ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

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ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2006

Name	Title	Term Expires
	Board of Education (Before September 2005 Election)	
Paula Thomas	Board President	2006
Dick Morrison	Board Member	2005
John Gent	Board Member	2005
Alan Ackerman	Board Member	2006
John Custer	Board Member	2007
	Board of Education (After September 2005 Election)	
Paula Thomas	Board President	2006
Alan Ackerman	Board Member	2006
John Custer	Board Member	2007
Dick Morrison	Board Member	2008
John Gent	Board Member	2008
	School Officials	
Alan J. Jensen	Superintendent	2006
Wendy Ayers	District Secretary/Treasurer	2006
Elwood & Elwood	Attorney	2006
Belin, Harris, Lamson & McCormick	Attorney	2006

ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge"

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
English Valleys 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 English Valleys Community School District, North English, 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 Governmental 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 English Valleys 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 reports dated September 8, 2006 on our consideration of English Valleys 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 3 through 10 and 30 through 32 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 English Valleys Community School District's basic financial statements. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C

Ottumwa, Iowa
September 8, 2006

215 West Fourth Street • P.O. Box 533 • Ottumwa, Iowa 52501 • (641) 684-5489 • Fax (641) 683-1665
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MANAGEMENT'S DISCUSSION AND ANALYSIS

English Valleys 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 decreased from $3,940,548 in fiscal 2005 to $3,899,896 in fiscal 2006, while General Fund expenditures increased from $3,932,313 in fiscal 2005 to $4,074,268 in fiscal 2006 The District's General Fund balance decreased from $412,408 in fiscal 2005 to $238,036 in fiscal 2006, a 42.3 percent decrease.

During fiscal 2006, the District experienced decreased enrollment resulting in a decrease in associated revenues

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 English Valleys 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 the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
English Valleys Community School District Annual Financial Report

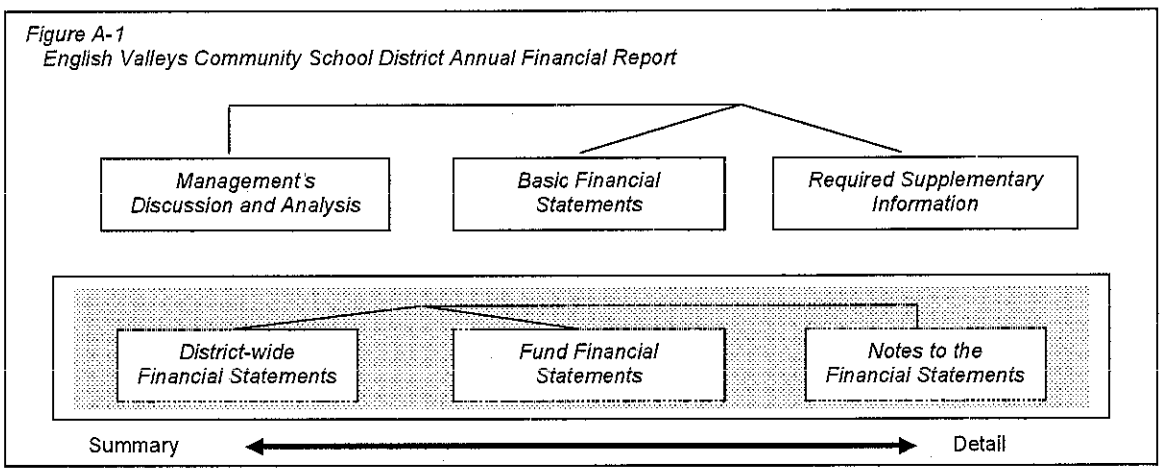

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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 and student-built house programs are 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 or 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 two 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 financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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

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

   Reconciliation 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 District		Total Change
	June 30,		June 30,		June 30,		
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	$3,373,021	$2,878,354	$ 92,566	$67,483	$3,465,587	$2,945,837	17 6%
Capital assets	3,191,126	3,509,224	19,106	23,281	3,210,232	3,532,505	(9.1)%
Total assets	6,564,147	6,387,578	111,672	90,764	6,675,819	6,478,342	3 0%
Long-term obligations	2,061,858	2,242,374	-	-	2,061,858	2,242,374	(8.1)%
Other liabilities	2,445,060	1,857,579	11,417	-	2,456,477	1,857,579	32 2%
Total liabilities	4,506,918	4,099,953	11,417	-	4,518,335	4,099,953	10 2%
Net assets Invested in capital assets, net of related debt	1,096,126	1,234,224	19,106	23,281	1,115,232	1,257,505	(11.3)%
Restricted	377,912	192,067	-	-	377,912	192,067	96.8%
Unrestricted	583,191	861,334	81,149	67,483	664,340	928,817	(28.5)%
Total net assets	$2,057,229	$2,287,625	$100,255	$90,764	$2,157,484	$2,378,389	(9 3)%

The District's combined net assets decreased by approximately 9.3%, or $220,905, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased $185,845, or approximately 96.8% over the prior year. This increase is primarily due to additional local option sales tax funding received from Iowa County.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased $264,477, or approximately 28.5%. This decrease was a result of the District experiencing decreased enrollment and the associated decrease in revenues

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

Figure A-4
Change in Net Assets

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues							
Program revenues:							
Charges for services and sales	$ 718,634	$ 650,242	$133,362	$117,132	$ 851,996	$ 767,374	11 0%
Operating grants contributions and restricted interest	398,416	493,245	74,165	70,901	472,581	564,146	(16 2)%
General revenues:							
Property and sales tax	1,856,775	1,757,958	-	-	1,856,775	1,757,958	5 6%
Unrestricted state grants	1,619,953	1,633,464	-	-	1,619,953	1,633,464	(.8)%
Unrestricted investment earnings	47,153	38,448	444	283	47,597	38,731	22.9%
Loss on disposal of capital assets	(12,838)	-	-	-	(12,838)	-	-
Other	50,390	4,545	1,534	-	51,924	4,545	1,042 4%
Total revenues	4,678,483	4,577,902	209,505	188,316	4,887,988	4,766,218	2 6%
Program expenses:							
Governmental activities:							
Instruction	3,263,214	2,968,847	-	-	3,263,214	2,968,847	9 9%
Support services	1 254,902	1,244,139	-	-	1,254,902	1,244,139	.9%
Non-instructional programs	-	-	200,014	178,868	200,014	178,868	11.8%
Other expenses	390,763	439,183	-	-	390,763	439,183	(11.0)%
Total expenses	4,908,879	4,652,169	200,014	178,868	5,108,893	4,831,037	5 8%
Change in net assets	$ (230,396)	$ (74,267)	$ 9,491	$ 9,448	$(220,905)	$ (64,819)	(240 8)%

Property tax and unrestricted state grants account for 71.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88.4% of the total expenses.

Governmental Activities

Revenues for governmental activities were $4,678,483 and expenses were $4,908,879.

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 June 30,		Total Change	Net Cost of Services June 30,		Total Change
	2006	2005	2005-2006	2006	2005	2005-2006
Instruction	$3,263,214	$2,968,847	9.9%	$2,338,928	$1,989,174	17.6%
Support services	1,254,902	1,244,139	.9%	1,195,984	1,213,641	(1 5)%
Other expenses	390,763	439,183	(11.0)%	256,917	305,867	(16.0)%
Total expenses	$4,908,879	$4,652,169	5 5%	$3,791,829	$3,508,682	8 1%

- The cost financed by users of the District's programs was $718,634.
- Federal and state governments subsidized certain programs with grants and contributions totaling $472,581.
- The net cost of governmental activities was financed with $1,856,775 in property and other taxes and $1,619,953 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $209,505 representing a 11.3 percent increase over the prior year while expenses totaled $200,014, an 11.8 percent increase over the prior year. The District's business type activities include the School Nutrition Fund and Student-built House Fund. Revenues from these activities were comprised of charges for service, gain on sale of house, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund which the District has obligated to cover increased salaries.

INDIVIDUAL FUND ANALYSIS

As previously noted, English Valleys 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 $615,948, slightly above last year's ending fund balances of $604,475. The primary reason for the increase in combined fund balances in fiscal 2006 is due to the District receiving additional local option sales tax funding from Iowa County.

Governmental Fund Highlights

- The District's decrease in the General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

- The General Fund balance decreased from $412,408 to $238,036, due in part to the negotiated salary and benefits settlement and existing expenditure commitments of the District.

Proprietary Fund Highlights

- Enterprise Fund net assets increased from $90,764 at June 30, 2005 to $100,255 at June 30, 2006, representing an increase of approximately 10.5 percent due primarily to the gain on the sale of the student built house.

BUDGETARY HIGHLIGHTS

Over the course of the year, English Valleys Community School District amended its annual budget once to reflect additional expenditures associated with all expenditure categories.

The District's revenues were $245,724 more than budgeted revenues, a variance of 5.3 percent. The most significant variance resulted from the District receiving more in local option sales tax than originally anticipated.

Total expenditures were $1,303,138 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested $3,210,232, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 9.1 percent from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was $346,581.

The original cost of the District's capital assets was $7,763,505. Governmental funds account for $7,678,685, with the remainder of $84,820 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital assets during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled $452,965 at June 30, 2006, compared to $700,822 reported at June 30, 2005. This decrease resulted from depreciation expense for the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2006	2005	2006	2005	2006	2005	2005-2006
Land	$ 257,413	$ 257,413	$ -	$ -	$ 257,413	$ 257,413	0 00%
Buildings and improvements	2,499,854	2,574,270	-	-	2,499,854	2,574,270	(2 9)%
Furniture and equipment	433,859	677,541	19,106	23,281	452,965	700,822	(35 4)%
Totals	$3,191,126	$3,509,224	$19,106	$23,281	$3,210,232	$3,532,505	(9 1)%

Long-Term Debt

At June 30, 2006, the District had $2,061,858, net of unamortized discount and deferred changes, in general obligation and other long-term debt outstanding. This represents a decrease of approximately 8 1 percent from last year. (See Figure A-3) Additional information about the District's long-term debt in presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		
	2006	2005	2005-2006
General obligation bonds	$2,095,000	$2,275,000	(7.9)%
Early retirement	196,964	223,047	(11.7)%
Total	$2,291,964	$2,498,047	(8.2)%

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 declining enrollment in the recent past, the District expects the enrollment to remain steady for the next several years.

- Fiscal 2006 is the last year of a three-year contract with the English Valleys Education Teacher Association (EVEA). The District negotiated a one year contract with the EVEA for the 2006-2007 school year. 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 Wendy Ayers, District Secretary/Treasurer, English Valleys Community School District, PO Box 490, North English, Iowa 52316.

BASIC FINANCIAL STATEMENTS

Exhibit A

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP	$ 669,165	$ -	$ 669,165
Other	1,085,480	90,800	1,176,280
Receivables:			
Property tax:			
Delinquent	47,280	-	47,280
Succeeding year	1,463,260	-	1,463,260
Accrued interest:			
ISCAP	8,798	-	8,798
Accounts receivable	32,661	-	32,661
Due from other governments	66,377	-	66,377
Inventories	-	1,766	1,766
Capital assets, net of accumulated depreciation	3,191,126	19,106	3,210,232
TOTAL ASSETS	6,564,147	111,672	6,675,819
LIABILITIES			
Accounts payable	96,766	-	96,766
Salaries and benefits payable	195,526	9,252	204,778
Accrued interest payable	8,753	-	8,753
Deferred revenue - Succeeding year property tax	1,463,260	-	1,463,260
Deferred revenue - Other	-	2,165	2,165
ISCAP warrants payable	668,000	-	668,000
ISCAP accrued interest payable	8,257	-	8,257
ISCAP unamortized premiums	4,498	-	4,498
Long-term liabilities:			
Portion due within one year:			
Bonds payable	185,000	-	185,000
Early retirement	36,293	-	36,293
Unamortized discount	(838)	-	(838)
Unamortized deferred charge	(24,729)	-	(24,729)
Portion due after one year:			
Bonds payable	1,910,000	-	1,910,000
Early retirement	160,671	-	160,671
Unamortized discount	(6,706)	-	(6,706)
Unamortized deferred charge	(197,833)	-	(197,833)
TOTAL LIABILITIES	4,506,918	11,417	4,518,335
NET ASSETS			
Investment in capital assets, net of related debt	1,096,126	19,106	1,115,232
Restricted for:			
Physical plant and equipment levy	104,345	-	104,345
Other special revenue purposes	124,122	-	124,122
Capital projects	145,752	-	145,752
Debt service	3,693	-	3,693
Unrestricted	583,191	81,149	664,340
TOTAL NET ASSETS	$ 2,057,229	$ 100,255	$ 2,157,484

See Notes to Financial Statements

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants Contributions and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Instruction:			
Regular instruction	$ 2,060,586	$ 475,783	$ 150 857
Special instruction	532,351	184,634	93,982
Other instruction	670,277	-	19,030
	3,263,214	660,417	263,869
Support services:			
Student services	152 773	-	-
Instructional staff services	68,830	-	-
Administration services	507,732	58,217	-
Operation and maintenance of plant services	291,691	-	-
Transportation services	233,876	-	701
	1,254,902	58,217	701
Other expenditures:			
Facilities acquisitions	44,039	-	-
Long-term debt interest	89 287	-	-
AEA flowthrough	133,846	-	133,846
Depreciation (unallocated)*	123,591	-	-
	390,763	-	133,846
Total governmental activities	4,908,879	718,634	398,416
Business-type activities:			
Non-instructional programs:			
Nutrition services	200,014	121,246	74,165
Student-built house	-	12,116	-
Total business-type activities	200,014	133,362	74,165
Total	$ 5,108,893	$ 851,996	$ 472,581
GENERAL REVENUES:			
Property tax levied for:			
General purposes			
Capital projects			
Debt services			
Sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Loss on disposal of capital assets			
Other			
Total general revenues			
Changes in net assets			
Net assets - Beginning of year			
Net assets - End of year			

* This amount excludes the depreciation included in the direct expense of various programs

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$ (1,433,946)	$ -	$ (1,433 946)
(253,735)	-	(253,735)
(651,247)	-	(651,247)
(2,338,928)	-	(2,338,928)
(152,773)	-	(152,773)
(68,830)	-	(68,830)
(449 515)	-	(449 515)
(291,691)	-	(291,691)
(233,175)	-	(233,175)
(1,195,984)	-	(1,195,984)
(44,039)	-	(44,039)
(89,287)	-	(89 287)
-	-	-
(123,591)	-	(123,591)
(256,917)	-	(256,917)
(3,791,829)	-	(3,791,829)
-	(4 603)	(4,603)
-	12,116	12,116
-	7,513	7,513
(3,791,829)	7,513	(3,784,316)
1,342,667	-	1,342 667
109,851	-	109,851
243 268	-	243,268
160,989	-	160 989
1 619,953	-	1,619,953
47,153	444	47,597
(12,838)	-	(12,838)
50,390	1,534	51,924
3,561,433	1,978	3,563,411
(230,396)	9,491	(220,905)
2,287,625	90,764	2,378,389
$ 2,057,229	$ 100,255	$ 2,157,484

Exhibit C

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Debt Service	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP	$ 669,165	$ -	$ -	$ 669,165
Other	416,259	-	352,565	768,824
Receivables:				
Property tax:				
Delinquent	33,903	7,803	5,574	47,280
Succeeding year	1,080,012	248,494	134,754	1,463,260
Accounts receivable	21,654	-	11,007	32,661
Accrued interest:				
ISCAP	8,798	-	-	8,798
Due from other governments	48,407	-	17,970	66,377
TOTAL ASSETS	$ 2,278,198	$ 256,297	$ 521,870	$ 3,056,365
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 96,766	$ -	$ -	$ 96,766
Checks issued in excess of balance	-	4,110	-	4,110
Salaries and benefits payable	182,629	-	12,897	195,526
ISCAP warrants payable	668,000	-	-	668,000
ISCAP accrued interest payable	8,257	-	-	8,257
ISCAP unamortized premiums	4,498	-	-	4,498
Deferred revenue:				
Succeeding year property tax	1,080,012	248,494	134,754	1,463,260
Total liabilities	2,040,162	252,604	147,651	2,440,417
FUND BALANCES:				
Reserved for:				
Debt service	-	3,693	-	3,693
Unreserved, undesignated:				
Special revenue funds	-	-	228,467	228,467
Other governmental	238,036	-	145,752	383,788
Total fund balances	238,036	3,693	374,219	615,948
TOTAL LIABILITIES AND FUND BALANCES	$ 2,278,198	$ 256,297	$ 521,870	$ 3,056,365

See Notes to Financial Statements

Exhibit D

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS	$	615,948
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,191,126
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(8,753)
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		320,766
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		(2,061,858)
NET ASSETS OF GOVERNMENTAL ACTIVITIES:	$	2,057,229

See Notes to Financial Statements

Exhibit E

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	$ 1,248,436	$ 243,268	$ 365,071	$ 1,856,775
Tuition	482,087	-	-	482,087
Other	151,004	1,453	181,633	334,090
State sources	1,902,649	-	-	1,902,649
Federal sources	115,720	-	-	115,720
Total revenues	3,899,896	244,721	546,704	4,691,321
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,883,447	-	69,999	1,953,446
Special instruction	532,351	-	-	532,351
Other instruction	516,151	-	152,467	668,618
	2,931,949	-	222,466	3,154,415
Support services:				
Student services	26	-	-	26
Instructional staff services	68,830	-	-	68,830
Administration services	446,222	-	56,355	502,577
Operation and maintenance of plant services	289,209	-	-	289,209
Transportation services	204,186	-	704	204,890
	1,008,473	-	57,059	1,065,532
Other expenditures:				
Facilities acquisitions	-	-	80,190	80,190
Long-term debt:				
Principal	-	180,000	-	180,000
Interest and fiscal charges	-	65,865	-	65,865
AEA flowthrough	133,846	-	-	133,846
	133,846	245,865	80,190	459,901
Total expenditures	4,074,268	245,865	359,715	4,679,848
Net change in fund balances	(174,372)	(1,144)	186,989	11,473
FUND BALANCE - Beginning of year	412,408	4,837	187,230	604,475
FUND BALANCE - End of year	$ 238,036	$ 3,693	$ 374,219	$ 615,948

See Notes to Financial Statements

Exhibit F

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 11,473
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 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 depreciation expense exceeded capital outlays in the current year as follows:		
Capital outlays	$ 36,151	
Depreciation expense	(341,411)	(305,260)
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		(106,432)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded amortization as follows:		
Amortization of bond discount and deferred charge	(25,567)	
Repaid	180,000	154,433
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 governmental funds, as follows:		
Early retirement		26,083
In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources		(12,838)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded in the governmental funds as an expenditure when paid. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless		2,145
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ (230,396)

See Notes to Financial Statements

Exhibit G

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business Type Activities Nonmajor Enterprise	Governmental Activities Internal Service
ASSETS		
Cash and pooled investments	$ 90,800	$ 255,023
Accounts receivable	-	65,743
Inventories	1,766	-
Capital assets, net of accumulated depreciation	19,106	-
TOTAL ASSETS	111,672	320,766
LIABILITIES		
Salaries and benefits payable	9,252	-
Deferred revenues	2,165	-
TOTAL LIABILITIES	11,417	-
NET ASSETS		
Investment in capital assets, net of related debt	19,106	-
Unrestricted	81,149	320,766
TOTAL NET ASSETS	$ 100,255	$ 320,766

See Notes to Financial Statements

Exhibit H

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business Type Activities	Governmental Activities
	Nonmajor Enterprise	Internal Service
OPERATING REVENUES:		
Local sources:		
Charges for services	$ 121,246	$ 482,721
Miscellaneous	1,534	-
Gain on sale of inventory	12,116	-
Total operating revenues	134,896	482,721
OPERATING EXPENSES:		
Non-instructional programs:		
Employee benefits:		
Miscellaneous	-	590,027
Food service operations:		
Salaries	73,912	-
Benefits	19,411	-
Supplies	100,226	-
Miscellaneous	1,295	-
Depreciation	5,170	-
Total operating expenses	200,014	590,027
OPERATING LOSS	(65,118)	(107,306)
NON-OPERATING REVENUES:		
State sources	2,428	-
Federal sources	71,737	-
Interest income	444	874
Total non-operating revenues	74,609	874
NET INCOME (LOSS)	9,491	(106,432)
NET ASSETS - Beginning of year	90,764	427,198
NET ASSETS - End of year	$ 100,255	$ 320,766

See Notes to Financial Statements

Exhibit I

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business Type Activities	Governmental Activities
	Nonmajor Enterprise	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sale of meals	$ 123,411	$ -
Cash received from sale of inventory	180,760	-
Cash received for services	-	416,978
Cash payments to employees for services	(84,071)	-
Cash payments to suppliers for goods or services	(262,605)	(590,027)
Cash received for miscellaneous items	539	-
NET CASH USED IN OPERATING ACTIVITIES	(41,966)	(173,049)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State grants received	2,428	-
Federal grants received	63,489	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	65,917	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	444	874
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,395	(172,175)
CASH AND CASH EQUIVALENTS - Beginning of year	66,405	427,198
CASH AND CASH EQUIVALENTS - End of year	$ 90,800	$ 255,023
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (65,118)	$ (107,306)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Donated capital assets	(995)	-
Commodities consumed	8,248	-
Depreciation	5,170	-
Increase in accounts receivable	-	(65,743)
Increase in inventories	(688)	-
Increase in salaries and benefits payable	9,252	-
Increase in deferred revenues	2,165	-
Net cash used in operating activities	$ (41,966)	$ (173,049)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
During the year ended June 30, 2006, the District received $8,248 of federal commodities and $995 in donated capital assets.

See Notes to Financial Statements

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The English Valleys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of North English, Iowa, and the predominate agricultural territory in Keokuk and Iowa 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.

Reporting Entity

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

Jointly Governed Organization

The District does not participate in any jointly governed organizations for which the District is financially accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading

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 assets 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts 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 obligation long-term debt.

The District reports no major proprietary funds. However, the District reports a nonmajor proprietary fund, Internal Service Fund. The Internal Service, Flex Benefit Fund is utilized to account for employee flexible benefits

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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 Procedures.

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.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on the 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 represent 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 and 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 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

Asset Class	Amount
Land	$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment	2,500

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

Asset Class	Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Early Retirement – District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2006. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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 and other receivables not collected within 60 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

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

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 banker's acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 2: CASH AND POOLED INVESTMENTS (Continued)

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

	Amortized Cost
Diversified Portfolio	$ 491,914

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

Investment Rate Risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

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

NOTE 3: 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:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premiums
2005-06B	01/26/06	01/26/07	$ 430,497	$ 8,724	$ 429,000	$ 8,198	$ 2,679
2006-07A	06/28/06	06/28/07	238,668	74	239,000	59	1,819
Total			$ 669,165	$ 8,798	$ 668,000	$ 8,257	$ 4,498

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 for 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 5000%	4 7720%
2006-07A	4 5000%	5 6760%

NOTE 4: CAPITAL ASSETS

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 257,413	$ -	$ -	$ 257,413
Total capital assets not being depreciated	257,413	-	-	257,413
Capital assets being depreciated:				
Buildings and improvements	4,713,807	8,301	-	4,722,108
Furniture and equipment	2,714,106	27,850	42,792	2,699,164
Total capital assets being depreciated	7,427,913	36,151	42,792	7,421,272
Less accumulated depreciation for:				
Buildings and improvements	2,139,537	82,717	-	2,222,254
Furniture and equipment	2,036,565	258,694	29,954	2,265,305
Total accumulated depreciation	4,176,102	341,411	29,954	4,487,559
Total capital assets being depreciated, net	3,251,811	(305,260)	12,838	2,933,713
Governmental activities capital assets, net	$ 3,509,224	$ (305,260)	$ 12,838	$ 3,191,126
Business type activities:				
Furniture and equipment	$ 83,825	$ 995	$ -	$ 84,820
Less accumulated depreciation	60,544	5,170	-	65,714
Business-type activities capital assets, net	$ 23,281	$ (4,175)	$ -	$ 19,106

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 26,791
Other	1,659
Support services:	
Instructional staff	152,747
Administration	5,155
Operation and maintenance of plant	2,482
Transportation	28,986
Unallocated	123,591
Total depreciation expense – governmental activities	$ 341,411
Business type activities:	
School nutrition	$ 5,170

NOTE 5: 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	$ 2,275,000	$ -	$ 180,000	$ 2,095,000	$ 185,000
Early retirement	223,047	35,466	61,549	196,964	36,293
Total	$ 2,498,047	$ 35,466	$ 241,549	$ 2,291,964	$ 221,293

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rate	Refunding Bonds Dated July 1, 2003 Principal	Interest	Total
2007	2.50 %	$ 185,000	$ 61,790	$ 246,790
2008	2.50	185,000	57,165	242,165
2009	2.50	190,000	52,540	242,540
2010	2.75	195,000	47,790	242,790
2011	3.00	205,000	42,427	247,427
2012	3.00	215,000	36,277	251,277
2013	3.00	220,000	29,827	249,827
2014	3.25	225,000	23,227	248,227
2015	3.30	235,000	15,915	250,915
2016	3.40	240,000	8,160	248,160
		$ 2,095,000	$ 375,118	$ 2,470,118

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. Eligible employees must be between the ages of 55 and 62 and have completed 15 years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. The early retirement benefit is calculated as 100% of the difference between the B.A. step 0 and the employee's position on the salary scale as of the start of the year following retirement. In addition, the District will pay for single health and major medical insurance coverage under the District's insurance policy until the retiree reached age 65. Early retirement benefits paid during the year ended June 30, 2006 totaled $61,549.

NOTE 6: PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by state statue. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were $133,959, $129,073, and $128,853, respectively, equal to the required contributions for each year

NOTE 7: 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 8: 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 $133,846 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 9: RECLASSIFICATIONS

Certain amounts as of June 30, 2005 have been reclassified to conform with the June 30, 2006 presentation.

REQUIRED SUPPLEMENTARY INFORMATION

ENGLISH VALLEYS 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
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted
RECEIPTS:				
Local sources	$ 2,672,952	$ 618,935	$ 3,291,887	$ (483,595)
State sources	1,902,649	2,428	1,905,077	-
Federal sources	115,720	71,737	187,457	-
Total revenues	4,691,321	693,100	5,384,421	(483,595)
EXPENDITURES:				
Instruction	3,154,415	-	3,154,415	-
Support services	1,065,532	-	1,065,532	-
Non-instructional programs	-	790,041	790,041	(590,027)
Other expenditures	459,901	-	459,901	-
Total expenditures	4,679,848	790,041	5,469,889	(590,027)
Excess (deficiency) of revenues over (under) expenditures	11,473	(96,941)	(85,468)	106,432
BALANCE - Beginning of year	604,475	517,962	1,122,437	(427,198)
BALANCE - End of year	$ 615,948	$ 421,021	$ 1,036,969	$ (320,766)

See Accompanying Independent Auditor's Report

	Budgeted Amounts			Final to Actual
Net	Original		Final	Variance
$ 2,808,292	$ 2,582,465	$	2,582,465	$ 225,827
1,905,077	1,905,637		1,905,637	(560)
187,457	167,000		167,000	20,457
4,900,826	4,655,102		4,655,102	245,724
3,154,415	2,978,000		3,228,000	73,585
1,065,532	992,500		1,292,500	226,968
200,014	179,000		953,000	752,986
459,901	609,438		709,500	249,599
4,879,862	4,758,938		6,183,000	1,303,138
20,964	(103,836)		(1,527,898)	1,548,862
695,239	423,999		423,999	271,240
$ 716,203	$ 320,163	$	(1,103,899)	$ 1,820,102

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO RQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

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 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 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 These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional 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 $1,424,062.

During the year ended June 30, 2006, expenditures did not exceed the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 1

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds				
ASSETS	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Cash and pooled investments	$ 79,332	$ 45,187	$ 100,264	$ 127,782	$ 352,565
Receivables:					
Property tax:					
Current year delinquent	3,073	-	2,501	-	5,574
Succeeding year	96,201	-	38,553	-	134,754
Accounts receivable	-	9,427	1,580	-	11,007
Due from other governments	-	-	-	17,970	17,970
TOTAL ASSETS	$ 178,606	$ 54,614	$ 142,898	$ 145,752	$ 521,870
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Salaries and benefits payable	$ 5,845	$ 7,052	$ -	$ -	$ 12,897
Deferred revenue:					-
Succeeding year property tax	96,201	-	38,553	-	134,754
Total liabilities	102,046	7,052	38,553	-	147,651
FUND BALANCES:					
Unreserved fund balances	76,560	47,562	104,345	145,752	374,219
TOTAL LIABILITIES AND FUND BALANCES	$ 178,606	$ 54,614	$ 142,898	$ 145,752	$ 521,870

See Accompanying Independent Auditor's Report

SCHEDULE 2

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
REVENUES:					
Local sources:					
Local tax	$ 94,231	$ -	$ 109,851	$ 160,989	$ 365,071
Other	12,685	161,709	5,786	1,453	181,633
Total revenues	106,916	161,709	115,637	162,442	546,704
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	69,999	-	-	-	69,999
Other instruction	-	152,467	-	-	152,467
Support services:					
Administration services	56,355	-	-	-	56,355
Transportation services	-	-	704	-	704
Other expenditures:					
Facilities acquisition	-	-	29,434	50,756	80,190
Total expenditures	126,354	152,467	30,138	50,756	359,715
Excess (deficiency) of revenues over (under) expenditures	(19,438)	9,242	85,499	111,686	186,989
FUND BALANCES - Beginning of year	95,998	38,320	18,846	34,066	187,230
FUND BALANCES - End of year	$ 76,560	$ 47,562	$ 104,345	$ 145,752	$ 374,219

See Accompnaying Independent Auditor's Report

SCHEDULE 3

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2006

	Enterprise		
	School Nutrition	Student-built House	Total
ASSETS			
Cash and cash equivalents	$ 18,112	$ 72,688	$ 90,800
Inventories	1,766	-	1,766
Capital assets, net of accumulated depreciation	19,106	-	19,106
TOTAL ASSETS	38,984	72,688	111,672
LIABILITIES			
Salaries and benefits payable	9,252	-	9,252
Deferred revenue	2,165	-	2,165
TOTAL LIABILITIES	11,417	-	11,417
NET ASSETS			
Invested in capital assets, net of related debt	19,106	-	19,106
Unrestricted	8,461	72,688	81,149
TOTAL NET ASSETS	$ 27,567	$ 72,688	$ 100,255

See Accompanying Independent Auditor's Report.

SCHEDULE 4

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Enterprise		
	School Nutrition	Student-built House	Total
OPERATING REVENUES:			
Local sources:			
Charges for meals	$ 121,246	$ -	$ 121,246
Miscellaneous	1,534	-	1,534
Gain on sale of inventory	-	12,116	12,116
Total operating revenue	122,780	12,116	134,896
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	73,912	-	73,912
Benefits	19,411	-	19,411
Supplies	100,226	-	100,226
Miscellaneous	1,295	-	1,295
Depreciation	5,170	-	5,170
Total operating expenses	200,014	-	200,014
Operating income (loss)	(77,234)	12,116	(65,118)
NON-OPERATING REVENUES:			
State sources	2,428	-	2,428
Federal sources	71,737	-	71,737
Interest income	91	353	444
Total non-operating revenues	74,256	353	74,609
Net income (loss)	(2,978)	12,469	9,491
NET ASSETS - Beginning of year	30,545	60,219	90,764
NET ASSETS - End of year	$ 27,567	$ 72,688	$ 100,255

See Accompanying Independent Auditor's Report

SCHEDULE 5

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006

	Enterprise		
	School Nutrition	Student-built House	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sale of meals	$ 123,411	$ -	$ 123,411
Cash received from sale of inventory	-	180,760	180,760
Cash payments to employees for services	(84,071)	-	(84,071)
Cash payments to suppliers for goods and services	(93,961)	(168,644)	(262,605)
Cash received for miscellaneous items	539	-	539
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(54,082)	12,116	(41,966)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
State grants received	2,428	-	2,428
Federal grants received	63,489	-	63,489
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	65,917	-	65,917
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	91	353	444
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,926	12,469	24,395
CASH AND CASH EQUIVALENTS - Beginning of year	6,186	60,219	66,405
CASH AND CASH EQUIVALENTS - End of year	$ 18,112	$ 72,688	$ 90,800
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (77,234)	$ 12,116	$ (65,118)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Donated capital assets	(995)	-	(995)
Commodities consumed	8,248	-	8,248
Depreciation	5,170	-	5,170
Increase in inventories	(688)	-	(688)
Increase in salaries and benefits payable	9,252	-	9,252
Increase in deferred revenues	2,165	-	2,165
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (54,082)	$ 12,116	$ (41,966)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
During the year ended June 30, 2006, the District received $8,248 in federal commodities and $995 in donated capital assets.

See Accompanying Independent Auditor's Report

SCHEDULE 6

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenue	Expenditures	Balance End of Year
Annual	$ 3,838	$ 8,967	$ 5,230	$ 7,575
Athletics	(241)	38,650	35,536	2,873
Cheerleaders	115	93	38	170
Golf	18	763	781	-
Class of:				
2005	496	-	-	496
2006	1,387	220	1,352	255
2007	1,647	1,414	2,912	149
2008	660	700	35	1,325
2009	16	720	-	736
Concessions	1,103	16,211	14,960	2,354
FFA	(788)	15,411	13,363	1,260
HS student activities	80	1,900	1,980	-
Lutton student activities	3,729	4,350	6,429	1,650
National Honor Society	47	61	88	20
Interest	10	134	131	13
Library club	1,303	306	30	1,579
Model UN	65	772	801	36
Music boosters	117	13,005	8,967	4,155
Science club	26	-	-	26
Student council	532	12,659	12,121	1,070
Spanish club	278	-	-	278
Speech/drama	767	5,121	4,969	919
Girls softball	(129)	129	-	-
Girls basketball	1,122	4,873	4,954	1,041
Track	751	3,422	3,437	736
Boys basketball	7,060	705	7,104	661
Baseball	1,332	1,519	1,022	1,829
Wrestling	4,483	8,985	4,930	8,538
Football	2,897	3,689	4,694	1,892
Volleyball	106	1,262	1,235	133
Lutton	799	1,949	2,294	454
Heart fund	134	1,135	1,135	134
Book fair	593	4,316	4,316	593
Family night	4	-	-	4
Bear Essentials	3,108	312	525	2,895
Valley rush	855	7,956	7,098	1,713
Totals	$ 38,320	$ 161,709	$ 152,467	$ 47,562

See Accompanying Independent Auditor's Report

SCHEDULE 7

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FIVE YEARS

	Modified Accrual Basis Years Ended June 30,				
	2006	2005	2004	2003	2002
Revenues:					
Local sources:					
Local tax	$ 1,856,775	$ 1,757,958	$ 1,664,110	$ 1,629,439	$ 1,599,624
Tuition	482,087	415,982	406,331	366,089	314,901
Other	334,090	358,670	330,664	332,526	348,179
State sources	1,902,649	1,909,318	1,896,927	1,830,632	1,819,592
Federal sources	115,720	135,974	124,639	124,500	73,825
Total	$ 4,691,321	$ 4,577,902	$ 4,422,671	$ 4,283,186	$ 4,156,121
Expenditures:					
Current:					
Instruction:					
Regular instruction	$ 1,953,446	$ 1,967,316	$ 1,850,465	$ 1,754,457	$ 1,749,974
Special instruction	532,351	507,648	631,898	543,040	478,473
Other instruction	668,618	560,347	480,791	430,659	430,585
Support services:					
Student services	26	4,845	1,481	39,921	43,446
Instructional staff services	68,830	61,691	56,127	52,162	59,438
Administration services	502,577	523,888	521,419	507,546	474,032
Operation and maintenance of plant services	289,209	267,881	248,278	229,773	254,547
Transportation services	204,890	258,022	172,092	167,836	184,655
Non-instructional	-	-	21,853	23,277	25,331
Other expenditures:					
Facilities acquisitions	80,190	135,778	69,127	78,786	142,735
Long term debt:					
Principal	180,000	180,000	195,000	120,000	110,000
Interest	65,865	69,390	61,041	139,185	145,785
AEA flow-through	133,846	133,316	136,119	139,916	139,078
Total	$ 4,679,848	$ 4,670,122	$ 4,445,691	$ 4,226,558	$ 4,238,079

See Accompanying Independent Auditor's Report

ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge"

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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
English Valleys 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 English Valleys 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 September 8, 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 English Valleys 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 (A) Segregation of Duties, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether English Valleys 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.

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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 English Valleys Community School District and other parties to whom the English Valleys 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 English Valleys 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.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
September 8, 2006

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements

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, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information A small staff makes it difficult to establish an ideal system of automatic internal checks on the accounting records accuracy and reliability, although we noted the District had taken steps to segregate duties between present personnel This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review 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.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget – Expenditures for the year ended June 30, 2006 did not exceed the amounts budgeted.

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

06-II-C 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.

06-II-D Business Transactions – No business transactions between the District and District officials or employees were noted.

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

06-II-F Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board.

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

06-II-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

06-II-I Certified Annual Report - The certified annual report was certified to the Department of Education timely; however, two errors in the amounts reported were noted.

Recommendation – The District should correct the items affecting beginning balances on the Certified Annual Report for the fiscal year ending June 30, 2006

Response – We will correct the necessary balances on our FY06 CAR.

Conclusion – Response accepted.