

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

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West Delaware County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 election)		
Gary Johnson	President	2005
Elwyn Curtis	Vice President	2006
Mike Carr	Board Member	2005
Ilona Durey	Board Member	2006
Mike Ryan	Board Member	2007
Board of Education (After September 2005 election)		
Gary Johnson	President	2008
Elwyn Curtis	Vice President	2006
Ilona Durey	Board Member	2006
Mike Ryan	Board Member	2007
Edith Fortmann-Comley	Board Member	2008
School Officials		
Rick Hilbert	Superintendent	2006
Ron Goerdt	Director of Finance/ Board Secretary	2006
Jeff Krausman	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Delaware County Community School District:

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

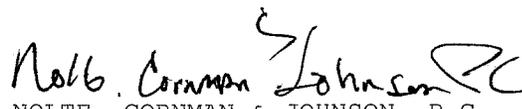
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2006 on our consideration of West Delaware County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 21 and 42 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Delaware County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Delaware County Community School District provides this Management's Discussion and Analysis of its financial statements to assist in the viewer's comprehension of the overall document. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. The reader is encouraged to consider this information in conjunction with the District's financial statements, which follow.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. The District has made every attempt so that the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the various funds and account groups in accordance with generally accepted accounting principles, (GAAP). All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

DISTRICT BACKGROUND

West Delaware County Community School District covers an area of 237 square miles in Northeast Iowa, encompassing the communities of Dundee, Greeley, Manchester, Masonville and Ryan, and serves the majority of students in Delaware County. Manchester is the county seat and the principal trading center for the surrounding area. The District is governed by an elected five-member Board of Directors who serve staggered three-year terms. The Board is a policy-making and planning body whose decisions are carried out by central office and building administrators.

The September, 2005 Certified Enrollment Report recorded a budget enrollment of 1,674.7 students, ranking West Delaware as the 56th largest of Iowa's 365 public school systems. The District operates one regular and one alternative high school, a middle school and a JK-4 elementary, offering a full range of educational services appropriate to students in early childhood through grade twelve. These services include both basic and enriched academic instruction; special education for children with special needs, vocational education and numerous individualized programs such as specialized instruction for at-risk students. The district employs 130 teachers to carry out its educational mission, which is formally stated as providing a safe, culturally rich environment in which all students can reach their full potential academically, emotionally and socially.

In addition to the typical elementary, middle school and high school programs, the district also operates before and after school instructional programs, summer school, and shared-time programs with the local private school. The District also sponsors before and after school daycare services in conjunction with the YWCA program housed at the elementary site, as well as an offsite Special Education program through an agreement with Delaware County Regional Medical Center's Partner's in Success Program. A wide range of extracurricular activities is supported through membership and participation in the WaMaC Athletic Conference and West Delaware students are regular contenders at state-level events.

Continuing education opportunities are available within easy commuting distance at the University of Northern Iowa in Cedar Falls; Loras College, Clarke College and the University of Dubuque in Dubuque; Upper Iowa University in Fayette; Wartburg College in Waverly; Hawkeye Institute of Technology in Waterloo; Northeast Iowa Community College in Peosta; and Coe College, Mt. Mercy College and Kirkwood Community College in Cedar Rapids.

The District is supported financially by state aid, property tax, income surtax, state and federal grants for special projects and local revenue received for tuition and other services.

District Facilities

The District has five buildings situated on three campuses.

<u>Building</u>	<u>Construction Dates</u>	<u>Grades</u>
High School	1952, 53, 54, 55, 59, 60, 96, 2006	9-12
High School Annex	1891, 1912, 20, 40	9-12
Middle School	1970, 90	5-8
Lambert Elementary	1962, 92	K-4
Kindergarten School	1916	PK, Kdgn.

Certified Enrollment

Certified enrollment for the official September count in the past five years has been as follows:

<u>Fiscal Year</u>	<u>Enrollment</u>
2005-06	1,674.7
2004-05	1,663.4
2003-04	1,740.8
2002-03	1,825.8
2001-02	1,873.7

Open Enrollment

For a variety of reasons, students enroll into or out of the District in compliance with Iowa's Open Enrollment law. Listed below are open enrollment results for the periods described:

<u>Fiscal Year</u>	<u>Enrolled In</u>	<u>Enrolled Out</u>
2005-06	64.0	104.4
2004-05	64.0	91.2
2003-04	60.0	98.2
2002-03	43.0	83.6
2001-02	42.0	61.2

2006 FINANCIAL HIGHLIGHTS

The District welcomed a new source of revenue when county residents approved a 1% School Infrastructure Local Option Tax on May 20, 2003. Receipts from this county-wide vote commenced in the second quarter of 2004 following a January 1st implementation. An infrastructure building and remodeling campaign, primarily on the current high school campus is currently under way. District residents approved by a wide margin the continuation of a 10-year Physical Plant and Equipment Levy beginning 7/1/2006 at a September 13, 2005 election. In conjunction with the SILO funding, a total of \$7.5 million will be collected and used for school remodeling and improvements, including; 16 classrooms, band and vocal music areas, student commons, kitchen and cafeteria, and a 700 seat auditorium.

Despite frequent cutbacks in state aid during the past several years, the District managed its finances well enough to run its 2003-04 and 2004-05 operations without incurring a deficit, and deficit spending in 2005-06 was due to gearing up for the construction project by paying the

architect fees from the General Fund. Over this period, the financial solvency ratio remained in the healthy range, and has stabilized in the 10-12% range.

General Fund revenues increased from \$12,402,966 in fiscal 2005 to \$12,805,769 in fiscal 2006, while General Fund expenditures increased from \$12,145,491 in fiscal 2005 to \$13,463,273 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$1,291,581 in fiscal 2005 to a balance of \$634,347 in fiscal 2006. The decrease resulted primarily from committing General Fund dollars to pay for the architectural design of the remodeling and new construction project at the High School. This expense was specifically Board approved.

As of 6/30/06, the District has bonded indebtedness totaling \$5,860,000 having sold \$2,075,000 of PPEL Capital Loan Notes and \$3,785,000 of SILO Revenue Bonds in January 2006. The total tax rate for all funds is \$13.59845, markedly lower than most neighboring districts.

The District once again received an unqualified audit opinion, representing an acknowledgement that a sufficient degree of internal control, proper financial management and oversight exists. Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

Fund Accounting

The District is organized and operates as a school corporation pursuant to Chapter 274 of the Code of Iowa. As such, the District maintains separate funds as allowed by statute. Following is a description of each fund.

The **General Operating Fund** is used to account for all transactions except those that are required by law to be accounted for in another fund. The bulk of General Fund revenues are derived from local property taxes and State foundation aid sources. The District receives a mix of property tax and State foundation aid based on a formula that takes into account enrollment, property valuations and costs per pupil. The description of the formula is found in Chapter 257.1 of the Code and reads as follows:

"For a budget year, each school district in the State is entitled to receive foundation aid in an amount per pupil equal to the difference between the amount per pupil of foundation property tax in the district, and the combined district cost per pupil, whichever is less."

The Code also allows for an "Allowable growth," defined as ". . . the amount by which State cost per pupil and district cost per pupil will increase from one budget year to the next" which is calculated each year by the Iowa Department of Management.

Presented below is the allowable growth the District has received (in total dollars) for the period indicated: Negative student enrollment growth equates to negative allowable growth from the state.

<u>Fiscal Year</u>	<u>Allowable Growth</u>
2005-06	(\$51,139)
2004-05	(\$233,441)
2003-04	(\$52,276)
2002-03	(\$270,563)
2001-02	\$143,922

However, the state grants additional taxing authority, known as the Budget Guarantee, to districts in declining enrollment situations, and allows them to assess local property taxes in an amount

such that the next years budget is not less than a base year budget plus adjustments. This works on a declining percentage basis so that each year a district can only seek 10% less than the prior year's tax asking, thus effectively weaning them slowly away from this supplemental funding.

Additional property tax generated by the Budget Guarantee for West Delaware is:

<u>Fiscal Year</u>	<u>Addl. Property Tax</u>
2005-06	\$485,936
2004-05	\$500,652
2003-04	\$322,839
2002-03	N/A

The District has generated a revenue mix in the Operating Fund as follows:

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>State Aid</u>
2005-06	\$4,353,762	\$5,867,667
2004-05	\$4,285,433	\$5,848,200
2003-04	\$4,220,208	\$5,899,356
2002-03	\$3,996,063	\$6,016,298
2001-02	\$3,612,569	\$6,394,167

Additional General Fund state and local revenue:

Instructional Support

Districts are allowed to fund supplementary educational programs or enhance current programs under the Instructional Support program, which allows a district to additionally generate up to 10% of the total regular program district cost for the budget year. These revenues can be locally generated from either ad valorem taxation, income surtax or both. In addition, revenues are appropriated by the State and provided to each district depending on formula. The District can participate in the instructional support program by generating local revenues after either (i) scheduling and holding an election on the proposed funding, programs, and mix of funding, which requires 50% approval of those voting at a special district election and allows the program to be funded for a period of ten years; or (ii) after scheduling and holding two hearings on the programs and mix of funding, which can then be implemented after a 28-day period during which voters of the District can force an election, for a period of five years. West Delaware School District has a Board-authorized 5% Instructional Support program that generated \$363,438 in additional revenues during FY06. To assure a continued funding stream, the School Board committed to a 5 year extension of the levy through FY2012.

Cash Reserve Levy

The District can certify as part of its General Fund levy an additional property tax known as the Cash Reserve levy. This levy covers cash-flow needs and funds programs when other revenue sources are delayed or reduced. It is levied annually at the discretion of the Board of Directors. The District has levied the following in cash reserve for the period indicated:

<u>Fiscal Year</u>	<u>Cash Reserve Levy</u>
2005-06	\$200,000
2004-05	\$166,427
2003-04	\$100,000
2002-03	\$180,000
2001-02	\$197,000

The **Management Fund** is a special revenue fund tax levy used to account for all financial transactions authorized under section 298.4, Code of Iowa. The purpose of this fund is to pay the costs of unemployment or early retirement benefits, and the costs of property, liability, auto and worker's compensation insurance and judgments or settlements relating to liability. Presented below are the Management Fund levies for the periods indicated:

<u>Fiscal Year</u>	<u>Levy per \$1,000</u>
2005-06	\$.89755
2004-05	\$.75695
2003-04	\$.79935
2002-03	\$.59962
2001-02	\$.54125

The **Physical Plant and Equipment Fund (PPEL)** is a special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, under section 298.2, Code of Iowa. This fund is created to deposit and expend money from a levy certified by the Board of Directors not to exceed 33 cents and/or a levy authorized by a simple majority of the voters not to exceed \$1.34. The purpose of the fund is to pay the costs of specified major expenditures related to facilities, grounds and certain equipment. The District's current levies include the .33 Board authorized levy and the .67 voted levy.

The **Student Activity Fund** is a special revenue fund used to account for money received from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related co curricular or extracurricular activities. Monies in this fund must be used to support only the program defined in the administrative rules of the department of education. The Activity Fund is under the control of the School Board. No taxes are levied for this fund.

The **Capital Projects Funds** are established when a district issues bonds or other authorized indebtedness for capital projects or for the proceeds from a School Infrastructure Local Option Tax. When a capital project for facilities is initiated in any existing fund, the monies for that project are transferred to a capital project fund by an operating transfer from the fund authorized to initiate the acquisition or construction. Payments of the project's expenditures are made from the capital project fund established to account for the project.

The **Debt Service Fund** is established when a district issues bonds or other long-term indebtedness, except those financed by proprietary or trust funds. The purpose of the fund is to pay interest and principal when due, on bonds or other authorized indebtedness issued by the district, and to make payments required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by the Code of Iowa. Monies available to service this debt and received from sources other than the debt service property tax levy shall be transferred to the Debt Service Fund through an operating transfer from the fund which issued the original indebtedness, and the payment of the debt shall be made from the debt service levy fund. Expenditures for the payment of general long-term debt, including both principal and interest must be budgeted in the debt service fund.

The **School Nutrition Fund** is a proprietary enterprise fund used to account for all transactions for the nutrition program authorized under chapter 283A, Code of Iowa. The program is supported by user fees, state and federal reimbursements, and District subsidies; no taxes are levied for this fund.

The **Trust and Agency Funds** are fiduciary funds used to account for money and property received and administered by the district as trustee or custodian or in the capacity of an agent. Generally, nonexpendable trust funds, pension trust funds, and agency funds are not budgeted.

Historic and Potential State and Federal Actions That Impact Current and Future District Budgets

The District's operating budget is subject to change based on events outside of its control, including State and Federal funding. There may be changes in funding that are unknown or unanticipated at budget preparation time. Presented below is a discussion of some of the known conditions that could impact the District's operating budget:

State Funding

After the appropriation of State Aid (and after the adoption of the District's budget for a particular fiscal year), the Governor and the General Assembly have the ability to rescind all or a portion of the appropriation. Certain areas of the State's budget are exempt from these potential cuts, however, K-12 and community college funding are not exempt from rescission. Historically, rescissions were imposed in an "across-the-board" fashion, and all state funding was reduced in a percentage format. This had the potential to impact schools with low valuation per pupil much greater than schools with high per pupil valuations. In the 2002 General Assembly, the formula for rescission was altered for K-12 funding, such that all future rescissions, if any, would be applied to K-12 education on a "per-pupil" basis.

Historically, the Governor has rescinded state aid in the following percentages since 1980:

<u>Date</u>	<u>Percentage Rescission</u>
October 10, 2003	2.5%
November 1, 2001	4.3
April 8, 1992	.62
July 1, 1991	3.25
September 3, 1983	2.8
December 15, 1980	1.0
August 12, 1980	3.6

State revenues have rebounded since these times, and no further cut backs have been necessary

Federal Funding

Federal legislation with respect to student achievement in future years may result in sanctions that could have financial implications for the General Fund operating budget. The "No Child Left Behind" act of 2001 applies sanctions to under-performing schools that, if the school remains under-performing (as defined by the act) allows the parents of pupils in the school to move to another school, transferring their funding to the new school. This act applies to individual school facilities and does not necessarily apply to school districts, however, the revenue impact to a school district could be material if the school district has a school facility that under-performs and starts to lose enrollment.

Investment of Public Funds

The District invests its funds pursuant to Chapter 12B of the Code of Iowa. No irregularities in the District's investing activities have been noted in District audits. Presented below is a summary of the investments from all Funds of the District as of June 30, 2006.

\$1,200,000	Fixed rate CD's
\$1,742,585	Local Bank guaranteed rate investments & cash on hand

Iowa School Cash Anticipation Program ("ISCAP")

ISCAP issues warrants on behalf of member districts in the State of Iowa to fund cash flow deficits created by delinquent state aid or property tax receipts. The District has been a member since 1986. As the District's unspent cash balance has improved, reliance on ISCAP has diminished. Presented here is a history of the certificates issued.

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Fiscal Year</u>	<u>Principal Amount</u>
2005-06B	0	1997-98A	795,000
2005-06A	0	1996-97B	0
2004-05B	0	1996-97A	250,000
2004-05A	607,000	1995-96B	0
2003-04B	0	1995-96A	0
2003-04A	0	1994-95B	0
2002-03B	0	1994-95A	330,000
2002-03A	0	1993-94	755,000
2001-02B	0	1992-93	0
2001-02A	0	1991-92	1,000,000
2000-01B	0	1990-91	960,000
2000-01A	0	1989-90	890,000
1999-00B	0	1988-89	590,000
1999-00A	213,000	1987-88	670,000
1998-99B	0	1986-87	710,348
1998-99A	0	1985-86	724,290
1997-98B	0		

Pensions

All District employees qualify for participation in the Iowa Public Employees Retirement System (IPERS). Both the District and its employees contribute a fixed percentage of gross salary to this fund. Present contributions are established at the following levels:

	<u>Percentage</u>
District Share	5.75%
Employee Share	<u>3.70%</u>
Total	9.45%

The fund is administered by the State with administrative costs paid from income derived from invested funds. There are no additional costs to the District.

Property Tax Assessment

In compliance with section 441.21 of the Code of Iowa, as amended, the State Director of Revenue annually directs all county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The final values, called Actual Valuation, are then adjusted by the County Auditor. Assessed or Taxable Valuation subject to tax levy is then determined by the application of State determined rollback percentages, principally to residential property.

Beginning in 1978, the State required a reduction in Actual Valuation to reduce the impact of inflation on its residents. The resulting value is defined as the Assessed or Taxable Valuation,

<u>Fiscal Year</u>	<u>Agricultural</u>	<u>Residential</u>	<u>Railroad</u>	<u>Commercial</u>
2005-06	100.0000	47.9642	100.0000	100.0000
2004-05	100.0000	48.4558	99.2570	99.2570
2003-04	100.0000	51.3874	100.0000	100.0000
2002-03	100.0000	51.6676	97.7701	97.7701
2001-02	100.0000	56.2651	100.0000	100.0000
2000-01	96.3381	54.8525	100.0000	98.7732
1999-00	100.0000	56.4789	100.0000	100.0000
1998-99	96.4206	54.9090	97.3606	97.3606
1997-98	100.0000	58.8284	100.0000	100.0000
1996-97	100.0000	59.3180	100.0000	97.2824
1995-96	100.0000	67.5074	100.0000	100.0000

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year. For example, the assessments finalized on January 1, 2003 are used to calculate tax liability for the tax year starting July 1, 2005 through June 30, 2006. Presented below is the historic property valuations of the District by class of property.

Historic Property Valuations by Class of Property

Taxable Valuation

Valuation as of January . . .	2003	2002	2001	2000	1999	1998
Fiscal Year . . .	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Residential:	123,971,015	128,429,574	125,011,872	126,816,603	119,811,112	111,236,822
Agricultural Land:	101,416,324	114,074,283	114,196,183	106,330,626	102,630,925	97,675,200
Ag Buildings:	19,607,260	21,769,260	21,399,560	19,664,260	18,881,981	17,684,400
Commercial:	41,209,046	42,021,703	39,559,888	37,903,130	35,243,717	32,671,750
Industrial:	14,164,622	14,595,577	14,575,519	14,237,789	13,533,507	12,814,588
Personal RE:	293,000	293,000	1,459,234	4,153,000	5,603,248	7,689,400
Railroads:	381,801	278,900	470,447	1,164,715	1,379,844	1,584,072
Utilities:	48,924,332	46,544,502	36,886,003	20,213,956	7,097,625	24,284,351
Utility Replacement:	13,164,911	14,948,323	14,578,874	14,420,851	14,197,878	In Utilities
TIF Valuation:	10,710,000	10,900,000	10,750,000	10,720,000	10,700,000	10,800,000
Other:	0	0	0	0	0	0
Total Valuation:	373,842,311	393,855,122	378,887,580	355,624,930	329,079,837	316,440,583
Less Military:	1,222,155	1,235,132	1,240,650	1,254,445	1,287,708	1,282,782
NET Valuation:	372,620,156	392,619,990	377,646,930	354,370,485	327,792,129	315,157,801

Actual Valuation

Valuation as of January . . .	2003	2002	2001	2000	1999	1998
Fiscal Year . . .	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Residential:	255,843,501	249,924,250	241,954,091	225,391,234	218,424,159	196,952,883
Agricultural Land:	101,416,324	114,074,283	114,196,183	110,372,351	102,630,925	101,301,174
Ag Buildings:	19,607,260	21,769,260	21,399,560	20,411,717	18,881,981	18,340,894
Commercial:	41,517,521	42,021,703	40,459,294	37,903,130	35,243,717	32,671,750
Industrial:	14,164,622	14,595,577	14,575,519	14,237,789	13,533,507	12,814,588
Personal RE:	293,000	293,000	1,459,234	4,153,000	5,603,248	7,689,400

Railroads:	384,659	278,900	481,177	1,164,715	1,379,844	1,584,072
Utilities:	48,924,332	46,544,502	36,886,003	20,213,956	7,097,625	24,284,351
Utility Replacement:	13,164,911	14,948,323	14,578,874	14,420,851	14,197,878	In Utilities
TIF Valuation:	10,710,000	10,900,000	10,750,000	10,720,000	10,700,000	10,800,000
Other:	0	0	0	0	0	0
Total Valuation:	506,026,130	515,349,798	496,739,935	458,988,742	427,692,884	406,439,112
NET Valuation:	506,026,130	515,349,798	496,739,935	458,988,742	427,692,884	406,439,112

Historic Property Valuations by Class of Property

Valuation Year	Budget Year	Net Taxable Valuation w/Utilities	Percentage Change Taxable Valuation
2004	2005-06	382,826,296	2.74%
2003	2004-05	372,620,156	-5.09%
2002	2003-04	392,619,990	3.96%
2001	2002-03	377,646,930	6.57%
2000	2001-02	354,370,485	8.11%
1999	2000-01	327,792,129	4.01%
1998	1999-00	315,157,801	7.60%
1997	1998-99	292,895,050	1.67%

Tax Rates

Taxes levied by the District for the fund groups as presented, for the period indicated:

	<u>Operating</u>	<u>Management</u>	<u>Voted PPEL</u>	<u>Board PPEL</u>	<u>Debt Service</u>	<u>TOTAL</u>
2005-06	11.70090	0.89755	0.67000	0.33000	0.00000	13.59845
2004-05	11.84115	0.75695	0.67000	0.33000	0.00000	13.59810
2003-04	11.05577	0.79935	0.67000	0.33000	0.00000	12.85512
2002-03	10.89151	0.59962	0.60000	0.33000	0.00000	12.42113
2001-02	10.51233	0.54125	0.67000	0.33000	0.00000	12.05358

Largest Taxpayers

<u>Taxpayer</u>	<u>2004 Taxable Valuation</u>
Alliance Pipeline	45,843,290
Interstate Power & Light Co.	7,355,988
Exide Corporation	5,633,633
Central Iowa Power Coop	3,822,586
Iowa Telecommunications	3,498,971
Warden Centre, Inc.	1,523,949
Wal-Mart Real Estate Business Trust	1,479,949
R.E.H. Investments Inc.	1,349,481
Acquisitions Investments of Manchester	1,321,440
Hutchinson Inc.	1,252,457

Property Tax Collection History – All Funds

Fiscal Year	Amount Levied	Amount Collected	Percentage Collected
2005-06	\$4,843,279	\$4,795,746	99%
2004-05	\$4,665,263	\$4,574,030	98%
2003-04	\$4,547,344	\$4,580,746	101%
2002-03	\$4,376,261	\$4,337,802	99%
2001-02	\$3,964,316	\$4,033,064	102%
		Average Percentage Collected:	100%

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 West Delaware County Community School District as a whole and present an overall view of the District’s finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Delaware County Community School District’s operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Delaware County Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

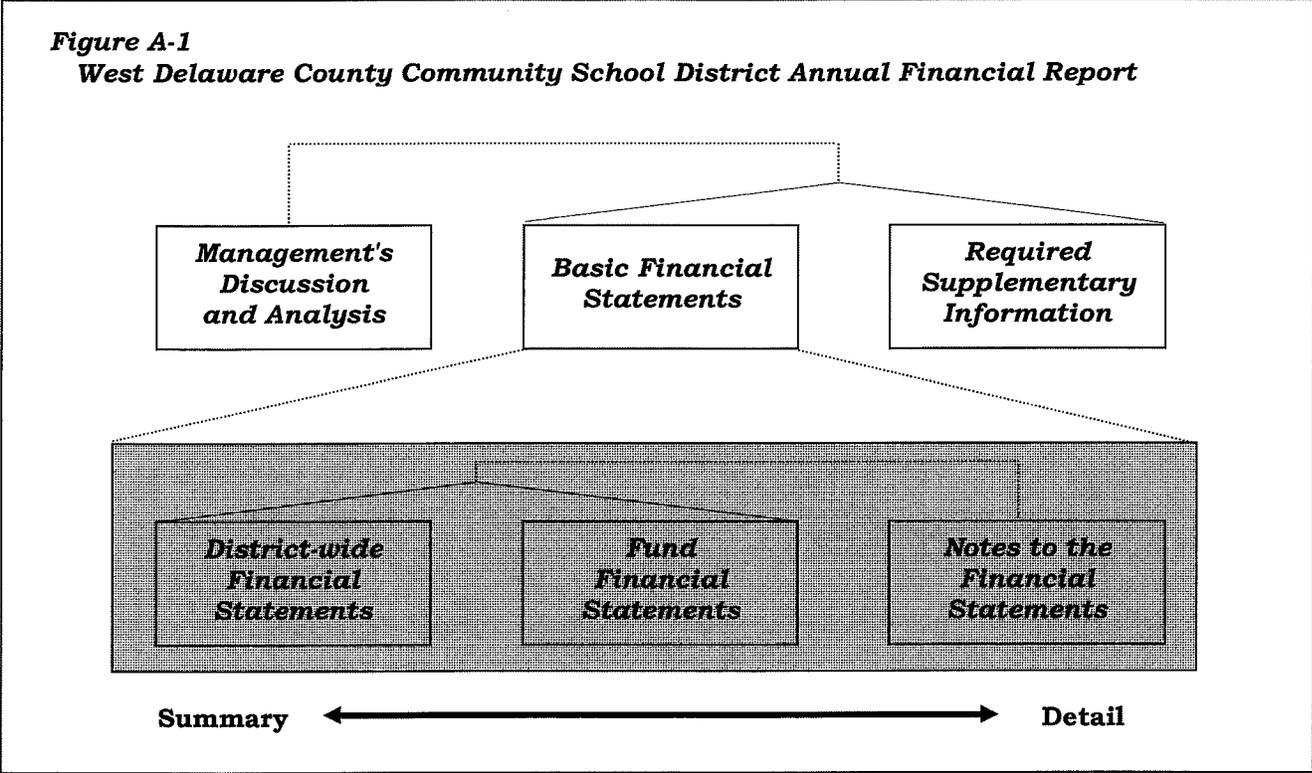


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or 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 categories 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 the 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 District's Internal Service Fund, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one Internal Service Fund, which accounts for the District's self-funded insurance plan.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in 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 Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 15,082,815	8,367,968	226,469	219,679	15,309,284	8,587,647	78.27%
Capital assets	1,417,709	1,209,047	25,440	30,610	1,443,149	1,239,657	16.42%
Total assets	<u>16,500,524</u>	<u>9,577,015</u>	<u>251,909</u>	<u>250,289</u>	<u>16,752,433</u>	<u>9,827,304</u>	<u>70.47%</u>
Long-term obligations	6,328,042	675,755	0	3,202	6,328,042	678,957	832.02%
Other liabilities	5,448,858	5,227,450	8,449	13,995	5,457,307	5,241,445	4.12%
Total liabilities	<u>11,776,900</u>	<u>5,903,205</u>	<u>8,449</u>	<u>17,197</u>	<u>11,785,349</u>	<u>5,920,402</u>	<u>99.06%</u>
Net assets:							
Invested in capital assets, net of related debt	1,417,709	1,209,047	25,440	30,610	1,443,149	1,239,657	16.42%
Restricted	2,581,275	1,470,967	0	0	2,581,275	1,470,967	75.48%
Unrestricted	724,640	993,796	218,020	202,482	942,660	1,196,278	-21.20%
Total net assets	<u>\$ 4,723,624</u>	<u>3,673,810</u>	<u>243,460</u>	<u>233,092</u>	<u>4,967,084</u>	<u>3,906,902</u>	<u>27.14%</u>

The District's combined net assets increased by \$1,060,182, or 27.14%, over the prior year. The largest portion of the District's net assets is the restricted net assets – resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

The District's restricted net assets increased \$1,110,308, or 75.48%, over the prior year. The increase in restricted net assets was due to the increase in long-term debt issued but unspent in FY 06 increasing the balances of restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$253,618, or 21.20%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 1,037,668	1,094,917	384,371	355,411	1,422,039	1,450,328	-1.95%
Operating grants and contributions and restricted interest	1,750,448	1,528,784	230,354	235,107	1,980,802	1,763,891	12.30%
Capital grants and contributions and restricted interest	79,858	0	0	0	79,858	0	100.00%
General revenues:							
Property tax	5,488,488	5,085,362	0	0	5,488,488	5,085,362	7.93%
Local option sales and services tax	688,694	888,255	0	0	688,694	888,255	-22.47%
Unrestricted state grants	5,852,235	5,835,850	0	0	5,852,235	5,835,850	0.28%
Other	381,356	63,904	8,720	3,946	390,076	67,850	474.91%
Total revenues	15,278,747	14,497,072	623,445	594,464	15,902,192	15,091,536	5.37%
Program expenses:							
Governmental activities:							
Instructional	9,051,547	8,722,425	0	0	9,051,547	8,722,425	3.77%
Support services	4,228,853	3,816,795	8,975	0	4,237,828	3,816,795	11.03%
Non-instructional programs	10,773	12,780	604,102	589,625	614,875	602,405	2.07%
Other expenses	937,760	791,935	0	0	937,760	791,935	18.41%
Total expenses	14,228,933	13,343,935	613,077	589,625	14,842,010	13,933,560	6.52%
Changes in net assets before other financing uses	1,049,814	1,153,137	10,368	4,839	1,060,182	1,157,976	-8.45%
Other financing uses:							
Loss on disposal of capital assets	0	(50,668)	0	0	0	(50,668)	-100.00%
Change in net assets	1,049,814	1,102,469	10,368	4,839	1,060,182	1,107,308	-4.26%
Beginning net assets	3,673,810	2,571,341	233,092	228,253	3,906,902	2,799,594	39.55%
Ending net assets	\$ 4,723,624	3,673,810	243,460	233,092	4,967,084	3,906,902	27.14%

In fiscal 2006, property tax, local option sales and services tax and unrestricted state grants account for 78.73% of the revenue and transfers from governmental activities while charges for service and sales and operating grants and contributions account for 98.60% of the revenue and transfers from business-type activities.

The District's total revenues were \$15,902,192 of which \$15,278,747 was for governmental activities and \$623,445 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 5.37% increase in revenues and a 6.52% increase in expenses. Local tax increased by \$403,126 to fund expenditures. The increases in expenses were related to increase in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$15,278,933 and expenses were \$14,228,933.

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
			2005-06			2005-06
Instruction	\$ 9,051,547	8,722,425	3.77%	6,894,352	6,668,417	3.39%
Support services	4,228,853	3,816,795	10.80%	4,137,440	3,786,367	9.27%
Non-instructional programs	10,773	12,780	-15.70%	10,773	12,780	-15.70%
Other expenses	937,760	791,935	18.41%	318,394	252,670	26.01%
Totals	\$ 14,228,933	13,343,935	6.63%	11,360,959	10,720,234	5.98%

- The cost financed by users of the District's programs was \$1,037,668.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,830,306.
- The net cost of governmental activities was financed with \$5,488,488 in property tax, \$688,694 in local option sales and services tax, \$5,852,235 in unrestricted state grants, \$255,796 in interest income and \$125,560 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$623,445 and expenses were \$613,277. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$9,388,757, above last year's ending fund balance of \$2,943,702. The primary reason for the increase in combined fund balance in fiscal 2006 is due to the local option sales and services tax monies.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The state's student enrollment driven funding formula has not provided much "new money" over the course of the last several years, yet the District maintains a competitive hiring salary for each of its job classifications. Gearing up for the long awaited construction program on the high school campus used General Fund resources to supplement debt funding. As a result, General Fund expenditures exceeded revenues for the first time in recent history.

- The District's improving Capital Projects Fund financial position from \$1,162,664 in fiscal year 2005 to \$5,538,855 in fiscal year 2006. This increase was a result of the issuance of revenue bonds and capital loan notes.
- The Physical Plant and Equipment Levy paid off the final installment of an outstanding note in fiscal year 2005, allowing the majority of FY 06 receipts in that fund to be available for the high school construction project.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$233,092 at June 30, 2005 to \$243,460 at June 30, 2006, representing an increase of 4.45%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1,143,149, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, furnishings athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 14.10% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$257,700.

The original cost of the District's capital assets was \$8,972,206. Governmental funds account for \$8,621,588 with the remainder of \$170,618 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2005, compared to \$452,881 reported at June 30, 2006. This increase resulted from the capital improvements started, but not yet completed by the year end.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 62,250	62,250	0	0	62,250	62,250	0.00%
Construction in progress	452,881	0	0	0	452,881	0	100.00%
Buildings	91,853	167,298	0	0	91,853	167,298	-82.14%
Land improvements	115,309	128,460	0	0	115,309	128,460	-11.41%
Machinery and equipment	695,416	851,039	25,440	30,610	720,856	881,649	-22.31%
Total	\$ 1,417,709	1,209,047	25,440	30,610	1,443,149	1,239,657	14.10%

Long-Term Debt

At June 30, 2006, the District had \$6,328,042 in revenue bonded and other long-term debt outstanding. This represents an increase of 832% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had revenue bonds payable from the Capital Projects Fund of \$3,785,000 at June 30, 2006.

The District had capital loan notes payable from the Special Revenue, Physical Plant and Equipment Fund of \$2,075,000 at June 30, 2006.

The District had early retirement payable from the Special Revenue, Management Levy Fund of \$468,042 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
Revenue Bonds	\$ 3,785,000	0	100.0%
Capital Loan Notes	2,075,000	0	100.0%
National School Fitness Loan	0	22,428	-100.0%
Early Retirement	468,042	656,529	-28.7%
Totals	\$ 6,328,042	678,957	832.0%

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 Ron Goerd, Director of Finance, West Delaware County Community School District, 601 New Street, Manchester, Iowa, 52057.

BASIC FINANCIAL STATEMENTS

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 9,260,900	209,166	9,470,066
Receivables:			
Property tax:			
Delinquent	79,966	0	79,966
Succeeding year	5,029,075	0	5,029,075
Income surtax	285,048	0	285,048
Accounts	5,571	0	5,571
Due from other governments	422,255	0	422,255
Inventories	0	17,303	17,303
Capital assets, net of accumulated depreciation (Note 4)	1,417,709	25,440	1,443,149
TOTAL ASSETS	16,500,524	251,909	16,752,433
LIABILITIES			
Accounts payable	-225,376	85	225,461
Salaries and benefits payable	75,074	19	75,093
Interest payable	114,833	0	114,833
Deferred revenue:			
Succeeding year property tax	5,029,075	0	5,029,075
Other	4,500	0	4,500
Unearned revenue	0	8,345	8,345
Long-term liabilities (Note 5):			
Portion due within one year:			
Revenue bonds payable	410,000	0	410,000
Capital loan notes payable	145,000	0	145,000
Early retirement payable	100,458	0	100,458
Portion due after one year:			
Revenue bonds payable	3,375,000	0	3,375,000
Capital loan notes payable	1,930,000	0	1,930,000
Early retirement payable	367,584	0	367,584
TOTAL LIABILITIES	11,776,900	8,449	11,785,349
NET ASSETS			
Investment in capital assets, net of related debt	1,417,709	25,440	1,443,149
Restricted for:			
Talented and gifted	5,708	0	5,708
Salary improvement program	470	0	470
Capital projects	1,942,159	0	1,942,159
Physical plant and equipment levy	357,185	0	357,185
Other special revenue purposes	275,753	0	275,753
Unrestricted	724,640	218,020	942,660
TOTAL NET ASSETS	\$ 4,723,624	243,460	4,967,084

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 5,778,403	362,407	1,030,316	0	(4,385,680)	0	(4,385,680)
Special instruction	1,604,609	171,943	92,346	0	(1,340,320)	0	(1,340,320)
Other instruction	1,668,535	497,482	2,701	0	(1,168,352)	0	(1,168,352)
	9,051,547	1,031,832	1,125,363	0	(6,894,352)	0	(6,894,352)
Support services:							
Student services	503,128	0	0	0	(503,128)	0	(503,128)
Instructional staff services	624,646	0	0	0	(624,646)	0	(624,646)
Administration services	1,262,346	0	0	0	(1,262,346)	0	(1,262,346)
Operation and maintenance of plant services	1,099,215	0	0	0	(1,099,215)	0	(1,099,215)
Transportation services	739,518	5,836	85,577	0	(648,105)	0	(648,105)
	4,228,853	5,836	85,577	0	(4,137,440)	0	(4,137,440)
Non-instructional programs:							
Food service operations	10,773	0	0	0	(10,773)	0	(10,773)
Other expenditures:							
Facilities acquisitions	162,058	0	0	79,858	(82,200)	0	(82,200)
Long-term debt interest	139,287	0	0	0	(139,287)	0	(139,287)
AEA flowthrough	539,508	0	539,508	0	0	0	0
Depreciation(unallocated)*	96,907	0	0	0	(96,907)	0	(96,907)
	937,760	0	539,508	79,858	(318,394)	0	(318,394)
Total governmental activities	14,228,933	1,037,668	1,750,448	79,858	(11,360,959)	0	(11,360,959)
Business-Type activities:							
Support services:							
Operation and maintenance of plant services	8,975	8,975	0	0	0	0	0
Non-instructional programs:							
Nutrition services	604,102	375,396	230,354	0	0	1,648	1,648
Total business-type activities	613,077	384,371	230,354	0	0	1,648	1,648
Total	\$ 14,842,010	1,422,039	1,980,802	79,858	(11,360,959)	1,648	(11,359,311)
General Revenues:							
Local tax for:							
General purposes					\$ 5,106,066	0	5,106,066
Capital outlay					382,422	0	382,422
Local option sales and services tax					688,694	0	688,694
Unrestricted state grants					5,852,235	0	5,852,235
Unrestricted investment earnings					255,796	8,720	264,516
Other general revenues					125,560	0	125,560
Total general revenues					12,410,773	8,720	12,419,493
Change in net assets					1,049,814	10,368	1,060,182
Net assets beginning of year, as restated(Note 11)					3,673,810	233,092	3,906,902
Net assets end of year					\$ 4,723,624	243,460	4,967,084

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 592,839	2,483,570	5,366,020	743,486	9,185,915
Receivables:					
Property tax:					
Delinquent	68,750	5,942	0	5,274	79,966
Succeeding year	4,339,917	394,190	0	294,968	5,029,075
Income surtax	285,048	0	0	0	285,048
Accounts	2,747	0	0	2,824	5,571
Due from other governments	199,368	37,176	185,707	4	422,255
TOTAL ASSETS	\$ 5,488,669	2,920,878	5,551,727	1,046,556	15,007,830
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 150,240	56,341	12,872	5,923	225,376
Salaries and benefits payable	74,617	0	0	457	75,074
Deferred revenue:					
Succeeding year property tax	4,339,917	394,190	0	294,968	5,029,075
Income surtax	285,048	0	0	0	285,048
Other	4,500	0	0	0	4,500
Total liabilities	4,854,322	450,531	12,872	301,348	5,619,073
Fund balances:					
Reserved for:					
Talented and gifted	5,708	0	0	0	5,708
Salary improvement program	470	0	0	0	470
Debt service	0	0	0	264,975	264,975
Unreserved:					
General	628,169	0	0	0	628,169
Physical plant and equipment levy	0	2,470,347	0	0	2,470,347
Capital projects	0	0	5,538,855	0	5,538,855
Management levy	0	0	0	204,480	204,480
Other special revenue purposes	0	0	0	275,753	275,753
Total fund balances	634,347	2,470,347	5,538,855	745,208	9,388,757
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,488,669	2,920,878	5,551,727	1,046,556	15,007,830

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 24)	\$	9,388,757
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		1,417,709
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		74,985
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		285,048
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.		(114,833)
Long-term liabilities, including revenue bonds payable, capital loan notes payable and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,328,042)</u>
Net assets of governmental activites (page 22)	\$	<u>4,723,624</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,635,367	382,422	688,694	333,638	6,040,121
Tuition	469,363	0	0	0	469,363
Other	221,394	49,357	147,059	609,895	1,027,705
Intermediate sources	1,648	0	0	0	1,648
State sources	7,001,614	280	66,952	249	7,069,095
Federal sources	467,994	57,371	0	0	525,365
Total revenues	<u>12,797,380</u>	<u>489,430</u>	<u>902,705</u>	<u>943,782</u>	<u>15,133,297</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	5,722,473	0	0	153,639	5,876,112
Special instruction	1,599,453	0	0	5,156	1,604,609
Other instruction	1,152,011	0	0	516,524	1,668,535
	<u>8,473,937</u>	<u>0</u>	<u>0</u>	<u>675,319</u>	<u>9,149,256</u>
Support services:					
Student services	497,326	0	0	8,922	506,248
Instructional staff services	634,994	0	0	2,965	637,959
Administration services	1,627,864	0	0	27,882	1,655,746
Operation and maintenance of plant services	1,048,622	0	0	70,708	1,119,330
Transportation services	618,399	0	0	50,780	669,179
	<u>4,427,205</u>	<u>0</u>	<u>0</u>	<u>161,257</u>	<u>4,588,462</u>
Non-instructional programs:					
Food service operations	0	0	0	10,773	10,773
Other expenditures:					
Facilities acquisitions	0	186,391	35,359	0	221,750
Long-term debt:					
Principal	0	0	0	22,428	22,428
Interest and fiscal charges	0	23,595	28,502	195	52,292
AEA flowthrough	539,508	0	0	0	539,508
	<u>539,508</u>	<u>209,986</u>	<u>63,861</u>	<u>22,623</u>	<u>835,978</u>
Total expenditures	<u>13,440,650</u>	<u>209,986</u>	<u>63,861</u>	<u>869,972</u>	<u>14,584,469</u>
Excess(deficiency) of revenues over(under) expenditures	(643,270)	279,444	838,844	73,810	548,828
Other financing sources(uses):					
Transfers in	0	0	0	285,930	285,930
Transfers out	(22,623)	0	(263,307)	0	(285,930)
Compensation for loss of capital assets	2,280	0	0	0	2,280
Sale of equipment	6,109	0	0	0	6,109
Issuance of revenue bonds	0	0	3,785,000	0	3,785,000
Premium on revenue bonds	0	0	5,431	0	5,431
Accrued interest on revenue bonds	0	0	10,223	0	10,223
Issuance of capital loan notes	0	2,075,000	0	0	2,075,000
Premium on capital loan notes	0	7,096	0	0	7,096
Accrued interest on capital loan notes	0	5,088	0	0	5,088
Total other financing sources(uses)	<u>(14,234)</u>	<u>2,087,184</u>	<u>3,537,347</u>	<u>285,930</u>	<u>5,896,227</u>
Net change in fund balances	(657,504)	2,366,628	4,376,191	359,740	6,445,055
Fund balance beginning of year	1,291,851	103,719	1,162,664	385,468	2,943,702
Fund balance end of year	<u>\$ 634,347</u>	<u>2,470,347</u>	<u>5,538,855</u>	<u>745,208</u>	<u>9,388,757</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 26) \$ 6,445,055

**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	\$ 461,192	
Depreciation expense	(252,530)	208,662

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 26,156

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

Issued	\$ (5,860,000)	
Repaid	22,428	(5,837,572)

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. (114,833)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 137,061

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 185,285

Changes in net assets of governmental activities (page 23) \$ 1,049,814

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2006

	Business-Type Activities	
	Enterprise: Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Cash and pooled investments	\$ 209,166	74,985
Inventories	17,303	0
Capital assets, net of accumulated depreciation(Note 4)	25,440	0
TOTAL ASSETS	251,909	74,985
LIABILITIES		
Accounts payable	85	0
Salaries and benefits payable	19	0
Unearned revenue	8,345	0
TOTAL LIABILITIES	8,449	0
NET ASSETS		
Investment in capital assets, net of related debt	25,440	0
Unrestricted	218,020	74,985
TOTAL NET ASSETS	\$ 243,460	74,985

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business-Type Activities Enterprise: Fund	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 384,371	87,625
TOTAL OPERATING REVENUES	<u>384,371</u>	<u>87,625</u>
OPERATING EXPENSES:		
Support services:		
Operation and maintenance of plant services:		
Services	8,975	0
Non-instructional programs:		
Food service operations:		
Salaries	250,673	0
Benefits	47,407	0
Services	17,926	0
Supplies	282,926	0
Depreciation	5,170	0
	<u>604,102</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	61,469
	<u>604,102</u>	<u>61,469</u>
TOTAL OPERATING EXPENSES	<u>613,077</u>	<u>61,469</u>
OPERATING INCOME (LOSS)	<u>(228,706)</u>	<u>26,156</u>
NON-OPERATING REVENUES:		
State sources	8,111	0
Federal sources	222,243	0
Interest on investments	8,720	0
TOTAL NON-OPERATING REVENUES	<u>239,074</u>	<u>0</u>
Changes in net assets	10,368	26,156
Net assets beginning of year	<u>233,092</u>	<u>48,829</u>
Net assets end of year	<u>\$ 243,460</u>	<u>74,985</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business-Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 377,561	0
Cash received from miscellaneous	1,160	87,625
Cash payments to employees for services	(301,263)	(61,469)
Cash payments to suppliers for goods or services	(275,240)	0
Net cash provided by(used in) operating activities	<u>(197,782)</u>	<u>26,156</u>
Cash flows from non-capital financing activities:		
State grants received	8,111	0
Federal grants received	189,293	0
Net cash provided by non-capital financing activities	<u>197,404</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	8,720	0
Net cash provided by investing activities	<u>8,720</u>	<u>0</u>
Net increase in cash and cash equivalents	8,342	26,156
Cash and cash equivalents at beginning of year	<u>200,824</u>	<u>48,829</u>
Cash and cash equivalents at end of year	<u>\$ 209,166</u>	<u>74,985</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income (loss)	\$ (228,706)	26,156
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	32,950	0
Depreciation	5,170	0
Decrease in inventories	1,552	0
Increase in accounts payable	85	0
Decrease in salaries and benefits payable	(3,183)	0
Decrease in deferred revenue	(5,650)	0
Net cash provided by(used in) operating activities	<u>\$ (197,782)</u>	<u>26,156</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 209,166</u>	<u>74,985</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$32,950.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The West Delaware County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Manchester, Ryan, Dundee, Greeley, and Masonville, Iowa, and the predominate agricultural territory in Delaware and Buchanan Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Delaware County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Delaware County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Delaware and Buchanan Counties Assessors' 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 support.

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:

Investment 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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is used to account for resources used in the acquisition of equipment and improvements and maintenance to capital facilities.

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

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The

Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under 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 nonoperating 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 nonoperating 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.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, 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.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

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

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

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

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 Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the support services function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) **Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	General	\$ 22,623
Debt Service	Capital Projects	263,307
Total		<u>\$ 285,930</u>

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

(4) Capital Assets

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

	Balance Beginning of Year (Restated)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 62,250	0	0	62,250
Construction in progress	0	452,881	0	452,881
Total capital assets not being depreciated	<u>62,250</u>	<u>452,881</u>	<u>0</u>	<u>515,131</u>
Capital assets being depreciated:				
Buildings	5,175,597	8,311	0	5,183,908
Land improvements	267,873	0	0	267,873
Machinery and equipment	2,654,676	0	0	2,654,676
Total capital assets being depreciated	<u>8,098,146</u>	<u>8,311</u>	<u>0</u>	<u>8,106,457</u>
Less accumulated depreciation for:				
Buildings	5,008,299	83,756	0	5,092,055
Land improvements	139,413	13,151	0	152,564
Machinery and equipment	1,803,637	155,623	0	1,959,260
Total accumulated depreciation	<u>6,951,349</u>	<u>252,530</u>	<u>0</u>	<u>7,203,879</u>
Total capital assets being depreciated, net	<u>1,146,797</u>	<u>(244,219)</u>	<u>0</u>	<u>902,578</u>
Governmental activities capital assets, net	<u>\$ 1,209,047</u>	<u>208,662</u>	<u>0</u>	<u>1,417,709</u>
Business-type activities:				
Machinery and equipment	\$ 170,618	0	0	170,618
Less accumulated depreciation	140,008	5,170	0	145,178
Business-type activities capital assets, net	<u>\$ 30,610</u>	<u>(5,170)</u>	<u>0</u>	<u>25,440</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 66,495
Support services:		
Administration		11,220
Transportation		77,908
		<u>155,623</u>
Unallocated depreciation		<u>96,907</u>
Total governmental activities depreciation expense		<u>\$ 252,530</u>
Business-type activities:		
Food services		\$ 5,170
Total business-type activities depreciation expense		<u>\$ 5,170</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 0	3,785,000	0	3,785,000	410,000
Capital Loan Notes	0	2,075,000	0	2,075,000	145,000
National School Fitness Loan	22,428	0	22,428	0	0
Early Retirement	656,529	0	188,487	468,042	100,458
Total	<u>\$ 678,957</u>	<u>5,860,000</u>	<u>210,915</u>	<u>6,328,042</u>	<u>655,458</u>

Revenue Bonds Payable

Details of the District's June 30, 2006 local option sales and services tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of January 1, 2006			
	Interest Rates	Principal	Interest	Total
2007	4.00 %	\$ 410,000	\$ 153,342	563,342
2008	4.00	435,000	136,941	571,941
2009	4.00	450,000	119,541	569,541
2010	4.00	465,000	101,541	566,541
2011	4.00	480,000	82,941	562,941
2012-2014	4.10-4.15	1,545,000	129,390	1,674,390
Total		<u>\$ 3,785,000</u>	<u>723,696</u>	<u>4,508,696</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$378,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Capital Loan Notes

Details of the District's June 30, 2006 capital loan notes indebtedness is as follows:

Year Ending June 30,	Note Issue of January 1, 2006			
	Interest Rates	Principal	Interest	Total
2007	3.65 %	\$ 145,000	\$ 108,128	253,128
2008	3.65	185,000	71,032	256,032
2009	3.65	190,000	64,280	254,280
2010	3.65	200,000	57,345	257,345
2011	3.65	210,000	50,045	260,045
2012-2016	3.65-3.75	1,145,000	130,375	1,275,375
Total		\$ 2,075,000	481,205	2,556,205

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each employee is a maximum of \$315 per month contribution toward single health insurance coverage until age 65. The employee will also receive \$40 per day of unused sick leave. The early retirement benefits paid during the year ended June 30, 2006, totaled \$188,487.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a

publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$483,580, \$471,712 and \$460,128 respectively, equal to the required contributions for each year.

(7) Risk Management

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$539,508 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.

(9) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

(10) Construction Commitment

The District has entered into various contracts for the capital construction of the building addition and renovations. As of June 30, 2006, costs of \$452,881 had been incurred against the contracts. The balance remaining at June 30, 2006 will be paid as work on the project progresses.

(11) Capital Asset/Net Asset Restatement

The District made modifications to the capital asset listings. The modifications included addition and deletions of assets, as well as changing the class life values for depreciation. The effect of the restatement of the capital assets and net asset is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance Beginning of Year (Restated)
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 62,250	0	0	62,250
Total capital assets not being depreciated	<u>62,250</u>	<u>0</u>	<u>0</u>	<u>62,250</u>
Capital assets being depreciated:				
Buildings	5,141,405	34,192	0	5,175,597
Land improvements	267,873	0	0	267,873
Machinery and equipment	2,722,571	5,925	73,820	2,654,676
Total capital assets being depreciated	<u>8,131,849</u>	<u>40,117</u>	<u>73,820</u>	<u>8,098,146</u>
Less accumulated depreciation for:				
Buildings	5,023,607	0	15,308	5,008,299
Land improvements	187,097	0	47,684	139,413
Machinery and equipment	1,833,110	0	29,473	1,803,637
Total accumulated depreciation	<u>7,043,814</u>	<u>0</u>	<u>92,465</u>	<u>6,951,349</u>
Total capital assets being depreciated, net	<u>1,088,035</u>	<u>40,117</u>	<u>(18,645)</u>	<u>1,146,797</u>
Governmental activities capital assets, net	<u>\$ 1,150,285</u>	<u>40,117</u>	<u>(18,645)</u>	<u>1,209,047</u>

The effect of the adjustments to restate the capital assets results in a change to the previously reported governmental activities, net assets as follows:

Net assets, June 30, 2005, as previously reported	\$ 3,615,048
Capital assets adjustments	<u>58,762</u>
Net assets, July 1, 2005, as restated for governmental funds	<u>\$ 3,673,810</u>

REQUIRED SUPPLEMENTARY INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 7,537,189	393,091	7,930,280	8,750,615	8,750,615	(820,335)
Intermediate sources	1,648	0	1,648	2,000	2,000	(352)
State sources	7,069,095	8,111	7,077,206	7,440,485	7,440,485	(363,279)
Federal sources	525,365	222,243	747,608	831,900	831,900	(84,292)
Total receipts	15,133,297	623,445	15,756,742	17,025,000	17,025,000	(1,268,258)
Expenditures:						
Instruction	9,149,256	0	9,149,256	9,251,808	9,251,808	102,552
Support services	4,588,462	8,975	4,597,437	4,389,735	4,389,735	(207,702)
Non-instructional programs	10,773	604,102	614,875	782,810	782,810	167,935
Other expenditures	835,978	0	835,978	9,838,901	9,838,901	9,002,923
Total expenditures	14,584,469	613,077	15,197,546	24,263,254	24,263,254	9,065,708
Excess(deficiency) of revenues over(under) expenditures	548,828	10,368	559,196	(7,238,254)	(7,238,254)	7,797,450
Other financing sources, net	5,896,227	0	5,896,227	9,000	9,000	5,887,227
Excess(deficiency) of revenues and and other financing sources over(under) expenditures	6,445,055	10,368	6,455,423	(7,229,254)	(7,229,254)	13,684,677
Balance beginning of year	2,943,702	233,092	3,176,794	9,967,972	9,967,972	(6,791,178)
Balance end of year	\$ 9,388,757	243,460	9,632,217	2,738,718	2,738,718	6,893,499

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency and Internal Service Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Nonmajor Special Revenue Funds					Total
	Manage- ment	Student Activity	Expendable Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 199,652	268,142	10,717	478,511	264,975	743,486
Receivables:						
Property tax:						
Current year delinquent	5,274	0	0	5,274	0	5,274
Succeeding year	294,968	0	0	294,968	0	294,968
Accounts	0	2,824	0	2,824	0	2,824
Due from other governments	4	0	0	4	0	4
TOTAL ASSETS	\$ 499,898	270,966	10,717	781,581	264,975	1,046,556
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 450	5,473	0	5,923	0	5,923
Salaries and benefits payable	0	457	0	457	0	457
Deferred revenue:						
Succeeding year property tax	294,968	0	0	294,968	0	294,968
	295,418	5,930	0	301,348	0	301,348
Fund equity:						
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	264,975	264,975
Unreserved:						
Undesignated	204,480	265,036	10,717	480,233	0	480,233
Total fund balances	204,480	265,036	10,717	480,233	264,975	745,208
TOTAL LIABILITIES AND FUND EQUITY	\$ 499,898	270,966	10,717	781,581	264,975	1,046,556

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Nonmajor Special Revenue Funds					Total
	Manage- ment	Student Activity	Expendable Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 333,638	0	0	333,638	0	333,638
Other	12,079	586,022	10,126	608,227	1,668	609,895
State sources	249	0	0	249	0	249
TOTAL REVENUES	345,966	586,022	10,126	942,114	1,668	943,782
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	153,619	0	20	153,639	0	153,639
Special instruction	5,156	0	0	5,156	0	5,156
Other instruction	0	516,424	100	516,524	0	516,524
Support services:						
Student services	8,922	0	0	8,922	0	8,922
Instructional staff services	2,965	0	0	2,965	0	2,965
Administration services	27,882	0	0	27,882	0	27,882
Operation and maintenance of plant services	70,708	0	0	70,708	0	70,708
Student transportation	50,780	0	0	50,780	0	50,780
Non-instructional programs:						
Food service operations	10,773	0	0	10,773	0	10,773
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	22,428	22,428
Interest and fiscal charges	0	0	0	0	195	195
TOTAL EXPENDITURES	330,805	516,424	120	847,349	22,623	869,972
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,161	69,598	10,006	94,765	(20,955)	73,810
OTHER FINANCING SOURCES:						
Transfers in	0	0	0	0	285,930	285,930
TOTAL OTHER FINANCING SOURCES	0	0	0	0	285,930	285,930
Net change in fund balance	15,161	69,598	10,006	94,765	264,975	359,740
Fund balance beginning of year	189,319	195,438	711	385,468	0	385,468
Fund balance end of year	\$ 204,480	265,036	10,717	480,233	264,975	745,208

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Special Programs Activity	\$ 712	0	0	712
Special Programs Learning Aids	635	0	0	635
Special Programs Special Olympics	5,962	383	719	5,626
District-Wide Destination Imagination	8,500	366	770	8,096
District-Wide Interest	3,524	4,109	0	7,633
Elem Vocal Music	158	100	0	258
Elem Band	122	0	0	122
Elem Book Fair	4,834	8,284	7,960	5,158
Elem Activity	11,162	7,758	12,352	6,568
Elem Faculty Vending	1,341	3,436	2,928	1,849
Elem Resale-Pencils	1,814	450	0	2,264
Elem Playground Fundraiser	497	687	0	1,184
Elem Lambert Fundraising	26,340	12,718	0	39,058
Elem Green School Project	1,072	2,861	1,979	1,954
MS Drama	100	0	9	91
MS Vocal Music	2,008	3,462	3,987	1,483
MS Band	1,336	2,912	1,324	2,924
MS Boys Basketball	0	1,453	1,453	0
MS Football	0	1,561	1,561	0
MS Boys Track	(559)	780	221	0
MS Wrestling	0	484	484	0
MS Girls Basketball	0	3,067	3,067	0
MS Volleyball	0	1,607	1,607	0
MS Softball	(361)	0	(722)	361
MS Girls Track	42	689	731	0
MS Girls Cross Country	0	205	205	0
MS Book Fair	3,460	4,576	3,694	4,342
MS Activity	39,523	54,812	48,593	45,742
MS 5th Grade Activity	911	240	586	565
MS 8th Grade Field Trip	0	2,559	0	2,559
MS Rivers Day Activity	632	357	784	205
MS Peer Helpers	2,287	1,005	1,641	1,651
MS Faculty Vending	888	2,412	1,569	1,731
MS Student Council	92	0	0	92
MS FFA	55	0	0	55
MS Behavior Support	0	200	0	200
MS Yearbook	77	2,284	2,335	26
MS Concession Stand	10,732	29,720	26,046	14,406
HS Drama	2,797	5,974	7,493	1,278
HS Speech	1,536	7,343	7,687	1,192
HS Vocal Music	4,842	16,153	16,021	4,974
HS Vocal Fundraisers	0	64	0	64
HS Band	2,140	16,151	14,970	3,321
HS Band Fundraisers	2,180	12,736	5,782	9,134

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Cheerleading	5,371	4,362	4,598	5,135
HS Boys Basketball	743	10,214	10,957	0
HS Football	10,877	87,156	74,165	23,868
HS Boys Soccer	(149)	3,258	2,266	843
HS Baseball	(4,478)	19,987	16,793	(1,284)
HS Boys Track	(1)	4,908	4,914	(7)
HS Boys Cross Country	1,615	1,172	1,706	1,081
HS Boys Tennis	39	0	0	39
HS Boys Golf	(1)	2,502	2,501	0
HS Wrestling	0	25,723	25,477	246
HS Girls Basketball	(540)	11,053	10,128	385
HS Volleyball	0	11,218	11,218	0
HS Girls Soccer	2,512	2,222	4,625	109
HS Softball	(2,588)	18,428	16,305	(465)
HS Girls Track	(337)	10,420	9,096	987
HS Girls Cross Country	583	1,101	1,382	302
HS Girls Golf	0	1,164	1,216	(52)
HS Activity Tickets	585	8,220	8,656	149
HS Book Fair	286	0	118	168
HS Activity	581	1,313	736	1,158
HS Faculty Vending	1,218	2,491	2,512	1,197
HS Student Vending	451	6,623	6,222	852
HS After Prom	(1,544)	1,162	(429)	47
HS Art	1,636	15	96	1,555
HS SADD	1,306	0	0	1,306
HS Student Council	3,260	5,865	6,660	2,465
HS AP Testing Resale	(52)	1,619	1,567	0
HS Fundraising	675	6,695	3,119	4,251
HS Foreign Language Fundraising	1	15,897	15,898	0
Class of 2004	239	0	239	0
Class of 2005	3,389	(1,454)	1,935	0
Class of 2006	3,184	0	1,698	1,486
Class of 2007	(190)	38,560	26,145	12,225
Class of 2008	(122)	222	100	0
Class of 2009	0	100	100	0
HS FFA	2,404	25,805	25,694	2,515
HS National Honor Society	2,644	998	2,212	1,430
HS Yearbook	17,388	19,744	16,360	20,772
HS YADC	2,902	107	771	2,238
HS Dance Team	0	150	0	150
HS FBLA	160	23,044	20,832	2,372
Total	\$ 195,438	586,022	516,424	265,036

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 6,040,121	5,979,031	5,338,738	4,515,905
Tuition	469,363	424,314	375,884	272,682
Other	1,027,705	733,515	619,639	656,419
Intermediate sources	1,648	992	2,225	3,894
State sources	7,069,095	6,830,325	6,728,038	7,116,621
Federal sources	525,365	534,309	620,330	412,125
Total	<u>\$ 15,133,297</u>	<u>14,502,486</u>	<u>13,684,854</u>	<u>12,977,646</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 5,876,112	5,507,524	5,470,527	5,750,083
Special instruction	1,604,609	1,421,712	1,807,235	1,505,916
Other instruction	1,668,535	1,687,515	1,248,063	1,228,576
Support services:				
Student services	506,248	461,371	475,490	456,332
Instructional staff services	637,959	606,391	744,472	858,173
Administration services	1,655,746	1,139,647	1,151,947	1,200,579
Operation and maintenance of plant services	1,119,330	919,307	847,699	838,538
Transportation services	669,179	631,989	606,693	569,502
Non-instructional programs	10,773	8,177	4,000	1,151
Other expenditures:				
Facilities acquisitions	221,750	91,893	182,404	172,587
Long-term debt:				
Principal	22,428	273,056	266,233	234,070
Interest	52,292	7,306	15,339	23,958
AEA flow-through	539,508	539,265	550,205	590,036
Total	<u>\$ 14,584,469</u>	<u>13,295,153</u>	<u>13,370,307</u>	<u>13,429,501</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 06	\$ <u>32,950</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	21,217
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	<u>168,076</u>
			<u>189,293</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6592-G	<u>174,583</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 06	<u>4,388</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 06	<u>86,749</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES			
	84.369	FY 06	<u>9,810</u>
SAFE AND DRUG-FREE SCHOOLS - STATES GRANTS			
	84.186	FY 06	<u>8,160</u>
FUND FOR THE IMPROVEMENT OF EDUCATION			
	84.215	FY 06	<u>57,372</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 06	<u>24,412</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 06	<u>92,346</u>
DEPARTMENT OF HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM (MEDICAID)	93.778	FY 06	<u>18,804</u>

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS (COMSERV)			
	94.004	FY 06	4,820
TOTAL			\$ 703,687

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the West Delaware County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of the
West Delaware County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Delaware County Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 20, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

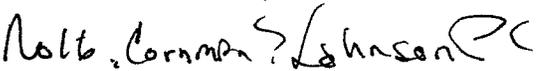
As part of obtaining reasonable assurance about whether West Delaware County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which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

Members American Institute & Iowa Society of Certified Public Accountants

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

September 20, 2006

NOLTE, CORNMAN & JOHNSON P.C.
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Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of the
West Delaware County Community School District:

Compliance

We have audited the compliance of West Delaware County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. West Delaware County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Delaware County Community School District's management. Our responsibility is to express an opinion on West Delaware County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Delaware County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Delaware County Community School District's compliance with those requirements.

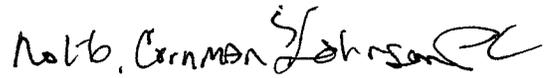
In our opinion, West Delaware County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of West Delaware County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered West Delaware County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 non-compliance with applicable requirements of laws, regulations, contracts and grants would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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


NOLTE, CORNMAN & JOHNSON, P.C.

September 20, 2006

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which are considered a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Delaware County Community School District qualified as a low-risk auditee.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Target were recorded in the Elementary Activity account in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

There are Interest accounts. These accounts should be allocated among the Student Activity Funds that earned the interest. This allocation should be done at least annually. Interest earned should be distributed to individual accounts within the Student Activity Fund.

There are faculty vending accounts. These accounts are not student run organizations and do not appear to be cocurricular in nature and should therefore, be run through the General Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - We accept the recommendation to more closely review the receipts and expenditures recorded to the Student Activity Fund.

Conclusion - Response accepted.

II-B-06 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events and receipts this into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - The District will place facility rental receipts in the General Fund.

Conclusion - Response accepted.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No reportable conditions were reported.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the support services function.

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

Response - We will amend the budget if necessary in the future. The budget was exceeded due to the reclassification of accounts required by the State of Iowa for the certification of the Certified Annual Report.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-06 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.

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

IV-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.