

WAPELLO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

WAPELLO COMMUNITY SCHOOL DISTRICT
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WAPELLO COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2005 Election)		
Don Hardin	Board President	2007
Steve Dickey	Board Member	2005
Mike Delzell	Board Member	2006
Julie Ohde	Board Member	2006
Larry Moser	Board Member	2007
(After September, 2005 Election)		
Don Hardin	Board President	2007
Mike Delzell	Board Member	2006
Julie Ohde	Board Member	2006
Larry Moser	Board Member	2007
Steve Dickey	Board Member	2008
School Officials		
Doug Graber	Superintendent	2006
Eric Small	District Secretary	2006
Janell Heater	District Treasurer	2006
Roger Huddle	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
Wapello 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 Wapello Community School District, Wapello, 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 Wapello 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 September 15, 2006 on my consideration of Wapello 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 41 through 42 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 Wapello 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 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 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

Kay L. Chapman, CPA PC
September 15, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapello 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 \$6,032,984 in fiscal 2005 to \$6,516,316 in fiscal 2006, also General Fund expenditures increased from \$6,210,403 in fiscal 2005 to \$6,660,833 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$465,040 in fiscal 2005 to \$305,523 in fiscal 2006, a 34% decrease from the prior year.
- The increase in General Fund revenues was attributable to additional Title I Funding in fiscal year 2006. The increase in expenditures was due primarily to an increase in the administration/non-certified salaries and benefits along with special education tuition/transportation costs.

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 Wapello 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 Wapello 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 Wapello 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.

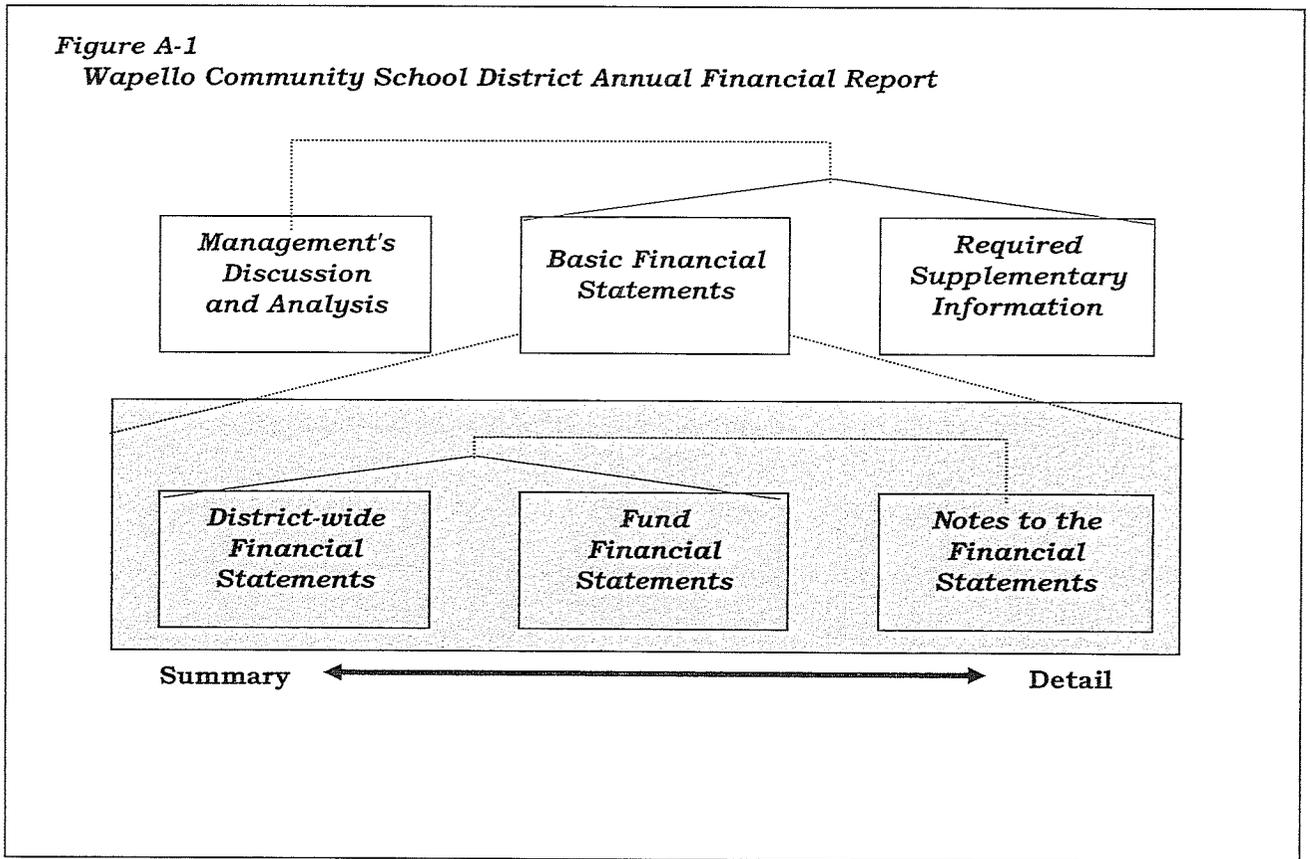


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Preschool 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
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$ 4,793,018	\$ 5,692,081	\$ 22,225	\$ 24,336	\$4,815,243	\$ 5,716,417	-15.76%
Capital assets	<u>2,671,130</u>	<u>2,694,766</u>	<u>46,377</u>	<u>40,223</u>	<u>2,717,507</u>	<u>2,734,989</u>	-0.64%
Total assets	<u>7,464,148</u>	<u>8,386,847</u>	<u>68,602</u>	<u>64,559</u>	<u>7,532,750</u>	<u>8,451,406</u>	-10.87%
Long-term obligations	918,304	1,071,462	-	-	918,304	1,071,462	-14.29%
Other liabilities	<u>3,421,268</u>	<u>4,659,514</u>	-	-	<u>3,421,268</u>	<u>4,659,514</u>	-26.57%
Total liabilities	<u>4,339,572</u>	<u>5,730,976</u>	-	-	<u>4,339,572</u>	<u>5,730,976</u>	-24.28%
Net assets							
Invested in capital assets, net of related debt	1,752,826	1,623,304	46,377	40,223	1,799,203	1,663,527	8.16%
Restricted	1,066,227	574,569	-	-	1,066,227	574,569	85.57%
Unrestricted	<u>305,523</u>	<u>457,998</u>	<u>22,225</u>	<u>24,336</u>	<u>327,748</u>	<u>482,334</u>	-32.05%
Total net assets	<u>\$ 3,124,576</u>	<u>\$ 2,655,871</u>	<u>\$ 68,602</u>	<u>\$ 64,559</u>	<u>\$3,193,178</u>	<u>\$ 2,720,430</u>	17.38%

The District's combined net assets increased by approximately 17%, or \$472,748, 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 \$491,658, or approximately 86% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy 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 – decreased \$154,586, or approximately 32%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year. A new boiler for the Elementary school was bought out of the carryover fund balance which played a large part in the decrease.

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	\$ 610,723	\$ 574,514	\$ 196,346	\$ 126,441	\$ 807,069	\$ 700,955	15.14%
Operating grants	740,144	646,731	192,829	230,024	932,973	876,755	6.41%
General revenues							
Property tax	2,633,424	2,524,549	-	-	2,633,424	2,524,549	4.31%
Sales and services tax	414,939	351,376	-	-	414,939	351,376	18.09%
Unrestricted state grants	3,313,436	2,990,723	-	-	3,313,436	2,990,723	10.79%
Contributions and donations	1,100	341	-	-	1,100	341	222.58%
Unrestricted investment earnings	<u>25,671</u>	<u>46,588</u>	<u>-</u>	<u>-</u>	<u>25,671</u>	<u>46,588</u>	-44.90%
Total revenues	<u>7,739,437</u>	<u>7,134,822</u>	<u>389,175</u>	<u>356,465</u>	<u>8,128,612</u>	<u>7,491,287</u>	8.51%
Program expenses							
Governmental activities							
Instruction	5,134,761	4,825,773	-	-	5,134,761	4,825,773	6.40%
Support services	1,754,471	1,544,875	-	-	1,754,471	1,544,875	13.57%
Non-instructional programs	-	-	385,132	362,350	385,132	362,350	6.29%
Other expenses	<u>381,500</u>	<u>363,679</u>	<u>-</u>	<u>-</u>	<u>381,500</u>	<u>363,679</u>	4.90%
Total expenses	<u>7,270,732</u>	<u>6,734,327</u>	<u>385,132</u>	<u>362,350</u>	<u>7,655,864</u>	<u>7,096,677</u>	7.88%
Change in net assets	<u>\$ 468,705</u>	<u>\$ 400,495</u>	<u>\$ 4,043</u>	<u>\$ (5,885)</u>	<u>\$ 472,748</u>	<u>\$ 394,610</u>	19.80%

In fiscal 2006, property tax and unrestricted state grants account for 77% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were \$8,128,612 of which \$7,739,437 was for governmental activities and \$389,175 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.51% increase in revenues and a 7.88% increase in expenses. Property tax increased \$108,875 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 \$7,739,437 and expenses were \$7,270,732. 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		
	<u>2006</u>	<u>2005</u>	<u>Change</u> <u>2005-2006</u>	<u>2006</u>	<u>2005</u>	<u>Change</u> <u>2005-2006</u>
Instruction	\$ 5,134,761	\$ 4,825,773	6.4%	\$ 4,033,826	\$ 3,832,331	5.3%
Support services	1,754,471	1,544,875	13.6%	1,753,285	1,544,775	13.5%
Other expenses	<u>381,500</u>	<u>363,679</u>	4.9%	<u>132,754</u>	<u>135,976</u>	-2.4%
Total expenses	<u>\$ 7,270,732</u>	<u>\$ 6,734,327</u>	8.0%	<u>\$ 5,919,865</u>	<u>\$ 5,513,082</u>	7.4%

- The cost financed by users of the District's programs was \$610,723.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$740,144.
- The net cost of governmental activities was financed with \$3,048,363 in property and other taxes and \$3,313,436 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$389,175 representing a 9% increase over the prior year and expenses were \$385,132, a 6.3% increase over the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Wapello 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 balances of \$1,379,809, well above last year's ending fund balances of \$1,042,551.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was not adequate to meet the District's increase in General Fund expenditures.
- The General Fund balance decreased from \$465,040 to \$305,523 due in part to the purchasing of a new boiler for the elementary school.
- The Capital Projects Fund balance increased from \$353,006 to \$718,477 due to the collection of local option sales and services tax in excess of expenditures during fiscal 2006.

Proprietary Fund Highlights

- The Proprietary Fund balances increased from \$64,559 at June 30, 2005 to \$68,602 at June 30, 2006, representing an increase of approximately 6%. The district purchased some new equipment for the kitchen at the elementary building as well as the high school which attributed to the decline in the balance of the School Nutrition Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wapello Community School District amended its annual budget one time to reflect additional expenditures associated with the hiring of additional employees needed to meet the needs of the students.

The District's total actual revenues were \$69,554 less than the total budgeted revenues, a variance of .8%. The most significant variance resulted from lower funding in some of the federal grant areas than was expected.

Total expenditures were \$1,223,583 less than the certified budget due primarily to a decrease in spending as implemented by district management. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$2,717,507, 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 less than 1% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$193,788.

The original cost of the District's capital assets was \$6,095,915. Governmental funds account for \$6,011,878 with the remainder of \$84,037 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$331,730 at June 30, 2006, compared to \$250,496 reported at June 30, 2005. This increase resulted from additions of some equipment for the buildings and grounds of the district as well as furniture for classrooms.

Figure A-6

	Capital Assets, Net of Depreciation						Total Change
	Governmental Activities		Business-type Activities		Total School District		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
Land	\$ 35,000	\$ 35,000	\$ -	\$ -	\$ 35,000	\$ 35,000	0.00%
Buildings and improvements	1,982,613	2,034,976	-	-	1,982,613	2,034,976	-2.57%
Improvements, other than buildings	331,730	250,496	-	-	331,730	250,496	32.43%
Furniture and equipment	<u>321,787</u>	<u>374,294</u>	<u>46,377</u>	<u>40,223</u>	<u>368,164</u>	<u>414,517</u>	-11.18%
Totals	<u>\$2,671,130</u>	<u>\$2,694,766</u>	<u>\$46,377</u>	<u>\$40,223</u>	<u>\$2,717,507</u>	<u>\$2,734,989</u>	-0.64%

Long-Term Debt

At June 30, 2006, the District had \$918,304 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 14% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7

	Outstanding Long-term Obligations		
	Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2005-</u> <u>2006</u>
General obligation bonds	\$ 770,000	\$ 900,000	-14.44%
Bank loan	<u>148,304</u>	<u>171,462</u>	-13.51%
Total	<u>\$ 918,304</u>	<u>\$ 1,071,462</u>	-14.29%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's assessed valuation has decreased \$3,579,773 in January 2007 due to decreased valuations. This affects revenue for operating along with PPEL Funds.
- The SILO Tax money that continues to come in to the district will be a source of revenue that will be used to improve the district. Some long range goals for this money include auditorium renovations, a new modular classroom, and other improvements to the buildings and grounds of the Wapello Community School District.
- The District experienced declining enrollment for the first time in the past few years. This trend may continue and have an impact on the district in future years.

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 Eric Small, District Secretary/ Business Manager, Wapello Community School District, 445 N. Cedar Street, Wapello, Iowa 52653.

Basic Financial Statements

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents			
ISCAP	\$ 595,172	\$ -	\$ 595,172
Other	1,155,592	12,101	1,167,693
Receivables			
Property tax			
Delinquent	36,060	-	36,060
Succeeding year	2,745,683	-	2,745,683
Accounts receivable	12,368	4,043	16,411
Accrued interest			
ISCAP	185	-	185
Due from other governments	247,958	-	247,958
Inventories	-	6,081	6,081
Capital assets, net of accumulated depreciation	2,671,130	46,377	2,717,507
Total assets	7,464,148	68,602	7,532,750
LIABILITIES			
Accounts payable	55,346	-	55,346
Accrued interest payable	8,059	-	8,059
Deferred revenue - succeeding year property tax	2,745,683	-	2,745,683
ISCAP warrants payable	596,000	-	596,000
ISCAP accrued interest payable	147	-	147
ISCAP unamortized premium	16,033	-	16,033
Long-term liabilities			
Portion due within one year			
Notes payable	24,140	-	24,140
Bonds payable	135,000	-	135,000
Portion due after one year			
Notes payable	124,164	-	124,164
Bonds payable	635,000	-	635,000
Total liabilities	4,339,572	-	4,339,572

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,752,826	\$ 46,377	\$ 1,799,203
Restricted for			
Management levy	35,199	-	35,199
Physical plant and equipment levy	162,727	-	162,727
Other special revenue purposes	125,005	-	125,005
Debt service	24,819	-	24,819
Capital outlay	718,477	-	718,477
Unrestricted	<u>305,523</u>	<u>22,225</u>	<u>327,748</u>
 Total net assets	 <u>\$ 3,124,576</u>	 <u>\$ 68,602</u>	 <u>\$ 3,193,178</u>

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities						
Instruction						
Regular instruction	\$3,141,154	\$ 610,723	\$ -	\$(2,230,915)	-	\$(2,230,915)
Special instruction	958,535	-	-	(784,780)	-	(784,780)
Other instruction	<u>1,035,072</u>	<u>16,941</u>	<u>-</u>	<u>(1,018,131)</u>	<u>-</u>	<u>(1,018,131)</u>
Support services	<u>5,134,761</u>	<u>610,723</u>	<u>490,212</u>	<u>(4,033,826)</u>	<u>-</u>	<u>(4,033,826)</u>
Student services						
Instructional staff services	113,844	-	-	(113,844)	-	(113,844)
Administration services	60,425	-	-	(60,425)	-	(60,425)
Operation and maintenance of plant services	621,248	-	-	(621,248)	-	(621,248)
Transportation services	610,827	-	-	(609,641)	-	(609,641)
	<u>348,127</u>	<u>1,186</u>	<u>-</u>	<u>(348,127)</u>	<u>-</u>	<u>(348,127)</u>
Other expenditures	<u>1,754,471</u>	<u>-</u>	<u>-</u>	<u>(1,753,285)</u>	<u>-</u>	<u>(1,753,285)</u>
Facilities acquisition						
Long-term debt interest	5,740	-	-	(5,740)	-	(5,740)
AEA flowthrough	51,880	-	-	(51,880)	-	(51,880)
Depreciation (unallocated) *	248,746	-	-	-	-	-
	<u>75,134</u>	<u>248,746</u>	<u>-</u>	<u>(75,134)</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>381,500</u>	<u>248,746</u>	<u>-</u>	<u>(132,754)</u>	<u>-</u>	<u>(132,754)</u>
	<u>7,270,732</u>	<u>740,144</u>	<u>-</u>	<u>(5,919,865)</u>	<u>-</u>	<u>(5,919,865)</u>

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Functions/Programs</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	
Business type activities				
Non-instructional programs				
Food service operations	\$ 321,321	\$ 192,829	\$ -	\$ 4,865
Preschool operations	63,811	-	-	(822)
Total business type activities	<u>385,132</u>	<u>192,829</u>	-	<u>4,043</u>
Total	<u>\$ 7,655,864</u>	<u>\$ 932,973</u>	<u>\$ -</u>	<u>(5,915,822)</u>
<u>General Revenues</u>				
Property tax levied for				
General purposes				
Capital outlay				
Debt service				
Local sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Contributions and donations				
Total general revenues				
		2,277,024	-	2,277,024
		149,559	-	149,559
		206,841	-	206,841
		414,939	-	414,939
		3,313,436	-	3,313,436
		25,671	-	25,671
		<u>1,100</u>	-	<u>1,100</u>
		<u>6,388,570</u>	-	<u>6,388,570</u>
Change in net assets				
Net assets, beginning of year		468,705	4,043	472,748
Net assets, end of year		<u>2,655,871</u>	<u>64,559</u>	<u>2,720,430</u>
		<u>\$ 3,124,576</u>	<u>\$ 68,602</u>	<u>\$ 3,193,178</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.

WAPELLO COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and pooled investments				
ISCAP	\$ 595,172	\$ -	\$ -	\$ 595,172
Other	329,885	476,278	349,429	1,155,592
Receivables				
Property tax				
Delinquent	29,680	-	6,380	36,060
Succeeding year	2,272,203	-	473,480	2,745,683
Accounts receivable	12,368	-	-	12,368
Accrued interest				
ISCAP	185	-	-	185
Due from other governments	5,759	242,199	-	247,958
Total assets and other debits	<u>\$ 3,245,252</u>	<u>\$ 718,477</u>	<u>\$ 829,289</u>	<u>\$ 4,793,018</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 55,346	\$ -	\$ -	\$ 55,346
ISCAP warrants payable	596,000	-	-	596,000
ISCAP accrued interest payable	147	-	-	147
ISCAP unamortized premium	16,033	-	-	16,033
Deferred revenue				
Succeeding year property tax	2,272,203	-	473,480	2,745,683
Total liabilities	<u>2,939,729</u>	<u>-</u>	<u>473,480</u>	<u>3,413,209</u>
 Fund balances				
Designated for special purpose	-	-	47,877	47,877
Reserved for				
Debt service	-	-	32,878	32,878
Unreserved, undesignated				
Special revenue funds	-	-	275,054	275,054
Other governmental	305,523	718,477	-	1,024,000
Total fund balances	<u>305,523</u>	<u>718,477</u>	<u>355,809</u>	<u>1,379,809</u>
Total liabilities and fund balances	<u>\$ 3,245,252</u>	<u>\$ 718,477</u>	<u>\$ 829,289</u>	<u>\$ 4,793,018</u>

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

WAPELLO 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	\$ 1,379,809
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.	2,671,130
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.	(8,059)
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(918,304)</u>
Net assets of governmental activities	<u><u>\$ 3,124,576</u></u>

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

WAPELLO 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 Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 2,175,478	\$ 414,939	\$ 455,927	\$ 3,046,344
Tuition	215,080	-	-	215,080
Other	70,516	-	351,897	422,413
State sources	3,833,851	-	358	3,834,209
Federal sources	221,391	-	-	221,391
Total revenues	<u>6,516,316</u>	<u>414,939</u>	<u>808,182</u>	<u>7,739,437</u>
Expenditures				
Current				
Instruction				
Regular instruction	3,029,608	-	94,711	3,124,319
Special instruction	958,535	-	-	958,535
Other instruction	716,076	-	318,996	1,035,072
	<u>4,704,219</u>	<u>-</u>	<u>413,707</u>	<u>5,117,926</u>
Support services				
Student services	110,945	-	6,320	117,265
Instructional staff services	57,931	-	1,672	59,603
Administration services	607,875	-	6,296	614,171
Operation and maintenance of plant	627,069	-	37,440	664,509
Transportation services	304,048	-	13,741	317,789
	<u>1,707,868</u>	<u>-</u>	<u>65,469</u>	<u>1,773,337</u>
Other expenditures				
Facilities acquisition	-	49,468	5,739	55,207
Long-term debt				
Principal	-	-	153,158	153,158
Interest and fiscal charges	-	-	53,805	53,805
AEA flowthrough	248,746	-	-	248,746
	<u>248,746</u>	<u>49,468</u>	<u>212,702</u>	<u>510,916</u>
Total expenditures	<u>6,660,833</u>	<u>49,468</u>	<u>691,878</u>	<u>7,402,179</u>

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

WAPELLO 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 Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (144,517)	\$ 365,471	\$ 116,304	\$ 337,258
Other financing sources (uses) Operating transfers in (out)	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Net change in fund balances	(159,517)	365,471	131,304	337,258
Fund balance, beginning of year	<u>465,040</u>	<u>353,006</u>	<u>224,505</u>	<u>1,042,551</u>
Fund balance, end of year	<u>\$ 305,523</u>	<u>\$ 718,477</u>	<u>\$ 355,809</u>	<u>\$ 1,379,809</u>

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

WAPELLO 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 \$ 337,258

**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 capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 165,098	
Depreciation expense	<u>(188,734)</u>	(23,636)

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. 153,158

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,925

Change in net assets of governmental activities \$ 468,705

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

WAPELLO SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2006

Exhibit G

	<u>Nonmajor Enterprise</u>
ASSETS	
Cash and pooled investments	\$ 12,101
Accounts receivable	4,043
Inventories	6,081
Capital assets, net of accumulated depreciation	<u>46,377</u>
Total assets	<u>68,602</u>
LIABILITIES	
	<u>-</u>
NET ASSETS	
Invested in capital assets, net of related debt	46,377
Unreserved retained earnings	<u>22,225</u>
Total net assets	<u>\$ 68,602</u>

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

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

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 196,346</u>
Operating expenses	
Preschool operations	
Instruction - regular	
Salaries	41,664
Benefits	<u>5,448</u>
	<u>47,112</u>
Non-instructional programs	
Benefits	12,152
Purchased services	4,169
Supplies	<u>378</u>
	<u>16,699</u>
Total preschool operations	<u>63,811</u>
School nutrition program	
Salaries	135,468
Benefits	18,348
Purchased services	1,770
Supplies	160,681
Depreciation	<u>5,054</u>
Total school nutrition program	<u>321,321</u>
Total operating expenses	385,132
Operating loss	<u>(188,786)</u>
Non-operating revenue	
State sources	5,002
Federal sources	<u>187,827</u>
Total non-operating revenue	<u>192,829</u>
Net income	4,043
Net assets, beginning of year	<u>64,559</u>
Net assets, end of year	<u>\$ 68,602</u>

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

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

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale services	\$ 192,303
Cash payments to employees for services	(208,215)
Cash payments to suppliers for goods and services	(157,242)
Net cash used in operating activities	<u>(173,154)</u>
Cash flows from non-capital financing activities	
State grants received	5,002
Federal grants received	173,206
Net cash provided by non-capital financing activities	<u>178,208</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(11,208)</u>
Cash flows from investing activities	<u>-</u>
Net decrease in cash and cash equivalents	(6,154)
Cash and cash equivalents, beginning of year	18,255
Cash and cash equivalents, end of year	<u>\$ 12,101</u>
 Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$(188,786)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	14,621
Commodities used	5,054
(Increase) in accounts receivable	(4,043)
Net cash used in operating activities	<u>\$ (173,154)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2006 , the District received \$14,621 of federal commodities.

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2006

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash and pooled investments	\$ 7,005
Liabilities	
	<u>-</u>
Net assets	
Reserved for scholarships	<u>\$ 7,005</u>

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

WAPELLO COMMUNITY SCHOOL DISTRICT
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Fund
 For the Year Ended June 30, 2006

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ -
Deductions	
Instruction	
Scholarships	<u>-</u>
Change in net assets	-
Net assets, beginning of year	<u>7,005</u>
Net assets, end of year	<u>\$ 7,005</u>

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies

The Wapello 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 City of Wapello, Iowa, and the agricultural territory in Louisa and Des Moines 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, Wapello 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 Wapello 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 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.

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 to buildings	20-50 years
Furniture and equipment	4-12 years

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 did not exceed the amounts budgeted in any of the four functions, nor did General Fund expenditures 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.

The District had no investments at June 30, 2006.

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>
School Nutrition	Preschool	\$ 19,967

The Preschool Fund had a negative bank balance at June 30, 2006. Since this is a bank account that is shared with the School Nutrition Fund, the negative balance is shown as a due to/due from on the financial statements.

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	Physical Plant and Equipment Levy	\$ 30,058
Physical Plant and Equipment Levy	General	<u>15,000</u>
Total		<u>\$ 45,058</u>

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

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools 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 as of June 30, 2006, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2006-07A	6/28/06	6/28/07	\$ 595,172	\$ 185	\$ 596,000	\$ 147	\$ 16,033

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 additions, 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. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

<u>Series</u>	<u>Balance, Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance, End of Year</u>
2005-06A	\$ -	\$ 150,000	\$ 150,000	\$ -

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06A	4.000%	3.9030%
2005-06B	4.500%	4.7720%
2006-07A	4.500%	5.6760%

Note 6. Capital Assets

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

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Capital assets being depreciated:				
Buildings and improvements	3,465,881	-	-	3,465,881
Improvements other than buildings	346,918	104,005	-	450,923
Furniture and equipment	<u>1,998,981</u>	<u>61,093</u>	<u>-</u>	<u>2,060,074</u>
Total capital assets being depreciated	<u>5,811,780</u>	<u>165,098</u>	<u>-</u>	<u>5,976,878</u>
Less accumulated depreciation for:				
Buildings and improvements	1,430,905	52,363	-	1,483,268
Improvements other than buildings	96,422	22,771	-	119,193
Furniture and equipment	<u>1,624,687</u>	<u>113,600</u>	<u>-</u>	<u>1,738,287</u>
Total accumulated depreciation	<u>3,152,014</u>	<u>188,734</u>	<u>-</u>	<u>3,340,748</u>
Total capital assets being depreciated, net	<u>2,659,766</u>	<u>(23,636)</u>	<u>-</u>	<u>2,636,130</u>
Governmental activities capital assets, net	<u>\$ 2,694,766</u>	<u>\$ (23,636)</u>	<u>\$ -</u>	<u>\$ 2,671,130</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 72,829	\$ 11,208	\$ -	\$ 84,037
Less accumulated depreciation	<u>32,606</u>	<u>5,054</u>	<u>-</u>	<u>37,660</u>
Business type activities capital assets, net	<u>\$ 40,223</u>	<u>\$ 6,154</u>	<u>\$ -</u>	<u>\$ 46,377</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction		
Regular		\$ 44,792
Support services		
Instructional staff		822
Administration		7,077
Operation and maintenance of plant		8,556
Transportation		52,353
Unallocated depreciation		<u>75,134</u>
Total governmental activities depreciation expense		<u>\$ 188,734</u>

Business type activities

Food services		<u>\$ 5,054</u>
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Note 7. 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	\$ 900,000	\$ -	\$(130,000)	\$ 770,000	\$ 135,000
Bank loan	<u>171,462</u>	<u>-</u>	<u>(23,158)</u>	<u>148,304</u>	<u>24,140</u>
Totals	<u>\$ 1,071,462</u>	<u>\$ -</u>	<u>\$(153,158)</u>	<u>\$ 918,304</u>	<u>\$ 159,140</u>

Bonds Payable

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

Year Ending June 30,	Bond issue of February 1, 1996			
	Interest Rates	Interest	Principal	Total
2007	5.00	\$ 40,135	\$ 135,000	\$ 175,135
2008	5.10	33,385	145,000	178,385
2009	5.20	25,990	155,000	180,990
2010	5.30	17,930	160,000	177,930
2011	5.40	<u>9,450</u>	<u>175,000</u>	<u>184,450</u>
Totals		<u>\$ 126,890</u>	<u>\$ 770,000</u>	<u>\$ 896,890</u>

Loans Payable

On July 31, 2003, the District entered into a loan agreement with State Bank of Wapello for \$153,289 for paving the parking lot. The loan bears interest at 4 percent and requires ten annual payments of \$18,902, plus interest, beginning July 31, 2004. The loan is scheduled to be repaid as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 13,814	\$ 5,089	\$ 18,903
2008	14,367	4,536	18,903
2009	14,942	3,961	18,903
2010	15,539	3,364	18,903
2011	16,161	2,742	18,903
2012	16,807	2,096	18,903
2013	17,480	1,423	18,903
2014	<u>18,138</u>	<u>765</u>	<u>18,903</u>
Totals	<u>\$ 127,248</u>	<u>\$ 23,976</u>	<u>\$ 151,224</u>

On June 16, 2003, the District entered into a loan agreement with MidWest One Bank of Wapello for \$50,000 for the purchase of a building to be used for the preschool program. The loan bears interest at 2.75 percent and requires annual payments of \$11,168 starting June 16, 2004. The loan is scheduled to be repaid as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 10,326	\$ 842	\$ 11,168
2008	<u>10,730</u>	<u>438</u>	<u>11,168</u>
Totals	<u>\$ 21,056</u>	<u>\$ 1,280</u>	<u>\$ 22,336</u>

Note 8. 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 \$212,289, \$193,088 and \$187,872 respectively, equal to the required contributions for each year.

Note 9. 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 10. 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 \$248,746 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

WAPELLO 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	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 3,683,837	\$ 196,346	\$ 3,880,183	\$ 3,479,582	\$ 3,479,582	\$ 400,601
State sources	3,834,209	5,002	3,839,211	4,298,584	4,298,584	(459,373)
Federal sources	221,391	187,827	409,218	420,000	420,000	(10,782)
Total revenues	<u>7,739,437</u>	<u>389,175</u>	<u>8,128,612</u>	<u>8,198,166</u>	<u>8,198,166</u>	<u>(69,554)</u>
Expenditures						
Instruction	5,117,926	47,112	5,165,038	5,893,918	5,893,918	728,880
Support services	1,773,337	-	1,773,337	1,956,456	1,984,826	211,489
Non-instructional programs	-	338,020	338,020	366,604	466,604	128,584
Other expenditures	510,916	-	510,916	665,546	665,546	154,630
Total expenditures	<u>7,402,179</u>	<u>385,132</u>	<u>7,787,311</u>	<u>8,882,524</u>	<u>9,010,894</u>	<u>1,223,583</u>
Excess (deficiency) of revenues over (under) expenditures	337,258	4,043	341,301	(684,358)	(812,728)	1,154,029
Balance, beginning of year	1,042,551	64,559	1,107,110	1,082,664	1,082,664	24,446
Balance, end of year	<u>\$ 1,379,809</u>	<u>\$ 68,602</u>	<u>\$ 1,448,411</u>	<u>\$ 398,306</u>	<u>\$ 269,936</u>	<u>\$ 1,178,475</u>

See accompanying Independent Auditor's Report.

WAPELLO 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 and the Capital Projects 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 \$128,370.

During the year ended June 30, 2006, District expenditures did not exceed the amounts budgeted in any of the functional areas nor did General Fund expenditures exceed the District's unspent authorized budget.

Other Supplementary Information

WAPELLO COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

Schedule 1

	Special Revenue				<u>Total</u>
	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
ASSETS					
Cash and pooled investments	\$ 33,792	\$ 125,005	\$ 160,640	\$ 29,992	\$ 349,429
Receivables					
Property tax					
Delinquent	1,407	-	2,087	2,886	6,380
Succeeding year	105,000	-	162,688	205,792	473,480
Total assets	<u>\$ 140,199</u>	<u>\$ 125,005</u>	<u>\$ 325,415</u>	<u>\$ 238,670</u>	<u>\$ 829,289</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Deferred revenue					
Succeeding year property tax	\$ 105,000	\$ -	\$ 162,688	\$ 205,792	\$ 473,480
Fund balances					
Designated for special purpose	-	-	47,877	-	47,877
Reserved for debt service	-	-	-	32,878	32,878
Unreserved fund balances	35,199	125,005	114,850	-	275,054
Total fund balances	<u>35,199</u>	<u>125,005</u>	<u>162,727</u>	<u>32,878</u>	<u>355,809</u>
Total liabilities and fund balances	<u>\$ 140,199</u>	<u>\$ 125,005</u>	<u>\$ 325,415</u>	<u>\$ 238,670</u>	<u>\$ 829,289</u>

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2006

Schedule 2

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	<u>Total</u>
Revenues					
Local sources					
Local taxes	\$ 99,804	-	\$ 149,442	\$ 206,681	\$ 455,927
Other	-	350,797	1,100	-	351,897
State sources	81	-	117	160	358
Total revenues	99,885	350,797	150,659	206,841	808,182
Expenditures					
Current					
Instruction					
Regular program instruction	20,110	-	74,601	-	94,711
Other instruction					
Support services		318,996	-	-	318,996
Student support services	6,320	-	-	-	6,320
Instructional staff support services	1,672	-	-	-	1,672
Administration services	6,296	-	-	-	6,296
Operation and maintenance of plant services	37,440	-	-	-	37,440
Transportation services	13,741	-	-	-	13,741

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2006

Schedule 2

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	<u>Total</u>
Expenditures (continued)					
Other expenditures	-	-	5,739	-	\$ 5,739
Facilities acquisition	-	-	-	-	-
Long-term debt:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	153,158	153,158
Total expenditures	85,579	318,996	80,340	53,805	53,805
Excess (deficiency) of revenues under expenditures	14,306	31,801	70,319	(122)	691,878
Total	14,306	31,801	70,319	(122)	116,304
Other financing sources (uses)					
Operating transfers in	-	-	15,000	30,058	45,058
Operating transfers (out)	-	-	(30,058)	-	(30,058)
Total other financing sources (uses)	-	-	(15,058)	30,058	15,000
Excess of revenues and other financing sources over expenditures and other financing (uses)	14,306	31,801	55,261	29,936	131,304
Fund balances, beginning of year	20,893	93,204	107,466	2,942	224,505
Fund balances, end of year	\$ 35,199	\$ 125,005	\$ 162,727	\$ 32,878	\$ 355,809

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2006

Schedule 3

	Enterprise		
	School		
	<u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
ASSETS			
Cash and pooled investments	\$ 12,101	\$ -	\$ 12,101
Accounts receivable	-	4,043	4,043
Due from other fund	19,967	-	19,967
Inventories	6,081	-	6,081
Equipment, net of accumulated depreciation	<u>46,377</u>	<u>-</u>	<u>46,377</u>
Total assets	<u>84,526</u>	<u>4,043</u>	<u>88,569</u>
LIABILITIES			
Due to other fund	<u>-</u>	<u>19,967</u>	<u>19,967</u>
NET ASSETS			
Invested in capital assets, net	46,377	-	46,377
Unreserved	<u>38,149</u>	<u>(15,924)</u>	<u>22,225</u>
Total net assets	<u>\$ 84,526</u>	<u>\$ (15,924)</u>	<u>\$ 68,602</u>

See accompanying Independent Auditor's Report.

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

Schedule 4

	Enterprise		
	School Nutrition	Preschool	Total
Operating revenue			
Local sources			
Charges for service	\$ 133,357	\$ 62,989	\$ 196,346
Operating expenses			
Instruction - regular			
Salaries	-	41,664	41,664
Benefits	-	5,448	5,448
	-	47,112	47,112
Non-instructional programs			
Salaries	135,468	-	135,468
Benefits	18,348	12,152	30,500
Purchased services	1,770	4,169	5,939
Supplies	160,681	378	161,059
Depreciation	5,054	-	5,054
	321,321	16,699	338,020
Total operating expenses	321,321	63,811	385,132
Operating loss	(187,964)	(822)	(188,786)
Non-operating revenue			
State sources	5,002	-	5,002
Federal sources	187,827	-	187,827
Total non-operating revenue	192,829	-	192,829
Net income (loss)	4,865	(822)	4,043
Net assets, beginning of year	79,661	(15,102)	64,559
Net assets, end of year	\$ 84,526	\$ (15,924)	\$ 68,602

See accompanying Independent Auditor's Report.

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

Schedule 5

	Enterprise		
	School		
	Nutrition	Preschool	Total
Cash flows from operating activities			
Cash received from sale of services	\$ 133,357	\$ 58,946	\$ 192,303
Cash payments to employees for services	(153,816)	(54,399)	(208,215)
Cash payments to suppliers for goods and services	(152,695)	(4,547)	(157,242)
Net cash used in operating activities	(173,154)	-	(173,154)
Cash flows from non-capital financing activities			
State grants received	5,002	-	5,002
Federal grants received	173,206	-	173,206
Net cash provided by non-capital financing activities	178,208	-	178,208
Cash flows from capital and related financing activities			
Acquisition of capital assets	(11,208)	-	(11,208)
Cash flows from investing activities	-	-	-
Net decrease in cash and cash equivalents	(6,154)	-	(6,154)
Cash and cash equivalents, beginning of year	18,255	-	18,255
Cash and cash equivalents, end of year	\$ 12,101	\$ -	\$ 12,101
 Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (187,964)	\$ (822)	\$ (188,786)
Adjustments to reconcile operating loss to net cash used in operating activities			
Commodities used	14,621	-	14,621
Depreciation	5,054	-	5,054
(Increase) in accounts receivable	-	(4,043)	(4,043)
(Increase) decrease in due from other funds	(4,865)	4,865	-
Net cash used in operating activities	\$ (173,154)	\$ -	\$ (173,154)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$14,621 of federal commodities.

See accompanying Independent Auditor's Report.

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

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
Class of					
2002	\$ 349	\$ -	\$ -	\$ -	\$ 349
2003	1,238	-	-	-	1,238
2004	38	-	-	-	38
2005	1,302	38	827	-	513
2006	1,990	123	1,664	-	449
2007	592	8,320	5,874	-	3,038
2008	558	21	200	-	379
2009	1,000	20	250	-	770
2010	(34)	2,255	1,511	-	710
2011	-	365	230	-	135
FFA	6,108	34,695	38,853	42	1,992
FFA farmland	19,660	1,448	526	-	20,582
FHA	17	3,554	3,019	-	552
Cheerleading	579	8,421	9,148	-	(148)
Trees Forever	2,100	-	-	-	2,100
Greenhouse - FFA	2,782	4,139	4,511	(42)	2,368
FFA software	642	70	-	-	712
Mariposa club	58	-	-	-	58
Student of the month	161	526	340	-	347
Wrestling cheerleading	(1,883)	1,641	1,121	-	(1,363)
Key Club	81	496	378	-	199
Athletics	3,691	27,473	21,502	2,469	12,131
Wrestling	832	12,352	13,636	-	(452)
Boys basketball	3,306	18,760	18,882	(77)	3,107
Girls basketball	5,004	10,755	9,641	38	6,156
Volleyball	(390)	15,934	12,819	-	2,725
Cross country	(867)	956	1,158	-	(1,069)
Baseball	(3,220)	18,039	14,188	39	670
Softball	(376)	11,480	11,039	-	65
Boys track	(311)	5,092	4,774	-	7
Girls track	334	1,584	2,330	-	(412)
Football	2,084	20,536	20,263	-	2,357
Golf	(791)	10	670	-	(1,451)

See accompanying Independent Auditor's Report.

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

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	Balance, End of Year
Talented and gifted	\$ 15	\$ -	\$ -	\$ -	\$ 15
Yearbook - odd	(2,154)	464	5,681	156	(7,215)
Vocal	901	9,185	8,306	(294)	1,486
Robes	252	-	272	20	-
Band	908	2,184	3,733	1,131	490
Band uniforms	1,211	677	1,604	84	368
Art club	68	141	-	-	209
Newspaper	(538)	-	-	-	(538)
Thespians	3,276	8,202	6,438	21	5,061
Student senate	176	2,607	2,552	100	331
Prom	3	-	-	-	3
Auto mechanics	4	3,625	2,449	-	1,180
Instrument repair	21	-	-	-	21
National Honor Society	656	470	466	-	660
Vocal trip	6,090	(83)	-	200	6,207
School-to-work	64	-	-	-	64
Band-Adventureland	(543)	1,058	1,089	600	26
Peer mentoring	70	-	-	-	70
Photography	110	164	506	442	210
Yearbook - even	(3,408)	3,139	-	270	1
Color guard	(381)	2,763	2,628	250	4
Scott Keltner scholarship	24	-	300	-	(276)
FFA scholarship	5,997	5,229	4,495	-	6,731
Junior high	105	-	105	-	-
JH student council	151	2,234	2,118	(100)	167
Language arts fines	22	-	-	-	22
Pop machines	134	11,320	13,297	28	(1,815)
Milk shake machine	58	530	398	-	190
Registration	15	40,926	35,544	(5,381)	16
All Sport drink machine	28	-	-	(28)	-
Sandpoint fund	30	-	-	-	30
5/6 Girls Basketball	-	2,338	1,491	-	847
Jim Short Athletic Memorial	-	1,505	-	-	1,505

See accompanying Independent Auditor's Report.

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

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
Bus barn pop fund	\$ 138	\$ 78	\$ -	\$ -	\$ 216
Wal-Mart foundation	474	-	-	-	474
Spanish Trip	-	3,654	3,427	-	227
High School Library	-	599	-	-	599
Elementary	11,586	7,241	5,712	-	13,115
Elementary library	2,411	7,162	7,779	32	1,826
Elementary playground	6,153	7,190	-	-	13,343
Elementary vocal music	2,763	866	327	-	3,302
Elementary student council	652	2,204	2,163	-	693
Trace Dossett Reading Garden	501	-	203	-	298
Elementary pop	1,029	3,832	2,976	-	1,885
Character counts	88	301	361	-	28
Elementary band	252	-	107	-	145
Pre School Playground	-	8,070	1,182	-	6,888
Interest savings	-	94	-	-	94
Health	6,920	1,261	1,598	-	6,583
Interst - NOW checking	238	464	335	-	367
Totals	<u>\$ 93,204</u>	<u>\$ 350,797</u>	<u>\$ 318,996</u>	<u>\$ -</u>	<u>\$ 125,005</u>

See accompanying Independent Auditor's Report.

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

Schedule 7

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Local sources				
Local tax	\$ 3,046,344	\$ 2,873,859	\$ 2,424,992	\$ 2,540,227
Tuition	215,080	196,802	195,142	195,550
Other	422,413	424,466	333,130	347,905
State sources	3,834,209	3,446,281	3,158,613	3,082,463
Federal sources	221,391	193,239	210,696	193,759
Total revenues	<u>\$ 7,739,437</u>	<u>\$ 7,134,647</u>	<u>\$ 6,322,573</u>	<u>\$ 6,359,904</u>
Expenditures				
Instruction				
Regular instruction	3,124,319	3,028,768	2,875,548	2,931,038
Special instruction	958,535	999,754	863,058	803,469
Other instruction	1,035,072	786,460	690,738	676,310
Support services				
Student services	117,265	105,746	98,238	108,050
Instructional staff services	59,603	69,495	103,643	102,225
Administration services	614,171	611,608	525,707	490,751
Operation and maintenance of plant services	664,509	459,932	406,687	450,557
Transportation services	317,789	368,999	314,209	191,887
Other expenditures				
Facilities acquisition	55,207	3,509	186,239	149,475
Long-term debt				
Principal	153,158	204,865	129,462	135,661
Interest and other charges	53,805	61,871	59,824	64,890
AEA flowthrough	248,746	227,703	221,144	227,841
Total expenditures	<u>\$ 7,402,179</u>	<u>\$ 6,928,710</u>	<u>\$ 6,474,497</u>	<u>\$ 6,332,154</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
Wapello 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 Wapello 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 September 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 Wapello 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.

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 and (B) Accounting Records are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapello 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 Wapello 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 Wapello 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

Kay L. Chapman, CPA PC
September 15, 2006

WAPELLO 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 reported.

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 individual 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. Accounting Records - Several deficiencies in the accounting records were noted during the audit. These included:
- Incorrect bank reconciliations and cash balances.
The bank reconciliations contained numerous outstanding checks that were several months old. These checks should be investigated to determine the reason that they have not cleared the bank and how to correctly account for them in the records. Also, there were several items that either were not entered into the accounting records or were entered twice, resulting in an incorrect cash balance in the financial statements.
 - Purchase orders.
The District does not use pre-numbered purchase orders for all purchases. Purchase orders should be pre-numbered and used for all purchases to ensure that there is proper authorization for all orders and items purchased.

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

- Year-end Adjusting Entries
I noted that there were several incorrect entries made to the accounting records at year-end to convert to the GAAP basis of accounting for CAR reporting. I also noted that there were a few adjusting entries that should have been made at year-end that were not done, such as adjusting the School Nutrition Fund inventories to the FY06 ending amounts.
- Supporting Documentation for Certified Annual Report
There were a few amounts reported on the Certified Annual Report that were not supported by proper documentation. The Business Manager was not able to provide documentation to support the amounts reported for General Fund and Student Activity Fund cash amounts, intergovernmental receivables for the General Fund, ISCAP unamortized premium reported in the General Fund and General Fund expenditures.
- Depreciation Schedule for Fixed Assets
The depreciation schedule maintained by the District for its capital assets contains a few incorrect formulas, resulting in incorrect calculations for annual depreciation and accumulated depreciation. The schedule also doesn't clearly show the accumulated depreciation for each asset or in total.

Recommendation - The District should investigate its accounting policies, procedures and filing system to ensure that the amounts recorded in the financial statements are supported by proper documentation. The District should also maintain an organized filing system and accounting records to ensure that proper documentation is available for the audit and other necessary circumstances.

Response - We will review our procedures and policies and implement changes that we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2006 did not exceed the amounts budgeted. However, I noted that the budget amendment was not properly completed. The amount shown on the amendment form for Support Services in the "From" column was the original General Fund budget for Support Services, not the amount of the total Support Services budgeted expenditures shown on the original certified budget.

Recommendation - The District should ensure that the budget amendment form is completed properly for any amendments approved in subsequent years.

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

Response - We will properly complete the budget amendment forms in the future, as needed.

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. However, the minutes for the May 25th board meeting did not contain the Code of Iowa exemption under which the board entered into a closed session.

Recommendation - Chapter 21.5 of the Code of Iowa requires that board minutes include a reference to the specific exemption allowing a closed session when a board enters into a closed session. The District should ensure that this specific exemption is included in all board minutes when the board enters into a closed session.

Response - We will include the required information in future board minutes.

Conclusion - Response accepted.

7. Certified Enrollment - No variances in the basic enrollment data certified to the 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.

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

9. Certified Annual Reports - The Certified Annual Report was not filed with the Department of Education timely and I noted several deficiencies in the amounts reported. The General Fund cash balance was overstated, the Student Activity Fund cash balance and fund balance were overstated, School Nutrition Fund inventories were not adjusted to the FY06 ending balances, taxes receivable for all funds were not reported on the correct line, the ISCAP unamortized premium was overstated, the General Fund balance was understated, the General Fund expenditures were understated, FY06 transactions of the Trust Fund were not reported and the amounts reported for Fixed Asset Account Group were not updated for FY06 transactions.

Recommendation - The District should ensure that all subsequent year CARs contain accurate information and be timely submitted to the Iowa Department of Education.

Response - We will be more attentive of this in future years.

Conclusion - Response accepted.

WAPELLO COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2006

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant