<u>-</u>	<u>(1,249,224)</u>
Non-instructional programs	<u>84,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,476)</u>	<u>-</u>	<u>(84,476)</u>
Other expenditures							
Facilities acquisition	41,967	-	-	-	(41,967)	-	(41,967)
Long-term debt interest	137,933	-	-	-	(137,933)	-	(137,933)
AEA flowthrough	154,375	-	154,375	-	-	-	-
Depreciation (unallocated) *	177,288	-	-	-	(177,288)	-	(177,288)
	<u>511,563</u>	<u>-</u>	<u>154,375</u>	<u>-</u>	<u>(357,188)</u>	<u>-</u>	<u>(357,188)</u>
Total governmental activities	<u>4,751,849</u>	<u>554,773</u>	<u>495,832</u>	<u>-</u>	<u>(3,701,244)</u>	<u>-</u>	<u>(3,701,244)</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2006

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 225,717	\$ 124,591	\$ 106,722	\$ -	\$ 5,596	\$ 5,596
Total	<u>\$4,977,566</u>	<u>\$ 679,364</u>	<u>\$ 602,554</u>	<u>(3,701,244)</u>	<u>5,596</u>	<u>(3,695,648)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes				1,361,240	-	1,361,240
Capital projects				80,573	-	80,573
Debt service				344,019	-	344,019
Local option sales and service tax				332,054	-	332,054
Unrestricted state grants				1,932,969	-	1,932,969
Unrestricted investment earnings				27,785	111	27,896
Contributions and donations				1,263	-	1,263
Other				45,917	-	45,917
Gain on disposal of capital assets				3,803	-	3,803
Total general revenues				<u>4,129,623</u>	<u>111</u>	<u>4,129,734</u>
Change in net assets				428,379	5,707	434,086
Net assets, beginning of year				3,832,963	10,002	3,842,965
Net assets, end of year				<u>\$ 4,261,342</u>	<u>\$ 15,709</u>	<u>\$ 4,277,051</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.
See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Balance Sheet
 Governmental Funds
 June 30, 2006

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
ASSETS					
Cash and pooled investments	\$ 948,038	\$ 253,512	\$ -	\$ 41,834	\$ 1,243,384
Receivables					
Property tax					
Delinquent	15,288	-	4,408	1,794	21,490
Succeeding year	1,322,100	-	344,575	170,514	1,837,189
Accounts receivable	31,712	-	-	-	31,712
Accrued interest	-	840	-	-	840
Due from other fund	5,930	-	-	-	5,930
Due from other governments	-	53,080	-	-	53,080
Total assets and other debits	<u>\$ 2,323,068</u>	<u>\$ 307,432</u>	<u>\$ 348,983</u>	<u>\$ 214,142</u>	<u>\$ 3,193,625</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 40,411	\$ 2,802	\$ -	\$ -	\$ 43,213
Salaries and benefits payable	309,082	-	-	-	309,082
Due to other fund	-	-	-	5,630	5,630
Bank overdrafts	-	-	41,194	-	41,194
Deferred revenue					
Succeeding year property tax	1,322,100	-	344,575	170,514	1,837,189
Other	7,819	-	-	-	7,819
Total liabilities	<u>1,679,412</u>	<u>2,802</u>	<u>385,769</u>	<u>176,144</u>	<u>2,244,127</u>
 Fund balances					
Reserved for					
Phase II	2,325	-	-	-	2,325
Unreserved	641,331	304,630	(36,786)	37,998	947,173
Total fund balances	<u>643,656</u>	<u>304,630</u>	<u>(36,786)</u>	<u>37,998</u>	<u>949,498</u>
Total liabilities and fund balances	<u>\$ 2,323,068</u>	<u>\$ 307,432</u>	<u>\$ 348,983</u>	<u>\$ 214,142</u>	<u>\$ 3,193,625</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2006

Exhibit D

Total fund balances of governmental funds	\$ 949,498
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,513,489
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	127,994
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.	(8,089)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,321,550)</u>
Net assets of governmental activities	<u>\$ 4,261,342</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit E

	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues		<u>Projects</u>	<u>Service</u>	<u>Special</u>	
Local sources				<u>Revenue</u>	
Local tax	\$ 1,301,785	\$ 332,054	\$ 344,019	\$ 140,028	\$ 2,117,886
Tuition	317,218	-	-	-	317,218
Other	47,591	195,821	2,473	95,603	341,488
State sources	2,270,328	2,900	-	-	2,273,228
Federal sources	155,574	-	-	-	155,574
Total revenues	<u>4,092,496</u>	<u>530,775</u>	<u>346,492</u>	<u>235,631</u>	<u>5,205,394</u>
Expenditures					
Current					
Instruction					
Regular instruction	1,877,383	-	-	101,133	1,978,516
Special instruction	576,385	-	-	-	576,385
Other instruction	247,369	-	-	-	247,369
	<u>2,701,137</u>	<u>-</u>	<u>-</u>	<u>101,133</u>	<u>2,802,270</u>
Support services					
Student services	105,948	-	-	582	106,530
Instructional staff services	89,149	-	-	37,601	126,750
Administration services	427,370	-	-	2,139	429,509
Operation and maintenance of plant services	328,018	2,386	-	45,308	375,712
Transportation services	229,003	-	-	8,831	237,834
	<u>1,179,488</u>	<u>2,386</u>	<u>-</u>	<u>94,461</u>	<u>1,276,335</u>
Non-instructional programs					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>583</u>	<u>583</u>
Other expenditures					
Facilities acquisition	-	131,325	-	36,087	167,412
Long-term debt					
Principal	-	-	483,450	-	483,450
Interest and fiscal charges	-	-	135,722	-	135,722
AEA flowthrough	154,375	-	-	-	154,375
	<u>154,375</u>	<u>131,325</u>	<u>619,172</u>	<u>36,087</u>	<u>940,959</u>
Total expenditures	<u>4,035,000</u>	<u>133,711</u>	<u>619,172</u>	<u>232,264</u>	<u>5,020,147</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,496</u>	<u>397,064</u>	<u>(272,680)</u>	<u>3,367</u>	<u>185,247</u>
Other financing sources (uses)					
Proceeds from disposal of capital assets	3,803	-	-	-	3,803
Interfund operating transfers in (out)	-	(274,498)	274,498	-	-
Total other financing sources (uses)	<u>3,803</u>	<u>(274,498)</u>	<u>274,498</u>	<u>-</u>	<u>3,803</u>
Net change in fund balances	61,299	122,566	1,818	3,367	189,050
Fund balance, beginning of year	582,357	182,064	(38,604)	34,631	760,448
Fund balance, end of year	<u>\$ 643,656</u>	<u>\$ 304,630</u>	<u>\$ (36,786)</u>	<u>\$ 37,998</u>	<u>\$ 949,498</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2006

Exhibit F

Net change in fund balances - total governmental funds \$ 189,050

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. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 154,281	
Depreciation expense	<u>(288,422)</u>	(134,141)

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 issues exceeded repayments as follows:

Issued	(150,000)	
Repaid	<u>483,450</u>	333,450

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 42,231

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. (2,211)

Change in net assets of governmental activities \$ 428,379

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2006

Exhibit G

	<u>Business Type</u> <u>Activity</u>	<u>Governmental</u> <u>Activity</u>
	Nonmajor School Nutrition	Internal Service
ASSETS		
Cash and pooled investments	\$ 26,888	\$ 128,580
Accounts receivable	356	73
Inventories	2,014	-
Total assets	<u>29,258</u>	<u>128,653</u>
LIABILITIES		
Liabilities		
Due to other fund	300	-
Accounts payable	80	659
Salaries and benefits payable	13,169	-
Total liabilities	<u>13,549</u>	<u>659</u>
NET ASSETS		
Unrestricted	<u>15,709</u>	<u>127,994</u>
Total net assets	<u>\$ 15,709</u>	<u>\$ 127,994</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2006

Exhibit H

	<u>Business Type</u> <u>Activity</u>	<u>Governmental</u> <u>Activity</u>
	Nonmajor School <u>Nutrition</u>	Internal <u>Service</u>
Operating revenue		
Local sources		
Charges for service	\$ 124,591	\$ -
Employee contributions	-	121,031
Total operating revenues	<u>124,591</u>	<u>121,031</u>
Operating expenses		
Non-instructional programs		
Food service operations		
Salaries	80,199	-
Benefits	34,908	-
Purchased services	3,518	78,800
Supplies	107,092	-
Total operating expenses	<u>225,717</u>	<u>78,800</u>
Operating income (loss)	<u>(101,126)</u>	<u>42,231</u>
Non-operating revenue		
Interest income	111	-
State sources	3,507	-
Federal sources	103,215	-
Total non-operating revenue	<u>106,833</u>	<u>-</u>
Net income	5,707	42,231
Net assets, beginning of year	<u>10,002</u>	<u>85,763</u>
Net assets, end of year	<u>\$ 15,709</u>	<u>\$ 127,994</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2006

Exhibit I

	<u>Business Type</u> <u>Activity</u>	<u>Governmental</u> <u>Activity</u>
	<u>Nonmajor</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u>
Cash flows from operating activities		
Cash received from sale of meals	\$ 124,235	\$ -
Cash received from miscellaneous operating activities	-	121,009
Cash payments to employees for services	(114,800)	-
Cash payments to suppliers for goods and services	<u>(99,332)</u>	<u>(81,869)</u>
Net cash provided by (used in) operating activities	<u>(89,897)</u>	<u>39,140</u>
Cash flows from non-capital financing activities		
State grants received	3,507	-
Federal grants received	<u>91,796</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>95,303</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>111</u>	<u>-</u>
Net increase in cash and cash equivalents	5,517	39,140
Cash and cash equivalents, beginning of year	<u>21,371</u>	<u>89,440</u>
Cash and cash equivalents, end of year	<u>\$ 26,888</u>	<u>\$ 128,580</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (101,126)	\$ 42,231
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Commodities used	11,420	-
(Increase) in inventories	(222)	-
(Increase) in accounts receivable	(356)	(22)
Increase (decrease) in accounts payable	80	(3,069)
Increase in salaries and benefits payable	<u>307</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (89,897)</u>	<u>\$ 39,140</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2006 the District received \$11,420 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

Exhibit J

	Private Purpose <u>Trust</u> <u>Scholarships</u>
Assets	
Cash and pooled investments	\$123,501
Accrued interest	<u>4,941</u>
Total assets	128,442
Liabilities	<u>-</u>
Net assets	
Reserved for scholarships	<u>\$128,442</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2006

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ 4,971
Deductions	
Instruction - regular	
Scholarships awarded	<u>4,732</u>
Change in net assets	239
Net assets, beginning of year	<u>128,203</u>
Net assets, end of year	<u>\$ 128,442</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies

The Calamus Wheatland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the Cities of Calamus and Wheatland, Iowa, and the agricultural territory in Clinton and Scott 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, Calamus Wheatland Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Calamus Wheatland 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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 no major proprietary funds. However, the District reports a nonmajor proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District and one Internal Service Fund, which is utilized for employee flexible benefits.

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments 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 funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

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, they 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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 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 repairs 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	\$ 500
Other furniture and equipment	\$2,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenses 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 receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of unspent grant proceeds as well as 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. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services function exceeded the amended amounts budgeted. However, General Fund expenditures did not exceed the District's unspent authorized budget.

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.

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

	Amortized Cost
Diversified Portfolio	<u>\$ 885,777</u>

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

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

Note 3. Due From and Due to Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Nutrition	\$ 300

The School Nutrition Fund is repaying General Fund for salaries and benefits. The balance will be repaid during the year ending June 30, 2007.

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$274,498

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

Note 5. Capital Assets

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

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 260,444	\$ -	\$ -	\$ 260,444
Capital assets being depreciated:				
Buildings and improvements	8,141,060	99,717	-	8,240,777
Improvements other than buildings	447,730	27,331	-	475,061
Furniture and equipment	<u>1,294,475</u>	<u>27,233</u>	-	<u>1,321,708</u>
Total capital assets being depreciated	<u>9,883,265</u>	<u>154,281</u>	-	<u>10,037,546</u>
Less accumulated depreciation for:				
Buildings and improvements	2,380,374	152,565	-	2,532,939
Improvements other than buildings	208,569	22,490	-	231,059
Furniture and equipment	<u>919,281</u>	<u>101,222</u>	-	<u>1,020,503</u>
Total accumulated depreciation	<u>3,508,224</u>	<u>276,277</u>	-	<u>3,784,501</u>
Total capital assets being depreciated, net	<u>6,375,041</u>	<u>(121,996)</u>	-	<u>6,253,045</u>
Governmental activities capital assets, net	<u>\$ 6,635,485</u>	<u>\$ (121,996)</u>	<u>\$ -</u>	<u>\$ 6,513,489</u>

Business type activities

None

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 49,635
Support services	
Operation and maintenance of plant	1,963
Transportation	42,298
Non-instructional programs	5,093
Unallocated depreciation	<u>177,288</u>
Total governmental activities depreciation expense	<u>\$ 276,277</u>

Business type activities \$ -

Note 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	\$ 2,525,000	\$ -	\$(240,000)	\$ 2,285,000	\$ 250,000
Revenue anticipation notes	<u>1,130,000</u>	<u>150,000</u>	<u>(243,450)</u>	<u>1,036,550</u>	<u>1,036,550</u>
Totals	<u>\$ 3,655,000</u>	<u>\$ 150,000</u>	<u>\$(483,450)</u>	<u>\$ 3,321,550</u>	<u>\$ 1,286,550</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May 3, 2001			
	Interest Rates	Principal	Interest	Total
2007	4.00%	\$ 250,000	\$ 94,575	\$ 344,575
2008	4.10%	255,000	84,575	339,575
2009	4.10%	265,000	74,080	339,080
2010	4.20%	275,000	63,010	338,010
2011	4.30%	290,000	51,530	341,530
2012	4.40%	300,000	38,915	338,915
2013	4.50%	320,000	25,570	345,570
2014	4.50%	<u>330,000</u>	<u>11,250</u>	<u>341,250</u>
Totals		<u>\$ 2,285,000</u>	<u>\$ 443,505</u>	<u>\$ 2,728,505</u>

Revenue Anticipation Project Notes

The District issued School Infrastructure Local Option Sales and Services Tax Revenue Bond Anticipation Project Notes as follows:

<u>Note Date</u>	<u>Principal</u>	<u>Interest Rate</u>
October 12, 2004	\$ 306,550	2.67%
December 16, 2004	180,000	2.67%
January 12, 2005	100,000	2.67%
February 11, 2005	200,000	2.67%
June 15, 2005	100,000	2.67%
September 15, 2005	<u>150,000</u>	2.67%
Totals	<u>\$ 1,036,550</u>	

The notes all mature on July 1, 2007 and interest is due monthly until maturity. The notes are to be repaid from the Local Sales and Services Tax revenues. Proceeds from the debt were used to construct a community building, including a geothermal HVAC system. The notes may be called for redemption and paid before maturity on any date from any District funds.

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 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, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$146,201, \$140,356 and \$137,776 respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

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 \$154,375 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.

Note 10. Deficit Balance

The District had unreserved fund deficits of \$4,868 and \$36,786 in the Special Revenue, Management Levy Fund and the Debt Service Fund, respectively at June 30, 2006.

Note 11. Self-funded Health Insurance

The District utilizes a partial self-funded/partial fully funded plan. This is a combination of a low self-funded single of \$300/\$600 and family \$600/\$900 and a high fully funded plan through Wellmark of single \$2,000/\$4,000 and family \$4,000/\$8,000. Payments to Wellmark are made for its premium and deposits into the Internal Service Fund are made monthly for the self-funded portion. The self-fund plan (Internal Service Fund) deposits and the independent administrator funds/pays for the claim exposure between the two or \$3,400 for single and \$7,100 for family. After the total exposure has been maximized, the fully-funded carrier pays 100%. The District estimates that 25% of those covered will reach full maximum exposure.

At June 30, 2006, the District had accumulated an excess of \$85,763 in its Internal Service Fund to cover employee health care claims. Also, the District continues to fund this plan by depositing premiums into the account on a monthly basis. The District's deposits into this fund have exceeded claims paid from the fund during the years ended June 30, 2006, 2005, 2004 and 2002. However, the claims exceeded the deposit amounts for the year ended June 30, 2003. All submitted claims had been paid or accrued at June 30, 2006. The District does not expect claims to exceed monies available in the fund during the year ending June 30, 2006.

Required Supplementary Information

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
						Original	Final	
Revenues								
Local sources	\$ 2,776,592	\$ 245,733	\$ 3,022,325	\$ (121,031)	\$ 2,901,294	\$ 2,593,088	\$ 2,593,088	\$ 308,206
State sources	2,273,228	3,507	2,276,735	-	2,276,735	2,271,848	2,271,848	4,887
Federal sources	155,574	103,215	258,789	-	258,789	228,920	228,920	29,869
Total revenues	<u>5,205,394</u>	<u>352,455</u>	<u>5,557,849</u>	<u>(121,031)</u>	<u>5,436,818</u>	<u>5,093,856</u>	<u>5,093,856</u>	<u>342,962</u>
Expenditures								
Instruction	2,802,270	-	2,802,270	-	2,802,270	2,890,693	2,923,896	121,626
Support services	1,276,335	-	1,276,335	-	1,276,335	1,121,761	1,226,936	(49,399)
Non-instructional programs	583	304,517	305,100	(78,800)	226,300	207,000	226,659	359
Other expenditures	940,959	-	940,959	-	940,959	865,883	954,943	13,984
Total expenditures	<u>5,020,147</u>	<u>304,517</u>	<u>5,324,664</u>	<u>(78,800)</u>	<u>5,245,864</u>	<u>5,085,337</u>	<u>5,332,434</u>	<u>86,570</u>
Excess (deficiency) of revenues over (under) expenditures	185,247	47,938	233,185	(42,231)	190,954	8,519	(238,578)	256,392
Other financing sources, net	<u>3,803</u>	-	<u>3,803</u>	-	<u>3,803</u>	-	-	<u>3,803</u>
Net change in fund balance	189,050	47,938	236,988	(42,231)	194,757	8,519	(238,578)	433,335
Balance, beginning of year	760,448	95,765	856,213	(85,763)	770,450	714,796	714,796	55,654
Balance, end of year	<u>\$ 949,498</u>	<u>\$ 143,703</u>	<u>\$ 1,093,201</u>	<u>\$(127,994)</u>	<u>\$ 965,207</u>	<u>\$ 723,315</u>	<u>\$ 476,218</u>	<u>\$ 488,989</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund, Debt Service Fund, Capital Projects 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund 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, the District adopted one budget amendment increasing budgeted expenditures by \$247,097.

During the year ended June 30, 2006, District expenditures in the support services function exceeded the amounts budgeted. However, the General Fund expenditures did not exceed the unspent authorized budget.

Other Supplementary Information

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2006

Schedule 1

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ -	\$ 33,445	\$ 8,389	\$ 41,834
Receivables				
Property tax				
Current year delinquent	762	-	1,032	1,794
Succeeding year	81,800	-	88,714	170,514
Total assets	<u>\$ 82,562</u>	<u>\$ 33,445</u>	<u>\$ 98,135</u>	<u>\$ 214,142</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other fund	\$ 5,630	\$ -	\$ -	\$ 5,630
Deferred revenue				
Succeeding year property tax	81,800	-	88,714	170,514
Total liabilities	87,430	-	88,714	176,144
Fund Balances				
Unreserved fund balances	(4,868)	33,445	9,421	37,998
Total liabilities and fund balances	<u>\$ 82,562</u>	<u>\$ 33,445</u>	<u>\$ 98,135</u>	<u>\$ 214,142</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT Schedule 2
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2006

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues				
Local sources				
Local taxes	\$ 59,455	\$ -	\$ 80,573	\$ 140,028
Other	3,775	91,061	767	95,603
Total revenues	<u>63,230</u>	<u>91,061</u>	<u>81,340</u>	<u>235,631</u>
Expenditures				
Current				
Instruction				
Regular instruction	13,796	86,674	663	101,133
Support services				
Student services	582	-	-	582
Instructional staff services	4,240	-	33,361	37,601
Administration services	2,139	-	-	2,139
Operation and maintenance of plant services	41,020	-	4,288	45,308
Transportation services	8,831	-	-	8,831
Non-instructional programs	583	-	-	583
Other expenditures				
Facilities acquisition	-	-	36,087	36,087
Total expenditures	<u>71,191</u>	<u>86,674</u>	<u>74,399</u>	<u>232,264</u>
Excess (deficiency) of revenues over (under) expenditures	(7,961)	4,387	6,941	3,367
Fund balances, beginning of year	<u>3,093</u>	<u>29,058</u>	<u>2,480</u>	<u>34,631</u>
Fund balances, end of year	<u>\$ (4,868)</u>	<u>\$ 33,445</u>	<u>\$ 9,421</u>	<u>\$ 37,998</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2006

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	\$ 771	\$ 23,776	\$ 22,432	\$ 2,115
Student insurance accounts	1,627	644	619	1,652
Annual	1,454	7,817	8,142	1,129
Key cards	670	2,290	869	2,091
Class of:				
2005	384	-	384	-
2006	3,809	-	3,024	785
2007	298	7,418	4,335	3,381
2009	-	93	-	93
Cheerleading	168	450	446	172
Dance	3,464	12,285	14,266	1,483
FFA	1,631	8,968	5,018	5,581
Vocal	998	56	360	694
Student council	1,175	3,459	3,109	1,525
Junior high student council	314	1,042	1,347	9
Instrumental fund	618	556	1,084	90
Interest	304	186	-	490
Science club	369	-	-	369
School play	4,243	3,611	2,638	5,216
Special Olympics	73	-	-	73
Pop fund	470	6,953	5,681	1,742
National Honor Society	901	455	404	952
T. Workrm Pop	185	972	1,119	38
Elementary				
Student activity	225	1,388	1,153	460
Pop fund	319	1,604	1,615	308
ETCEP	1,061	264	699	626
Student pictures	1,294	1,344	1,622	1,016
Instrumental music	830	1,763	2,449	144
School	57	-	50	7
Make a Difference fund	14	-	-	14
Library	1,332	3,667	3,809	1,190
Totals	<u>\$ 29,058</u>	<u>\$ 91,061</u>	<u>\$ 86,674</u>	<u>\$ 33,445</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Local sources				
Local tax	\$ 2,117,886	\$ 2,014,423	\$ 2,038,426	\$ 1,965,199
Tuition	317,218	276,019	250,049	189,003
Other	341,488	398,192	123,979	158,141
State sources	2,273,228	2,158,956	1,963,060	2,015,233
Federal sources	155,574	213,646	236,177	237,172
Total revenues	<u>\$ 5,205,394</u>	<u>\$ 5,061,236</u>	<u>\$ 4,611,691</u>	<u>\$ 4,564,748</u>
Expenditures				
Instruction				
Regular instruction	1,978,516	1,772,214	1,790,837	1,733,648
Special instruction	576,385	615,896	605,885	536,589
Other instruction	247,369	351,369	263,015	294,982
Support services				
Student services	106,530	93,683	99,484	118,892
Instructional staff services	126,750	53,884	35,084	58,298
Administration services	429,509	399,564	372,900	371,245
Operation and maintenance of plant services	375,712	335,311	315,677	363,950
Transportation services	237,834	280,472	207,068	218,774
Non-instructional programs	583	50,375	92,853	95,888
Other expenditures				
Facilities acquisition	167,412	1,906,047	190,868	170,929
Long-term debt				
Principal	483,450	230,000	220,000	200,000
Interest and other charges	135,722	129,529	122,776	130,975
AEA flowthrough	154,375	149,154	147,588	158,290
Total expenditures	<u>\$ 5,020,147</u>	<u>\$ 6,367,498</u>	<u>\$ 4,464,035</u>	<u>\$ 4,452,460</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

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
Calamus Wheatland Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Calamus Wheatland 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 my report thereon dated August 15, 2006. I conducted my 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 my audit, I considered Calamus Wheatland Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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 and Questioned Costs.

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. My 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, I believe item (A) Segregation of Duties, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calamus Wheatland Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I 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 my audit of the financial statements of the District. Since my 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 the Calamus Wheatland Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Calamus Wheatland Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
August 15, 2006

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

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

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

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- (B) Capital Asset Reporting - The District does not account for the capital assets, depreciation expense and accumulated depreciation for the kitchen equipment in the School Nutrition Fund. The School Nutrition capital assets are included in the general capital assets of the District.

Recommendation - Enterprise Funds should account for their own capital assets and the corresponding depreciation expense and accumulated depreciation. The District should change their accounting records and procedures, as necessary, to provide for the proper accounting of the School Nutrition capital assets.

Response - We will review our accounting system and investigate the possibility of altering the records to properly account for the School Nutrition capital assets.

Conclusion - Response accepted.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the amended amount budgeted in the Support Services function.

Recommendation - The District should have amended the budget in sufficient amounts before expenditures were allowed to exceed the budget.

Response - We will be more attentive of this in the future and amend the budget in sufficient amounts, as necessary.

Conclusion - Response accepted.

2. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. 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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

10. Financial Condition - The District had unreserved fund deficits in the Special Revenue, Management Levy Fund and Debt Service Fund of \$4,868 and \$36,786, respectively, at June 30, 2006.

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

Response - We will review the situation and implement changes, as needed.

Conclusion - Response accepted.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2006

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant