

INDEPENDENT SCHOOL DISTRICT OF  
WEST BURLINGTON

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

JUNE 30, 2006

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INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON

Officials

June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2005 Election)		
Allen Twedt	Board President	2005
Debbie Johnson	Board Member	2005
Alan Mayberry	Board Member	2006
Royce Heitmeier	Board Member	2007
Victoria Christy	Board Member	2007
(After September 2005 Election)		
Allen Twedt	Board President	2008
Alan Mayberry	Board Member	2006
Royce Heitmeier	Board Member	2007
Victoria Christy	Board Member	2007
Ben Luckenbill	Board Member	2008
<b>School Officials</b>		
James Sleister	Superintendent	2006
Tina Diewold	District Secretary/Treasurer	2006
Toby Gordon	Attorney	2006
Schulte, Hahn, Swanson, Engler & Gordon Law Firm		

# KAY L. CHAPMAN, CPA PC

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

## Independent Auditor's Report

To the Board of Education  
Independent School District of West Burlington

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Independent School District of West Burlington, West Burlington, 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 Independent School District of West Burlington 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 October 26, 2006 on my consideration of Independent School District of West Burlington'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 42 through 44 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 Independent School District of West Burlington's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
October 26, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Independent School District of West Burlington 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 \$4,927,158 in fiscal 2005 to \$5,096,944 in fiscal 2006, and General Fund expenditures increased from \$4,812,247 in fiscal 2005 to \$5,073,521 in fiscal 2006. The District's General Fund balance increased from \$(525,176) in fiscal 2005 to \$(501,637) in fiscal 2006, a 4.5 % increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2006. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### **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 Independent School District of West Burlington 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 Independent School District of West Burlington'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 Independent School District of West Burlington acts solely as an agent or custodian for the benefit of those outside of District 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 Special Revenue Funds.

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

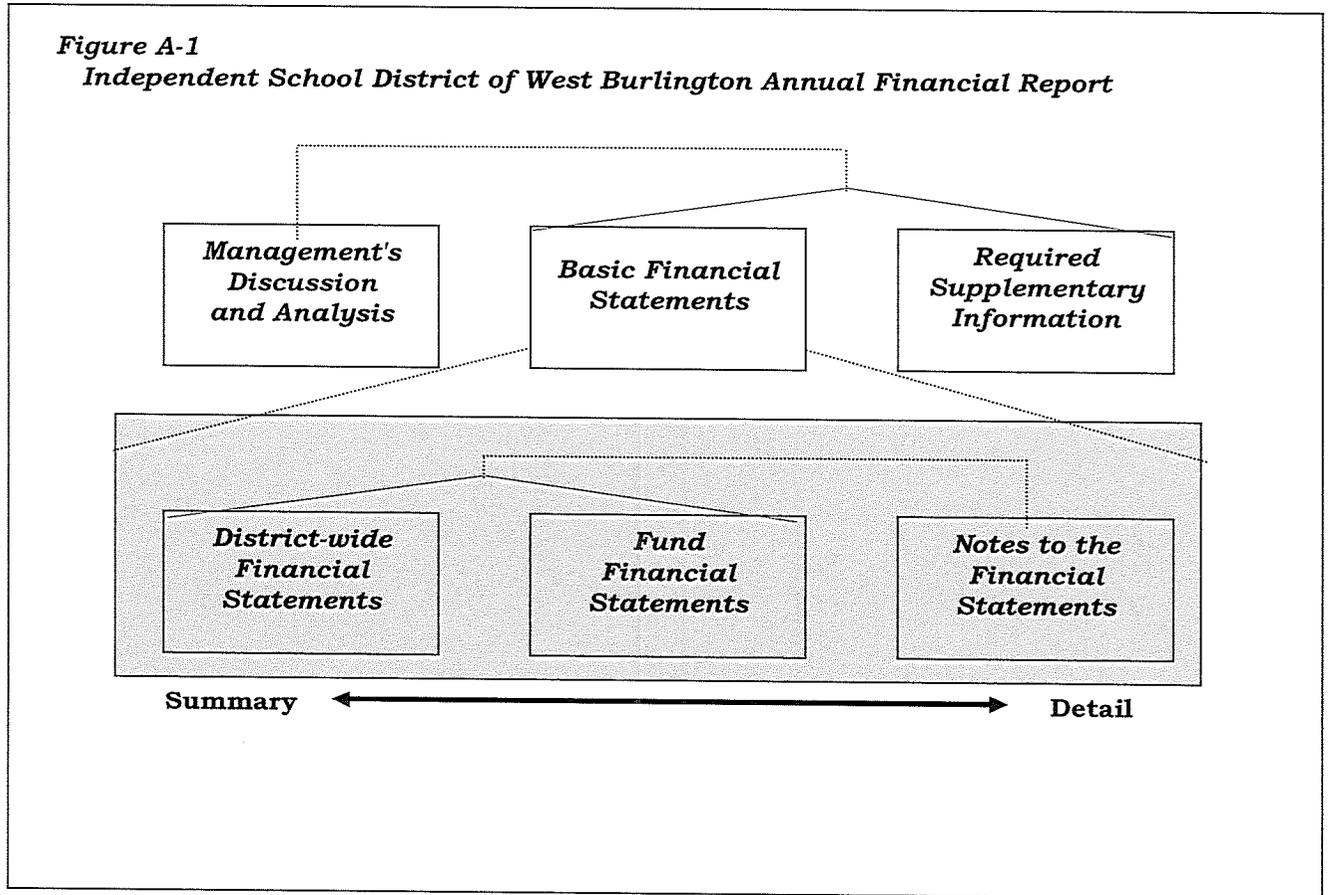


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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 one Enterprise Fund, the School Nutrition Fund.

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

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		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Current and other assets	\$ 2,322,439	\$ 6,934,243	\$ 45,579	\$ 42,118	\$ 2,368,018	\$ 6,976,361	-66.06%
Capital assets	<u>6,698,436</u>	<u>6,697,612</u>	<u>6,290</u>	<u>8,327</u>	<u>6,704,726</u>	<u>6,705,939</u>	-0.02%
Total assets	<u>9,020,875</u>	<u>13,631,855</u>	<u>51,869</u>	<u>50,445</u>	<u>9,072,744</u>	<u>13,682,300</u>	-33.69%
Long-term obligations	3,789,362	6,947,161	-	-	3,789,362	6,947,161	-45.45%
Other liabilities	<u>2,494,220</u>	<u>4,353,587</u>	<u>15,307</u>	<u>13,713</u>	<u>2,509,527</u>	<u>4,367,300</u>	-42.54%
Total liabilities	<u>6,283,582</u>	<u>11,300,748</u>	<u>15,307</u>	<u>13,713</u>	<u>6,298,889</u>	<u>11,314,461</u>	-44.33%
Net assets							
Invested in capital assets, net of related debt	3,063,436	2,697,612	6,290	8,327	3,069,726	2,705,939	13.44%
Restricted	318,644	3,093,251	-	-	318,644	3,093,251	-89.70%
Unrestricted	<u>(644,787)</u>	<u>(3,459,756)</u>	<u>30,272</u>	<u>28,405</u>	<u>(614,515)</u>	<u>(3,431,351)</u>	82.09%
Total net assets	<u>\$ 2,737,293</u>	<u>\$ 2,331,107</u>	<u>\$ 36,562</u>	<u>\$ 36,732</u>	<u>\$ 2,773,855</u>	<u>\$ 2,367,839</u>	17.15%

The District's combined net assets increased by approximately 17%, or \$406,016, 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 decreased \$2,774,607, or approximately 90% over the prior year. The decrease was primarily a result of a crossover bond refunding done during fiscal 2006.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$2,816,836, or approximately 82%. This increase in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4  
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 1,458,115	\$ 1,528,013	\$ 116,222	\$ 120,055	\$ 1,574,337	\$ 1,648,068	-4.47%
Operating grants	524,318	464,160	119,499	120,290	643,817	584,450	10.16%
General revenues							
Property tax	1,846,277	1,827,735	-	-	1,846,277	1,827,735	1.01%
Sales and services tax	402,607	370,778	-	-	402,607	370,778	8.58%
Unrestricted state grants	1,931,096	1,773,281	-	-	1,931,096	1,773,281	8.90%
Contributions and donations	5,982	-	-	-	5,982	-	100.00%
Unrestricted investment earnings	148,556	30,082	135	74	148,691	30,156	393.07%
Other	<u>4,747</u>	<u>70,248</u>	<u>-</u>	<u>-</u>	<u>4,747</u>	<u>70,248</u>	-93.24%
Total revenues	<u>6,321,698</u>	<u>6,064,297</u>	<u>235,856</u>	<u>240,419</u>	<u>6,557,554</u>	<u>6,304,716</u>	4.01%
Program expenses							
Governmental activities							
Instruction	3,731,570	3,471,549	-	-	3,731,570	3,471,549	7.49%
Support services	1,543,304	1,438,797	-	-	1,543,304	1,438,797	7.26%
Non-instructional programs	-	4,904	236,026	213,915	236,026	218,819	7.86%
Other expenses	<u>640,638</u>	<u>686,978</u>	<u>-</u>	<u>-</u>	<u>640,638</u>	<u>686,978</u>	-6.75%
Total expenses	<u>5,915,512</u>	<u>5,602,228</u>	<u>236,026</u>	<u>213,915</u>	<u>6,151,538</u>	<u>5,816,143</u>	5.77%
Change in net assets	<u>\$ 406,186</u>	<u>\$ 462,069</u>	<u>\$ (170)</u>	<u>\$ 26,504</u>	<u>\$ 406,016</u>	<u>\$ 488,573</u>	-16.90%

In fiscal 2006, property tax and unrestricted state grants account for 60% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$6,557,554 of which \$6,321,698 was for governmental activities and \$235,856 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.01% increase in revenues and a 5.77% increase in expenses. Property tax increased \$18,542 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 \$6,321,698 and expenses were \$5,915,512. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change	2006	2005	Change
			2005-2006			2005-2006
Instruction	\$ 3,731,570	\$ 3,471,549	7.5%	\$ 1,905,907	\$ 1,617,828	17.8%
Support services	1,543,304	1,438,797	7.3%	1,529,829	1,432,685	6.8%
Non-instructional programs	-	4,904	0.0%	-	4,904	0.0%
Other expenses	<u>640,638</u>	<u>686,978</u>	-6.7%	<u>497,343</u>	<u>554,638</u>	-10.3%
Total expenses	<u>\$ 5,915,512</u>	<u>\$ 5,602,228</u>	5.6%	<u>\$ 3,933,079</u>	<u>\$ 3,610,055</u>	8.9%

- The cost financed by users of the District's programs was \$1,458,115.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$524,318.
- The net cost of governmental activities was financed with \$2,248,884 in property and other taxes and \$1,931,096 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$235,856 representing a 1.9% decrease from the prior year and expenses were \$236,026, a 10.3% increase over the prior year. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Independent School District of West Burlington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$(146,707), well below last year's ending fund balances of \$2,618,806. This was due to a crossover bond refunding done during fiscal 2006.

**Governmental Fund Highlights**

- The District's slightly improving General Fund financial position is the result of decreasing the expenses to fall under the available revenues.
- The General Fund balance increased from \$(525,176) to \$(501,637), due in part to the District funding a portion of the current year General Fund salaries and benefits from the carryover fund balance.

- The Capital Projects Fund balance decreased slightly from \$226,178 at June 30, 2005 to \$222,378 at June 30, 2006 due to an increase in infrastructure expenses.
- The Debt Service Fund balance decreased from \$2,826,350 to \$32,895 due to the redemption of an old bond issue that was refunded during fiscal 2005 and called in fiscal 2006.

### **Proprietary Fund Highlights**

Enterprise Fund net assets decreased from \$36,732 at June 30, 2005 to \$36,562 at June 30, 2006, representing a decrease of less than 1%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Independent School District of West Burlington amended its annual budget one time to reflect additional revenue and expenditures associated with increased tuition, salaries, benefits, labor and the refinance of the 1996 bonds.

The District's receipts were \$650,285 less than budgeted receipts, a variance of approximately 9%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were \$352,724 less than budgeted, due primarily to the District's budget for the General Fund. 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 actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the Other Expenditures functional area, due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget appropriately.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2006, the District had invested \$6,704,726, 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 5 to the financial statements. Depreciation expense for the year was \$320,820.

The original cost of the District's capital assets was \$11,410,230. Governmental funds account for \$11,385,788, with the remainder of \$24,442 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

## Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
Land	\$ 117,000	\$ 117,000	\$ -	\$ -	\$ 117,000	\$ 117,000	0.00%
Buildings and improvements	5,995,287	5,997,068	-	-	5,995,287	5,997,068	-0.03%
Improvements, other than buildings	145,288	154,904	-	-	145,288	154,904	-6.21%
Furniture and equipment	<u>440,861</u>	<u>428,640</u>	<u>6,290</u>	<u>8,327</u>	<u>447,151</u>	<u>436,967</u>	2.33%
Totals	<u>\$6,698,436</u>	<u>\$6,697,612</u>	<u>\$ 6,290</u>	<u>\$ 8,327</u>	<u>\$6,704,726</u>	<u>\$6,705,939</u>	-0.02%

**Long-Term Debt**

At June 30, 2006, the District had \$3,789,362 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 45% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

## Outstanding Long-term Obligations

	Total		Total Change
	School District		
	<u>2006</u>	<u>2005</u>	
General obligation bonds	\$ 2,775,000	\$ 5,775,000	-51.95%
Revenue bonds	760,000	1,000,000	-24.00%
Bank loan	100,000	-	100.00%
Early retirement	<u>154,362</u>	<u>172,161</u>	-10.34%
Total	<u>\$ 3,789,362</u>	<u>\$ 6,947,161</u>	-45.45%

**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 boiler replacement/asbestos removal at the high school turned out to be more extensive than originally planned. Because the elementary also had some boiler concerns, and because there were changes to the original plans for the high school, some of the expenses will fall in the 2006-2007 fiscal year.

- Because of the number of West Burlington special education students open enrolled or tuitioned out, the district will see a significant increase in the special education expenses in 2006-2007.
- Due to declining enrollment for the 2005-2006 school year along with less open enrolled students in and more open enrolled out than projected and less resident students, and a decrease in the taxable valuation, the District will see the impact of less incoming dollars for the 2006-2007 school year.

### **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 Tina Diewold, District Secretary/Treasurer and Business Manager, Independent School District of West Burlington, 211 Ramsey, West Burlington, Iowa, 52655.

## Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Statement of Net Assets  
June 30, 2006

Exhibit A

<b>ASSETS</b>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 1,433,902	\$ -	\$ 1,433,902
Cash with fiscal agent	20	-	20
Other	465,971	40,432	506,403
Receivables			
Property tax			
Delinquent	6,017	-	6,017
Succeeding year	272,364	-	272,364
Accrued interest			
ISCAP	5,786	-	5,786
Accounts receivable	1,406	936	2,342
Due from other governments	136,973	-	136,973
Inventories	-	4,211	4,211
Capital assets, net of accumulated depreciation	6,698,436	6,290	6,704,726
Total assets	<u>9,020,875</u>	<u>51,869</u>	<u>9,072,744</u>
<b>LIABILITIES</b>			
Accounts payable	84,915	87	85,002
Salaries and benefits payable	657,257	15,220	672,477
Accrued interest payable	25,074	-	25,074
Deferred revenue - succeeding year property tax	272,364	-	272,364
ISCAP warrants payable	1,433,000	-	1,433,000
ISCAP accrued interest payable	11,515	-	11,515
ISCAP unamortized premium	10,095	-	10,095
Long-term liabilities			
Portion due within one year			
Bonds payable	280,000	-	280,000
Revenue bonds	245,000	-	245,000
Note payable	53,399	-	53,399
Early retirement	49,637	-	49,637
Portion due after one year			
Bonds payable	2,495,000	-	2,495,000
Revenue bonds	515,000	-	515,000
Note payable	46,601	-	46,601
Early retirement	104,725	-	104,725
Total liabilities	<u>6,283,582</u>	<u>15,307</u>	<u>6,298,889</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Statement of Net Assets  
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,063,436	\$ 6,290	\$ 3,069,726
Restricted for			
Debt service	7,821	-	7,821
PPEL	12,020	-	12,020
Other special revenue purposes	76,425	-	76,425
Capital projects	222,378	-	222,378
Unrestricted	<u>(644,787)</u>	<u>30,272</u>	<u>(614,515)</u>
Total net assets	<u>\$ 2,737,293</u>	<u>\$ 36,562</u>	<u>\$ 2,773,855</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Statement of Activities  
For the Year Ended June 30, 2006

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Total
<b><u>Functions/Programs</u></b>					
Governmental activities					
Instruction					
Regular instruction	\$ 2,811,888	\$ 1,252,622	\$ 212,490	\$ -	\$ (1,346,776)
Special instruction	522,793	194,280	114,687	-	(213,826)
Other instruction	<u>396,889</u>	<u>-</u>	<u>51,584</u>	<u>-</u>	<u>(345,305)</u>
	<u>3,731,570</u>	<u>1,446,902</u>	<u>378,761</u>	<u>-</u>	<u>(1,905,907)</u>
Support services					
Student services	158,003	-	-	-	(158,003)
Instructional staff services	271,469	-	-	-	(271,469)
Administration services	507,132	-	-	-	(507,132)
Operation and maintenance of plant services	546,063	7,178	-	-	(538,885)
Transportation services	<u>60,637</u>	<u>4,035</u>	<u>2,262</u>	<u>-</u>	<u>(54,340)</u>
	<u>1,543,304</u>	<u>11,213</u>	<u>2,262</u>	<u>-</u>	<u>(1,529,829)</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures					
Facilities acquisition	21,767	-	-	-	(21,767)
Long-term debt interest	279,203	-	-	-	(279,203)
AEA flowthrough	143,295	-	143,295	-	-
Depreciation (unallocated)*	<u>196,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,373)</u>
	<u>640,638</u>	<u>-</u>	<u>143,295</u>	<u>-</u>	<u>(497,343)</u>
Total governmental activities	<u>5,915,512</u>	<u>1,458,115</u>	<u>524,318</u>	<u>-</u>	<u>(3,933,079)</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Statement of Activities  
For the Year Ended June 30, 2006

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs (continued)</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Total</u>
Business type activities				
Non-instructional programs				
Food service operations	\$ 236,026	\$ 119,499	\$ -	\$ (305)
Total	<u>\$6,151,538</u>	<u>\$1,574,337</u>	<u>\$ -</u>	<u>\$ (305)</u>
				<u>\$ (3,933,079)</u>
				<u>\$ (3,933,384)</u>
<u>General Revenues</u>				
Property tax levied for				
General purposes				1,408,666
Debt service				302,153
Capital outlay				135,458
Sales taxes for capital projects				402,607
Unrestricted state grants				1,931,096
Contributions and donations				5,982
Unrestricted investment earnings				148,556
Other				4,747
Total general revenues				<u>4,339,265</u>
				<u>135</u>
Change in net assets				406,186
Net assets, beginning of year				(170)
Net assets, end of year				<u>36,732</u>
				<u>\$ 2,737,293</u>
				<u>\$ 36,562</u>
				<u>\$ 2,773,855</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.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2006

<b>ASSETS</b>	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Cash and pooled investments					
ISCAP	\$ 1,433,902	\$ -	\$ -	\$ -	\$ 1,433,902
Other	171,778	160,570	31,436	102,187	465,971
Cash with fiscal agent	-	-	20	-	20
Receivables					
Property tax					
Delinquent	4,147	-	1,166	704	6,017
Succeeding year	-	-	-	272,364	272,364
Accounts receivable	486	-	273	647	1,406
Accrued interest					
ISCAP	5,786	-	-	-	5,786
Due from other governments	73,735	63,238	-	-	136,973
Total assets and other debits	<u>\$ 1,689,834</u>	<u>\$ 223,808</u>	<u>\$ 32,895</u>	<u>\$ 375,902</u>	<u>\$ 2,322,439</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 79,604	\$ 1,430	\$ -	\$ 3,881	\$ 84,915
Salaries and benefits payable	657,257	-	-	-	657,257
Deferred revenue					
Succeeding year property tax	-	-	-	272,364	272,364
ISCAP warrants payable	1,433,000	-	-	-	1,433,000
ISCAP accrued interest payable	11,515	-	-	-	11,515
ISCAP unamortized premium	10,095	-	-	-	10,095
Total liabilities	<u>2,191,471</u>	<u>1,430</u>	<u>-</u>	<u>276,245</u>	<u>2,469,146</u>
Fund balances					
Reserved for					
Debt service	-	-	32,895	-	32,895
Unreserved					
Special revenue funds	-	-	-	99,657	99,657
Governmental	(501,637)	222,378	-	-	(279,259)
Total fund balances	<u>(501,637)</u>	<u>222,378</u>	<u>32,895</u>	<u>99,657</u>	<u>(146,707)</u>
Total liabilities and fund balances	<u>\$ 1,689,834</u>	<u>\$ 223,808</u>	<u>\$ 32,895</u>	<u>\$ 375,902</u>	<u>\$ 2,322,439</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2006

Exhibit D

<b>Total fund balances of governmental funds</b>	\$ (146,707)
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	\$ 6,698,436
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.	(25,074)
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.	(3,789,362)
<b>Net assets of governmental activities</b>	<u>\$ 2,737,293</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
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>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$ 1,274,512	\$ 402,607	\$ 302,036	\$ 265,364	\$ 2,244,519
Tuition	1,297,548	-	-	-	1,297,548
Other	93,176	6,501	99,333	148,549	347,559
State sources	2,271,092	-	117	131	2,271,340
Federal sources	160,616	-	-	-	160,616
Total revenues	<u>5,096,944</u>	<u>409,108</u>	<u>401,486</u>	<u>414,044</u>	<u>6,321,582</u>
Expenditures					
Current					
Instruction					
Regular instruction	2,701,952	-	-	66,585	2,768,537
Special instruction	522,793	-	-	-	522,793
Other instruction	264,773	-	-	132,116	396,889
	<u>3,489,518</u>	<u>-</u>	<u>-</u>	<u>198,701</u>	<u>3,688,219</u>
Support services					
Student services	157,763	-	-	-	157,763
Instructional staff services	220,319	-	-	34,912	255,231
Administration services	537,792	-	-	5,904	543,696
Operation and maintenance of plant services	485,577	-	-	54,744	540,321
Transportation services	39,257	-	-	61,334	100,591
	<u>1,440,708</u>	<u>-</u>	<u>-</u>	<u>156,894</u>	<u>1,597,602</u>
Other expenditures					
Facilities acquisition	-	75,570	-	150,246	225,816
Long-term debt					
Principal	-	-	3,240,000	-	3,240,000
Interest and fiscal charges	-	-	292,279	-	292,279
AEA flowthrough	143,295	-	-	-	143,295
	<u>143,295</u>	<u>75,570</u>	<u>3,532,279</u>	<u>150,246</u>	<u>3,901,390</u>
Total expenditures	<u>5,073,521</u>	<u>75,570</u>	<u>3,532,279</u>	<u>505,841</u>	<u>9,187,211</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
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>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 23,423	\$ 333,538	\$ (3,130,793)	\$ (91,797)	\$ (2,865,629)
Other financing sources (uses)					
Proceeds from sale of materials	116	-	-	-	116
Proceeds from bank loan	-	-	-	100,000	100,000
Interfund operating transfers	-	(337,338)	337,338	-	-
Total other financing sources (uses)	<u>116</u>	<u>(337,338)</u>	<u>337,338</u>	<u>100,000</u>	<u>100,116</u>
Net change in fund balances	23,539	(3,800)	(2,793,455)	8,203	(2,765,513)
Fund balance, beginning of year	<u>(525,176)</u>	<u>226,178</u>	<u>2,826,350</u>	<u>91,454</u>	<u>2,618,806</u>
Fund balance, end of year	<u>\$ (501,637)</u>	<u>\$ 222,378</u>	<u>\$ 32,895</u>	<u>\$ 99,657</u>	<u>\$ (146,707)</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
 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** \$ (2,765,513)

**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	\$ 319,607	
Depreciation expense	<u>(318,783)</u>	824

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Asset. Current year issues exceeded repayments, as follows

Issued	(100,000)	
Repaid	<u>3,240,000</u>	3,140,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		17,799
------------------	--	--------

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.

13,076

**Change in net assets of governmental activities** \$ 406,186

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Statement of Net Assets  
Proprietary Fund  
June 30, 2006

Exhibit G

	<u>Nonmajor School Nutrition</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 40,432
Accounts receivable	936
Inventories	4,211
Capital assets, net of accumulated depreciation	<u>6,290</u>
Total assets	<u>51,869</u>
 <b>LIABILITIES</b>	
Accounts payable	87
Salaries and benefits payable	<u>15,220</u>
Total liabilities	<u>15,307</u>
 <b>NET ASSETS</b>	
Invested in capital assets	6,290
Unrestricted	<u>30,272</u>
Total net assets	<u>\$ 36,562</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2006

Exhibit H

	<u>Nonmajor School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 116,222</u>
Operating expenses	
Non-instructional programs	
Salaries	97,026
Benefits	36,454
Purchased services	5,182
Supplies	94,764
Miscellaneous	563
Depreciation	<u>2,037</u>
Total operating expenses	<u>236,026</u>
Operating loss	<u>(119,804)</u>
Non-operating revenue	
Interest income	135
State sources	3,283
Federal sources	<u>116,216</u>
Total non-operating revenue	<u>119,634</u>
Net loss	(170)
Net assets, beginning of year	<u>36,732</u>
Net assets, end of year	<u><u>\$ 36,562</u></u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2006

Exhibit I

	<u>Nonmajor School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of meals	\$ 115,286
Cash payments to employees for services	(131,416)
Cash payments to suppliers for goods and services	<u>(95,164)</u>
Net cash used in operating activities	<u>(111,294)</u>
Cash flows from non-capital financing activities	
State grants received	3,283
Federal grants received	<u>109,876</u>
Net cash provided by non-capital financing activities	<u>113,159</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>135</u>
Net increase in cash and cash equivalents	2,000
Cash and cash equivalents, beginning of year	<u>38,432</u>
Cash and cash equivalents, end of year	<u><u>\$ 40,432</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (119,804)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,037
Commodities used	6,340
(Increase) in inventories	(525)
(Increase) in accounts receivable	(936)
(Decrease) in accounts payable	(470)
Increase in salaries and benefits payable	12,092
(Decrease) in due to other fund	<u>(10,028)</u>
Net cash used in operating activities	<u><u>\$ (111,294)</u></u>

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2006, the District received \$6,340 of federal commodities.

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2006

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
Assets	
Accounts receivable	\$ 300
Liabilities	<u>      -</u>
Net assets	
Reserved for scholarships	<u><u>\$ 300</u></u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
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	
Gifts and contributions	\$ 300
Deductions	
Other instruction	
Scholarships	<u>      -</u>
Change in net assets	300
Net assets, beginning of year	<u>      -</u>
Net assets, end of year	<u><u>\$ 300</u></u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Notes to Financial Statements  
June 30, 2006

**Note 1. Summary of Significant Accounting Policies**

The Independent School District of West Burlington 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 West Burlington, Iowa, and the agricultural territory in Des Moines County. 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, Independent School District of West Burlington 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 Independent School District of West Burlington has no component units, which meet the Governmental Accounting Standards Board criteria.

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

The District reports no major proprietary funds. However, the District reports one nonmajor proprietary fund, the School Nutrition enterprise fund, which is used to account for the food service operations of the District.

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

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 & Improvements	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	4-12 years

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

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

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

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

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

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

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the Other Expenditures function. However, disbursements did not exceed the General Fund unspent authorized budget.

**Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

	Amortized Cost
Diversified Portfolio	<u>\$ 162,277</u>

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

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

**Note 3. Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service Fund	Capital Projects Fund	\$ 337,338

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

**Note 4. 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>
2005-06B	1/26/06	1/26/07	\$ 595,070	\$ 5,525	\$ 593,000	\$ 11,308	\$ 3,703
2006-07A	6/28/06	6/28/07	<u>838,832</u>	<u>261</u>	<u>840,000</u>	<u>207</u>	<u>6,392</u>
			<u>\$ 1,433,902</u>	<u>\$ 5,786</u>	<u>\$ 1,433,000</u>	<u>\$ 11,515</u>	<u>\$ 10,095</u>

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	\$ -	\$ 919,000	\$ 919,000	\$ -
2005-06B	-	435,000	435,000	-
	<u>\$ -</u>	<u>\$ 1,354,000</u>	<u>\$ 1,354,000</u>	<u>\$ -</u>

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 5. 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	\$ 117,000	\$ -	\$ -	\$ 117,000
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>117,000</u>	<u>-</u>	<u>-</u>	<u>117,000</u>
Capital assets being depreciated:				
Buildings and improvements	8,954,397	175,316	-	9,129,713
Improvements other than buildings	402,661	8,292	-	410,953
Furniture and equipment	<u>1,592,123</u>	<u>135,999</u>	<u>-</u>	<u>1,728,122</u>
Total capital assets being depreciated	<u>10,949,181</u>	<u>319,607</u>	<u>-</u>	<u>11,268,788</u>
Less accumulated depreciation for:				
Buildings and improvements	2,957,329	177,097	-	3,134,426
Improvements other than buildings	247,757	17,908	-	265,665
Furniture and equipment	<u>1,163,483</u>	<u>123,778</u>	<u>-</u>	<u>1,287,261</u>
Total accumulated depreciation	<u>4,368,569</u>	<u>318,783</u>	<u>-</u>	<u>4,687,352</u>
Total capital assets being depreciated, net	<u>6,580,612</u>	<u>824</u>	<u>-</u>	<u>6,581,436</u>
Governmental activities capital assets, net	<u>\$ 6,697,612</u>	<u>\$ 824</u>	<u>\$ -</u>	<u>\$ 6,698,436</u>

Business type activities

Furniture and equipment	\$ 24,442	\$ -	\$ -	\$ 24,442
Less accumulated depreciation	<u>16,115</u>	<u>2,037</u>	<u>-</u>	<u>18,152</u>
Business type activities capital assets, net	<u>\$ 8,327</u>	<u>\$ (2,037)</u>	<u>\$ -</u>	<u>\$ 6,290</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 22,762
Support services	
Student support	240
Instructional staff services	69,482
Administration	7,301
Operation and maintenance of plant	5,742
Transportation	16,883
Unallocated depreciation	<u>196,373</u>
Total governmental activities depreciation expense	<u>\$ 318,783</u>

**Business type activities**

Food services	<u>\$ 2,037</u>
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**Note 6. Long-term Liabilities**

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

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 3,000,000	\$ -	\$(3,000,000)	\$ -	\$ -
General obligation refunded bonds	2,775,000	-	-	2,775,000	280,000
Revenue bonds	1,000,000	-	(240,000)	760,000	245,000
Bank loan	-	100,000	-	100,000	53,399
Early retirement	<u>172,161</u>	<u>34,002</u>	<u>(51,801)</u>	<u>154,362</u>	<u>49,637</u>
Totals	<u>\$ 6,947,161</u>	<u>\$ 134,002</u>	<u>\$(3,291,801)</u>	<u>\$ 3,789,362</u>	<u>\$ 628,036</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of April 1, 2005			
	Interest %	Principal	Interest	Total
2007	3.5%	\$ 280,000	\$ 106,650	\$ 386,650
2008	3.5%	290,000	96,850	386,850
2009	3.5%	300,000	86,700	386,700
2010	4.0%	310,000	76,200	386,200
2011	4.0%	325,000	63,800	388,800
2012	4.0%	335,000	50,800	385,800
2013	4.0%	350,000	37,400	387,400
2014	4.0%	365,000	23,400	388,400
2015	4.0%	<u>220,000</u>	<u>8,800</u>	<u>228,800</u>
Totals		<u>\$ 2,775,000</u>	<u>\$ 550,600</u>	<u>\$ 3,325,600</u>

On April 1, 2005, the District issued general obligation bonds of \$2,775,000. This was a crossover refunding of the bond issue of February 1, 1996. Proceeds from the 2006 issue will be used to pay the balance of the 1996 issue, which were called for payment on May 1, 2006. This refunding resulted in a net present value benefit of \$134,969 and net present value cash flow savings of \$131,803.

Revenue Bonds Payable

On June 1, 2003, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds are to be used to construct an addition to the elementary building. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The bonds were for \$1,460,000 and are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and services tax revenues will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2006 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 1, 2003			
	Interest Rates	Principal	Interest	Total
2007	2.50%	\$ 245,000	\$ 20,938	\$ 265,938
2008	2.75%	255,000	14,812	269,812
2009	3.00%	<u>260,000</u>	<u>7,800</u>	<u>267,800</u>
Totals		<u>\$ 760,000</u>	<u>\$ 43,550</u>	<u>\$ 803,550</u>

### Note Payable

On February 24, 2006, the District entered into a loan with Farmers & Merchants Bank & Trust in Burlington, Iowa for partial financing of the boiler project at the high school. The loan matures on February 24, 2008, bears interest at 4.5% and requires two annual payments of \$53,399 beginning on February 24, 2007.

### Early Retirement

Sick leave days accrue at 10-15 days per year (depending upon an employee's status) to a maximum of 105 days. Upon retirement, after attaining age 59 with 10 years of service to the District and upon Board approval, an employee may receive a severance benefit based on a percentage of accumulated sick leave days, payable at the employee's per diem salary on the last day of employment, according to the following schedule:

# Years of Service	%
10-14	20
15-19	30
20-24	40
25 or more	50

Individuals who elect early retirement but have not reached their 65<sup>th</sup> birthday are eligible to have the District continue to pay their insurance benefits through the month of their 65<sup>th</sup> birthday. Six individuals are currently receiving this benefit. Early retirement expenditures for the year ended June 30, 2006 totaled \$81,174.

### **Note 7. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$181,863, \$173,495 and \$167,371, equal to the required contributions for each year.

**Note 8. Risk Management**

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

**Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$143,295 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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
 Budgetary Comparison Schedule of Receipts, Disbursements  
 and Changes in Balances - Budget and Actual (Cash Basis)  
 All Governmental Funds and Proprietary Fund  
 Required Supplementary Information  
 For the Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Receipts						
Local sources	\$ 3,888,018	\$ 115,421	\$ 4,003,439	\$ 3,914,997	\$ 4,680,675	\$ (677,236)
State sources	2,270,384	3,283	2,273,667	2,265,642	2,265,642	8,025
Federal sources	186,050	109,876	295,926	277,000	277,000	18,926
Total receipts	<u>6,344,452</u>	<u>228,580</u>	<u>6,573,032</u>	<u>6,457,639</u>	<u>7,223,317</u>	<u>(650,285)</u>
Disbursements						
Instruction	3,708,266	-	3,708,266	3,747,872	3,950,000	241,734
Support services	1,579,780	-	1,579,780	1,382,430	1,900,000	320,220
Non-instructional programs	-	226,580	226,580	229,020	275,000	48,420
Other expenditures	4,007,650	-	4,007,650	939,521	3,750,000	(257,650)
Total disbursements	<u>9,295,696</u>	<u>226,580</u>	<u>9,522,276</u>	<u>6,298,843</u>	<u>9,875,000</u>	<u>352,724</u>
Excess (deficiency) of receipts over (under) disbursements	(2,951,244)	2,000	(2,949,244)	158,796	(2,651,683)	(297,561)
Other financing sources, net	<u>100,000</u>	-	<u>100,000</u>	-	<u>2,810,479</u>	<u>(2,710,479)</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(2,851,244)	2,000	(2,849,244)	158,796	158,796	(3,008,040)
Balance, beginning of year	3,317,235	38,432	3,355,667	543,818	543,818	2,811,849
Balance, end of year	<u>\$ 465,991</u>	<u>\$ 40,432</u>	<u>\$ 506,423</u>	<u>\$ 702,614</u>	<u>\$ 702,614</u>	<u>\$ (196,191)</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 For the Year Ended June 30, 2006

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,344,452	\$ (22,870)	\$ 6,321,582
Expenditures	<u>9,295,696</u>	<u>(108,485)</u>	<u>9,187,211</u>
Net	(2,951,244)	85,615	(2,865,629)
Other financing sources	100,000	116	100,116
Beginning fund balances	<u>3,317,235</u>	<u>(698,429)</u>	<u>2,618,806</u>
Ending fund balances	<u>\$ 465,991</u>	<u>\$ (612,698)</u>	<u>\$ (146,707)</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 228,580	\$ 7,276	\$ 235,856
Expenditures	<u>226,580</u>	<u>9,446</u>	<u>236,026</u>
Net	2,000	(2,170)	(170)
Beginning fund balances	<u>28,432</u>	<u>8,300</u>	<u>36,732</u>
Ending fund balances	<u>\$ 30,432</u>	<u>\$ 6,130</u>	<u>\$ 36,562</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
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, Capital Projects Fund and Debt Service 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$3,576,157.

During the year ended June 30, 2006, District disbursements exceeded the amount budgeted in the Other Expenditures function. However, the General Fund unspent authorized budget was not exceeded.

## Other Supplementary Information

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2006

Schedule 1

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 10,540	\$ 76,620	\$ 15,027	\$ 102,187
Receivables				
Property tax				
Current year delinquent	423	-	281	704
Succeeding year	137,500	-	134,864	272,364
Accounts receivable	249	34	364	647
Total assets	<u>\$ 148,712</u>	<u>\$ 76,654</u>	<u>\$ 150,536</u>	<u>\$ 375,902</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ 229	\$ 3,652	\$ 3,881
Deferred revenue				
Succeeding year property tax	137,500	-	134,864	272,364
Total liabilities	<u>137,500</u>	<u>229</u>	<u>138,516</u>	<u>276,245</u>
Fund Balances				
Unreserved fund balances	11,212	76,425	12,020	99,657
Total liabilities and fund balances	<u>\$ 148,712</u>	<u>\$ 76,654</u>	<u>\$ 150,536</u>	<u>\$ 375,902</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2006

Schedule 2

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues				
Local sources				
Local taxes	\$ 129,958	\$ -	\$ 135,406	\$ 265,364
Other	108	148,042	399	148,549
State sources	79	-	52	131
Total revenues	<u>130,145</u>	<u>148,042</u>	<u>135,857</u>	<u>414,044</u>
Expenditures				
Instruction				
Regular program instruction	66,585	-	-	66,585
Other instruction	-	132,116	-	132,116
Support services				
Instructional staff services	-	-	34,912	34,912
Administration services	5,688	216	-	5,904
Operation & maintenance of plant	54,744	-	-	54,744
Transportation services	4,497	-	56,837	61,334
Other expenditures				
Facilities acquisition and construction	-	-	150,246	150,246
Total expenditures	<u>131,514</u>	<u>132,332</u>	<u>241,995</u>	<u>505,841</u>
Excess (deficiency) of revenues over (under) expenditures	(1,369)	15,710	(106,138)	(91,797)
Other financing sources				
Proceeds of bank loan	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balances	(1,369)	15,710	(6,138)	8,203
Fund balances, beginning of year	<u>12,581</u>	<u>60,715</u>	<u>18,158</u>	<u>91,454</u>
Fund balances, end of year	<u>\$ 11,212</u>	<u>\$ 76,425</u>	<u>\$ 12,020</u>	<u>\$ 99,657</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2006

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Transfers	Balance, End of Year
Athletics	\$ 6,046	\$ 66,795	\$ 57,123	\$ (9,596)	\$ 6,122
Art club	596	628	460	-	764
Elementary store	87	-	-	-	87
Future Homemakers of America	615	1,326	1,379	-	562
Octagon	375	-	112	-	263
Recycle club	16	-	-	-	16
National Honor Society	(93)	-	66	-	(159)
Pep club	942	15,246	10,320	100	5,968
Alternative activities	1,296	-	-	-	1,296
SADD	1,604	88	275	-	1,417
High school science club	417	2,079	1,281	-	1,215
Middle school science club	205	-	-	-	205
Spanish club	947	937	805	-	1,079
Speech	340	9	-	-	349
Post prom	892	10,400	9,352	(528)	1,412
Student council	1,707	2,851	2,526	(100)	1,932
Middle school student council	426	-	-	-	426
Nature club	126	10	-	-	136
River Watchers	403	-	-	-	403
Academic club	68	-	-	-	68
Class of:					
1999	113	-	-	-	113
2000	(227)	-	-	-	(227)
2001	46	-	-	-	46
2002	181	-	-	-	181
2003	126	-	-	-	126
2004	481	-	-	-	481
2005	(284)	-	-	-	(284)
2006	1,726	910	2,994	356	(2)
2007	1,526	3,158	2,631	864	2,917
2008	1,110	87	-	330	1,527
2009	762	30	-	365	1,157
2010	336	6	-	318	660
2011	-	24	-	300	324

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2006

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance, End of Year
Pop machines	\$ 5,363	\$ 5,471	\$ 3,249	\$ -	\$ 7,585
Fundraising - Carter	863	-	280	-	583
Fundraising - Moffitt	88	1,760	1,344	1,271	1,775
Fundraising - Nelson	598	2,896	2,704	-	790
Fundraising - Anderson	50	-	-	-	50
Home ec resale	207	649	614	-	242
Music resale	(1,812)	-	-	-	(1,812)
Yearbook	5,701	7,066	13,585	6,370	5,552
Drama	3,215	2,174	1,564	-	3,825
Interest	8,099	1,479	217	-	9,361
Cheerleaders	2,604	2,493	3,578	(225)	1,294
Middle school cheerleaders	307	1,340	728	225	1,144
High school students	3,258	585	534	-	3,309
Student activities	1,311	7,539	7,155	-	1,695
Character counts	-	4,299	2,229	(50)	2,020
Middle school students	3,395	412	92	-	3,715
Special needs	59	-	-	-	59
Elementary students	4,498	5,295	5,135	-	4,658
Totals	<u>\$ 60,715</u>	<u>\$ 148,042</u>	<u>\$ 132,332</u>	<u>\$ -</u>	<u>\$ 76,425</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
 Schedule of Revenues by Source and Expenditures by Function  
 All Governmental Fund Types  
 For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Local sources				
Local tax	\$ 2,244,519	\$ 2,197,021	\$ 2,097,154	\$ 2,110,101
Tuition	1,297,548	1,275,143	1,171,786	1,137,154
Other	347,559	295,197	285,819	198,435
Intermediate sources	-	4,500	-	100
State sources	2,271,340	2,063,795	2,017,561	2,101,699
Federal sources	160,616	175,141	161,160	154,008
Total revenues	<u>\$ 6,321,582</u>	<u>\$ 6,010,797</u>	<u>\$ 5,733,480</u>	<u>\$ 5,701,497</u>
Expenditures				
Instruction				
Regular instruction	2,768,537	2,438,568	2,233,610	2,228,155
Special instruction	522,793	676,180	580,581	584,791
Other instruction	396,889	514,212	495,443	470,861
Support services				
Student services	157,763	154,606	150,831	146,623
Instructional staff services	255,231	146,940	135,503	129,567
Administration services	543,696	492,185	473,194	410,409
Operation and maintenance of plant services	540,321	525,017	486,376	456,076
Transportation services	100,591	89,423	22,790	31,211
Central support services	-	-	25	156
Other expenditures				
Facilities acquisition	225,816	435,007	1,330,074	367,936
Long-term debt				
Principal	3,240,000	635,780	612,927	588,079
Interest and other charges	292,279	242,611	218,889	229,869
AEA flowthrough	143,295	132,340	136,265	142,548
Total expenditures	<u>\$ 9,187,211</u>	<u>\$ 6,482,869</u>	<u>\$ 6,876,508</u>	<u>\$ 5,786,281</u>

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

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

To the Board of Education  
Independent School District of West Burlington

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 Independent School District of West Burlington 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 October 26, 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 Independent School District of West Burlington'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, is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District of West Burlington'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 Independent School District of West Burlington 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 Independent School District of West Burlington 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  
October 26, 2006

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
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: as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on 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.

**Part II. Other Findings Related to Statutory Reporting:**

1. Certified Budget - Disbursements for the year ended June 30, 2006 exceeded the amended amounts budgeted in the Other Expenditures functional area.

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

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

Conclusion - Response accepted.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Schedule of Findings  
For the Year Ended June 30, 2006

2. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however I noted a few significant errors in the amounts reported. The District did not properly record and report the ISCAP entries and balances on the CAR. Also, the District's interest earned on investments and debt service expenditures amounts reported on the CAR were materially misstated because the District did not include transactions relating to previously refunded bond issue.

Recommendation - The District should ensure that it properly account for these items on future CARs and correct beginning balances for the applicable funds on the CAR for the year ending June 30, 2007.

Response - We will make the necessary corrections on our CAR for the year ending June 30, 2007.

Conclusion - Response accepted.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON  
Audit Staff  
June 30, 2006

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant