

**WESTERN DUBUQUE COUNTY  
COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2006**

**OFFICIAL ISSUING REPORT  
DAVID A. WEGMANN, BUSINESS MANAGER  
BUSINESS OFFICE**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**JUNE 30, 2006**

**T A B L E O F C O N T E N T S**

	Page No.
Officials	1
Independent Auditor's Report	2-3
<b>REQUIRED SUPPLEMENTARY INFORMATION - PART I</b>	
Management's Discussion and Analysis (MD&A)	4-20
<b>BASIC FINANCIAL STATEMENTS</b>	
	<b>Exhibit</b>
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets	A 21-22
Statement of Activities	B 23-25
<b>Governmental Fund Financial Statements:</b>	
Balance Sheet	C 26
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 27
Statement of Revenues, Expenditures and Changes In Fund Balances	E 28-29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 30
<b>Proprietary Fund Financial Statements:</b>	
Statement of Net Assets	G 31
Statement of Revenues, Expenses and Changes in Net Assets	H 32
Statement of Cash Flows	I 33
<b>Fiduciary Fund Financial Statements:</b>	
Statement of Fiduciary Net Assets	J 34
Statement of Changes in Fiduciary Net Assets	K 35
<b>Notes to Financial Statements</b>	36-53
<b>REQUIRED SUPPLEMENTARY INFORMATION - PART II</b>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund	54
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	55
Notes to Required Supplementary Information - Budgetary Reporting	56



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**OFFICIALS**

Name -----	Title -----	Term Expires -----
<b>Board of Education (Before September 2005 Election)</b>		
Tom Gassman	President	2005
Alan Manternach	Vice President	2006
Nancy Ludwig	Board Member	2005
Bob McCabe	Board Member	2006
Dean Knepper	Board Member	2007
<b>Board of Education (After September 2005 Election)</b>		
Bob McCabe	President	2006
Alan Manternach	Vice President	2006
June Brandenburg	Board Member	2008
Barb Weber	Board Member	2008
Dean Knepper	Board Member	2007
<b>School Officials</b>		
Wayne Drexler	Superintendent	2006
David Wegmann	Board Secretary/ Business Manager/ District Treasurer	2006

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Western Dubuque 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 Western Dubuque County Community School District as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the District's primary government 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 that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the Western Dubuque County Community School District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the Western Dubuque County Community School District, as of June 30, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2006, on our consideration of the 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 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 Western Dubuque 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 four years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements with the exception of the years ended June 30, 2005 and 2004. For the years ended June 30, 2005 and 2004, we expressed an unqualified opinion on the financial statements of the primary government. However, we expressed an adverse opinion on the financial reporting entity due to the omission of the financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District's primary government. 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, Audits of State, Local Governments and Non-Profit Organizations, 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.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa  
October 24, 2006

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

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

This Management Discussion and Analysis contains the following main areas beginning on the pages shown.

<u>Area</u>	<u>Page #</u>
Financial Notes	5
Overview of the Financial Statements	5
Financial Analysis of the District as a Whole	9
Changes in Net Assets	10
Financial Analysis of the District's Funds	12
Budgetary Highlights	14
Capital Asset and Debt Administration	17
Factors Bearing on the District's Future	18
Contacting the District's Financial Management	20

## Financial Notes

- The 2005-06 fiscal year was the fourth year of the District's five-year Instructional Support Program (ISP).

Receipts:

Property Tax	\$397,075
Income Surtax	534,326
State Aid	<u>58,791</u>
	<u>\$990,192</u>

Expenses:

Teacher Wages/Benefits	\$450,878
Textbooks-Private Schools	82,895
School Buses	<u>379,878</u>
	<u>\$913,651</u>

The Instructional Support Program was approved by voters on March 12, 2002 and will end on June 30, 2007.

- The General Fund June 30, 2006 fund balance improved slightly from \$104,787 to \$384,152 resulting in an improved Financial Solvency Ratio. Targeted ratio is 5%.

2002-2003	3.50 %
2003-2004	0.40 %
2004-2005	0.10 %
2005-2006	1.83 %

- The 2005-06 fiscal year was the last year of the District's Early Retirement Program for salaried employees. Costs for the program are paid for from the District's Management Fund. Expenses for 2005-06 attributed to the program were \$668,820. The program continues for one additional year for hourly employees. See Note 7 of Notes To Financial Statements - Long-Term Debt on page 50 for details of benefit.
- The District's 4 year old Pre-K program was in operation for two years ended at the close of the fiscal year. Revenues and Expenses were accounted for in the District's Enterprise Fund (63). Expenses for 2005-06 totaled \$100,775.

### Overview of the Financial Statements

This annual audit report is organized into three major parts that are necessary to meet state and federal audit requirements along with the Governmental Accounting Standards Board Statement No. 34 (GASB34).

1. Management Discussion & Analysis (MD&A) [This part]
2. Basic Financial Statements
3. Required Supplementary Information

Figure A-1 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. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-1</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### **Government-Wide Statements**

The Government-wide 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 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, respectively.
- To assess the District’s overall health, you need to consider additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

1. ***Governmental funds:*** Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional schedules explain the relationship or differences between the two statements.
  - The District’s Governmental Funds Group includes the General Fund, Activity Fund, Management Fund, Physical Plant and Equipment Levy Fund, Debt Service Fund, Construction Fund, and Local Option Sales Tax Fund.

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 statements.
  - The District's Enterprise Funds, one type of Proprietary Fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Regular Education Preschool Fund.
3. ***Fiduciary funds:*** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

## Financial Analysis of the District as a Whole

**Net assets** - Figures A-2 and A-3 below provide a summary of the District's revenues, expenses, and net assets for the year ended June 30, 2006 compared to 2005 for the governmental and business-type activities.

**Figure A-2**  
**Condensed Statement of Net Assets**

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2005	2006	2005	2006	2005	2006	
Current and other assets	21,778,746	22,641,923	293,402	374,517	22,072,148	23,016,440	4.28%
Capital assets	27,928,274	27,090,293	107,462	99,603	28,035,736	27,189,896	-3.02%
Total assets	<u>49,707,020</u>	<u>49,732,216</u>	<u>400,864</u>	<u>474,120</u>	<u>50,107,884</u>	<u>50,206,336</u>	0.20%
Long-term obligations	18,162,519	16,938,343	-	-	18,162,519	16,938,343	-6.74%
Other liabilities	18,489,515	17,467,235	4,347	4,687	18,493,862	17,471,922	-5.53%
Total liabilities	<u>36,652,034</u>	<u>34,405,578</u>	<u>4,347</u>	<u>4,687</u>	<u>36,656,381</u>	<u>34,410,265</u>	-6.13%
Net assets:							
Invested in capital assets							
net of related debt	12,388,425	13,465,293	107,462	99,603	12,495,887	13,564,896	8.55%
Restricted	2,673,390	4,251,866	-	-	2,673,390	4,251,866	59.04%
Unrestricted	<u>(2,006,829)</u>	<u>(2,390,521)</u>	<u>289,055</u>	<u>369,830</u>	<u>(1,717,774)</u>	<u>(2,020,691)</u>	17.63%
Total net assets	<u><u>13,054,986</u></u>	<u><u>15,326,638</u></u>	<u><u>396,517</u></u>	<u><u>469,433</u></u>	<u><u>13,451,503</u></u>	<u><u>15,796,071</u></u>	17.43%

Net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, parking lots and so on.) Consequently, *unrestricted* net assets of the District's governmental activities showed a \$2,390,521 deficit at the end of this year. This deficit does not mean that Western Dubuque Schools does not have resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments that are greater than currently available resources.

The District's total assets increased slightly in the governmental funds group from June 30, 2005 to June 30, 2006 (from \$49,707,020 to \$49,732,216).

**Figure A-3**  
**Changes in Net Assets from Operating Results**

	<b>Governmental Activities</b>			<b>Business Type Activities</b>			<b>Total School District</b>		
	2004-05	2005-06	Change	2004-05	2005-06	Change	2004-05	2005-06	Change
<b>Revenues:</b>									
<b>Program Revenues:</b>									
Charges for service and sales	1,571,152	1,778,313	207,161	807,971	968,939	160,968	2,379,123	2,747,252	368,129
Operating grants and contributions	3,376,617	3,393,299	16,682	423,223	433,103	9,880	3,799,840	3,826,402	26,562
Capital grants and contributions	439,557	584,443	144,886	-	-	-	439,557	584,443	144,886
<b>General Revenues:</b>									
Property tax	9,505,812	10,158,322	652,510	-	-	-	9,505,812	10,158,322	652,510
Instructional support surtax	525,620	599,881	74,261	-	-	-	525,620	599,881	74,261
Local option sales and services tax	2,430,015	2,451,461	21,446	-	-	-	2,430,015	2,451,461	21,446
Unrestricted state grants	8,101,204	8,929,347	828,143	-	-	-	8,101,204	8,929,347	828,143
Unrestricted investment earnings	226,672	382,320	155,648	4,590	11,966	7,376	231,262	394,286	163,024
Other	77,473	121,924	44,451	-	-	-	77,473	121,924	44,451
Total Revenues	<u>26,254,122</u>	<u>28,399,310</u>	<u>2,145,188</u>	<u>1,235,784</u>	<u>1,414,008</u>	<u>178,224</u>	<u>27,489,906</u>	<u>29,813,318</u>	<u>2,323,412</u>
<b>Expenditures:</b>									
Instruction	14,980,350	14,902,608	(77,742)	-	100,775	100,775	14,980,350	15,003,383	23,033
Support services	6,670,798	7,731,228	1,060,430	-	-	-	6,670,798	7,731,228	1,060,430
Non-instructional programs	25,342	66,767	41,425	1,207,133	1,240,317	33,184	1,232,475	1,307,084	74,609
Other expenses	2,782,990	2,521,392	(261,598)	-	-	-	2,782,990	2,521,392	(261,598)
Total Expenses	<u>24,459,480</u>	<u>25,221,995</u>	<u>762,515</u>	<u>1,207,133</u>	<u>1,341,092</u>	<u>133,959</u>	<u>25,666,613</u>	<u>26,563,087</u>	<u>896,474</u>
Change in Net Assets	<u>1,794,642</u>	<u>3,177,315</u>	<u>1,382,673</u>	<u>28,651</u>	<u>72,916</u>	<u>44,265</u>	<u>1,823,293</u>	<u>3,250,231</u>	<u>1,426,938</u>

(COMMENTS ON NEXT PAGE)

### Governmental Activities

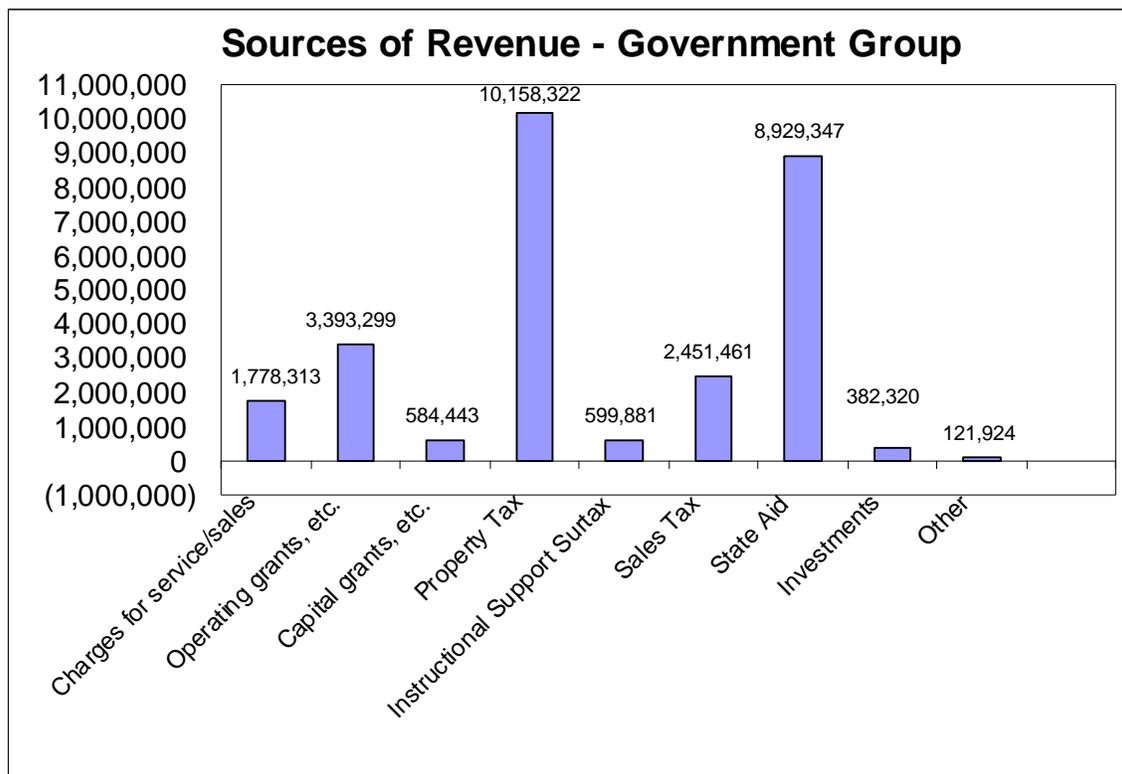
Revenues for governmental activities were \$28,399,310 while total expenses amounted to \$25,221,955.

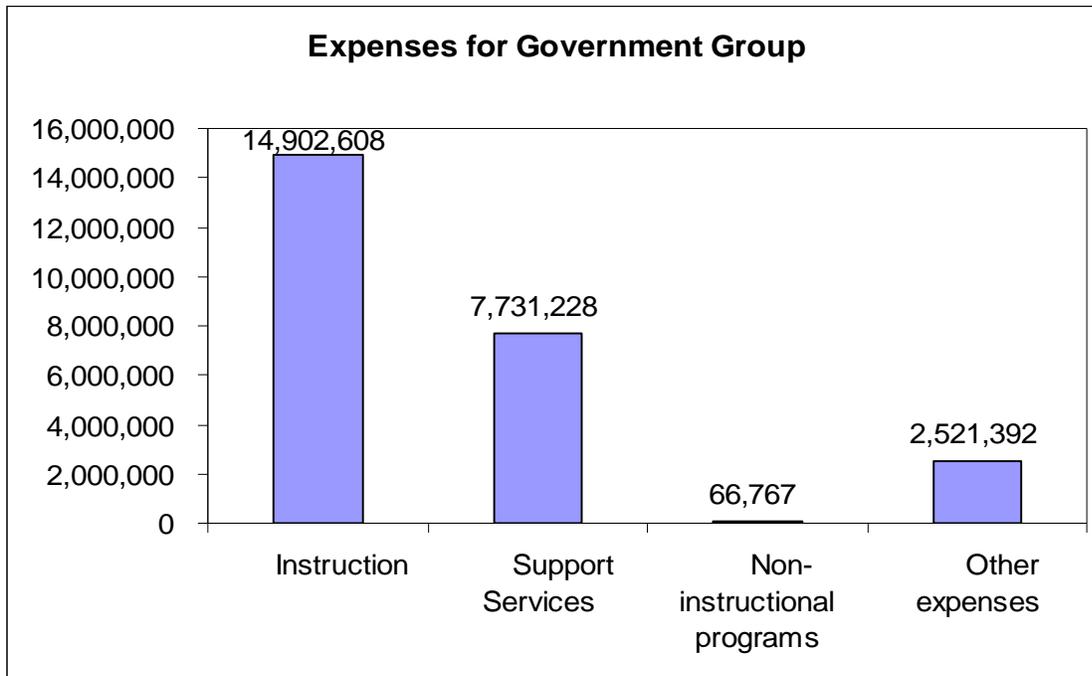
The District collects revenues from a number of sources other than state aid and property tax to fund its operations. Other significant sources include local grants, student fees, tuition, Activity Fund receipts, State grants and aid and Federal grants.

### Business-Type Activities

Revenues of the District’s business-type activities (School Nutrition and Regular Education Preschool Fund) were \$1,414,008 and expenses were \$1,341,092. Revenues of these activities were comprised of a la carte sales, charges for meals, tuition, interest, and federal and state reimbursements.

**Bar Graph for Figure A-3 – Changes in Net Assets from Operating Results**





### Financial Analysis of the District's Funds

Western Dubuque Schools uses fund accounting to ensure and demonstrate compliance with state and federal legal reporting requirements.

#### Governmental Fund Highlights

- Following are ending balances of the various funds within the Governmental Fund group and a discussion concerning the change in balances.

Fund Name	2005 Balance	2006 Balance	Change
General	\$ 104,787	\$ 384,152	\$ 279,365
Activity	305,577	334,126	28,549
Management	208,873	399,834	190,961
Physical Plant & Equipment	280,966	265,264	(15,702)
Construction	314,303	198,871	(115,432)
Local Option Sales Tax	1,478,013	2,912,007	1,433,994
Debt Service	128,490	141,764	13,274
	<u>\$ 2,821,009</u>	<u>\$ 4,636,018</u>	<u>\$ 1,815,009</u>

- General Fund: The \$384,152 balance is significantly low for the size of the budget and reflects the marginal ability of the District to finance operations.
- Activity Fund: Over 90 separate fund accounts for the various activity organizations are accounted for in the Activity Fund. Each account group has its own revenue and expense chart of accounts. No significant changes are noted in total fund balance for all accounts.

- Management Fund: The fund is used to pay for early retirement benefits and property/liability insurance. The increased fund balance will be needed to pay insurance obligations coming due in early 2006-07 prior to taxes coming in.
- Physical Plant and Equipment Levy Fund: The \$15,702 decrease is due to management's decision to expend available revenues for roof repair projects. The P.P.E.L. Fund otherwise is generally earmarked for the following three purposes.
  1. Instructional equipment.
  2. School vehicles.
  3. Buildings and Grounds projects.
- Construction Fund: The Construction Fund balance of \$198,871 on June 30, 2006 is the unexpended balance from the \$6,350,000 bond issuance in fiscal 2002 for the Cascade Elementary and Epworth Elementary projects.
- Local Option Sales Tax Fund: Revenues in this fund come from the one-cent sales tax for school infrastructure from the five counties in the District. In fiscal 2005-06 the District received \$2,451,461 in sales tax receipts from those five counties. In June of 2003 (fiscal year 2003) the District issued \$11,000,000 of revenue bonds for construction projects at Cascade High School, Dyersville Elementary, Peosta Elementary, Drexler Elementary and Western Dubuque High School.

The annual principal and interest for the repayment (10 years) of the \$11,000,000 bond issuance is paid for from annual sales tax receipts.

- Debt Service Fund: The ending balance increased slightly from \$128,490 to \$141,764 due to investment interest.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$396,517 on June 30, 2005 to \$466,005 on June 30, 2006. Increased a la carte participation and the number of Class A meals served are responsible for the increase.

## Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and a hearing for all funds, except its private-purpose trust funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District amended the Instructional, Support Services and Non-Instructional function areas of the 2005-2006 budget to reflect expected increases in revenues and corresponding expenses.

	Original Budget	Amended Budget	Actual Expense
Support Services	6,593,719	7,600,000	8,348,627
Non-Instructional	1,407,835	1,500,000	1,250,721
Other	4,961,042	5,055,963	4,775,431

The amendments and over expenditures were funded from existing cash balances and did not result in any use or additional levy of state or local taxes.

The following table shows the District's published budget for 2005-2006 and actual expenses followed by a listing of major expense categories that were responsible for the majority of the variance totals followed by explanations.

Function Area	Budget	Actual	Variance
Instruction	\$ 17,058,026	\$ 14,614,468	\$ 2,443,558
Support Services	7,600,000	8,348,627	(748,627)
Non-Instructional	1,500,000	1,250,721	249,279
Other	5,055,963	4,775,431	280,532
	\$ 31,213,989	\$ 28,989,247	\$ 2,224,742

<u>Account Area</u>	<u>Published Budget</u>	<u>Actual Expense</u>	<u>Variance</u>
<b>Instruction Function</b>			
(Codes 1000-1999)			
HS Teacher Wages	\$ 1,976,745	\$ 1,792,236	\$ 184,509
HS Medical Insurance	306,918	281,817	25,101
Textbook Adoptions	110,000	64,895	45,105
<b>Instructional Support Program Teacher</b>			
Wages	575,388	450,877	124,511
DRA Grants	75,000	40,845	34,155
Drug Free Schools	10,079	742	9,337
New Teacher Mentoring	20,000	-	20,000
Teacher Quality Improvement	220,426	-	220,426
Misc. Local Projects	400,000	-	400,000
July 1, 2006 Payroll	400,000	-	400,000
Pre-K Program	392,775	225,019	167,756
Title 1 Reading	400,508	373,451	27,057
Vocational Programs	908,373	830,984	77,389
Co-Curricular Programs	543,783	407,086	136,697
	<u>\$ 6,339,995</u>	<u>\$ 4,467,952</u>	<u>\$ 1,872,043</u>
<b>Support Services Function</b>			
(Codes 2000-2999)			
Board & Superintendent	\$ 227,409	\$ 375,698	\$ (148,289)
Building Administration	1,111,982	1,458,449	(346,467)
Activity Director Wages	-	81,135	(81,135)
Natural Gas	165,000	197,724	(32,724)
Electricity	255,000	282,598	(27,598)
Diesel Fuel	190,000	277,323	(87,323)
	<u>\$ 1,949,391</u>	<u>\$ 2,672,927</u>	<u>\$ (723,536)</u>

**Instruction Area Notes:**

1. Teacher Wages and Medical Insurance were down due the retirement of 19 teachers that were replaced with new teachers at less cost.
2. Textbook adoptions were less due to the postponed adoption of the Districts elementary math series.
3. Instructional Support teacher wages were lower due to changes in staff assignments.
4. Awarded Dubuque Racing Association Grants were less than applied for.
5. The State Teacher Quality Improvement Program was budgeted for in the Instructional Function area but paid for out of the Support Services Function area as required by the State Chart of Accounts.

6. \$400,000 was budgeted for under Miscellaneous Local Projects in anticipation of local grants and awards that did not materialize.
7. \$400,000 for the July 1, 2006 payroll was budgeted for in the 2005-06 fiscal year versus the 2006-07 year due to the uncertainty of the method that would be used by the state to convert the Districts 2006-07 budget to the GAAP basis of accounting. The District's fiscal year begins July 1<sup>st</sup>.
8. When the budget amounts for the Districts PreK program were estimated in January of 2005 for the 2005-06 school year the tuition, enrollments and scope of the program were not yet finalized.
9. Co-Curricular actual costs were less than budgeted due to required changes in the function area coding of the athletic directors office and related expenses. They were budgeted for in the Instructional Function area but paid for from Support Services.

**Support Service Notes:**

1. Board and Superintendent Function area costs were higher than expected due to unforeseen added costs for a Superintendent search, settlements costs to the previous Superintendent and related legal expenses.
2. Building Administration costs were higher due to changes in the expenditure coding for postage and telephone. They were budgeted for under the instructional function area but paid for from the Building Administration Function area. (\$62,600). Curriculum Dept. and Athletic Director wages were budgeted for in other function areas but paid for from the Support Services Area (Administration) to be in compliance with the updated state chart of accounts. See note #9 above. Added expenses were also due to costs associated with a High School Principal search and increased wages to new staff.
3. Utilities were higher than expected due to price increases.

## Capital Asset and Debt Administration

### Capital Assets

The following table shows the District's capital assets, net of accumulated depreciation.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2005	2006	2005	2006	2005	2006	
Land	240,116	240,116	-	-	240,116	240,116	0.00%
Construction in progress	585,122	-	-	-	585,122	-	-100.00%
Buildings	24,548,636	24,538,501	-	-	24,548,636	24,538,501	-0.04%
Improvements	339,067	243,066	-	-	339,067	243,066	-28.31%
Furniture & equipment	2,215,333	2,068,610	107,462	99,603	2,322,795	2,168,213	-6.65%
Total Capital Assets	<u>27,928,274</u>	<u>27,090,293</u>	<u>107,462</u>	<u>99,603</u>	<u>28,035,736</u>	<u>27,189,896</u>	<u>-3.02%</u>

The District's current investment in capital assets of \$27,189,896 represents a decrease of \$845,840 over the previous year due to an understatement of accumulative depreciation from prior years.

### Long-Term Debt

On June 30, 2006 the District had total long-term debt obligations of \$17,066,303. The following summary schedule shows totals in the different classes of the long-term debt obligations.

	<u>6/30/2006</u>	<u>6/30/2005</u>
General Obligation Bonds	7,440,000	6,690,000
Revenue Bonds	9,045,000	8,035,000
Early Retirement	1,823,195	2,341,303
	<u>18,308,195</u>	<u>17,066,303</u>

The District currently has three different series of registered general obligation debt. The \$11,000,000 of revenue bonds was issued in June of 2003 and are payable from local option sales tax.

<u>Year</u>	<u>Original Amount</u>	<u>Unpaid Principal</u>	<u>Remaining Years</u>
1997	3,620,000	1,095,000	2
2001	4,000,000	4,000,000	15
2002	2,350,000	1,595,000	6
2003	11,000,000	8,035,000	7
	<u>20,970,000</u>	<u>14,725,000</u>	

### **Factors Bearing on the District's Future**

Following are several factors that could have a significant affect on the District's financial condition.

- District Enrollment: The District's certified resident count increased in fiscal 2006 by 30.77 students.

September 2004	2,740.5
September 2005	2,771.3

The increase is significant in that it has a direct bearing on the District's general fund revenues. Continued growth in the eastern part of the District should result in steady or increased enrollment in future years.

The District had 86 open enrolled-in students and 70 open enrolled-out students in fiscal 2006. Each student generates over \$5,000 in tuition revenue or expense. A significant change in the enrollment of these two groups would have a significant impact on revenues and expenses.

- Funding Enrollment Increases: Iowa school finance law does not provide on-time funding for costs associated with enrollment increases. Funding for the expenses comes one-year later from state aid and property taxes. In the 2005-2006 fiscal year the District's enrollment increase of 84 students equated to \$402,360 of additional and immediate expense. To pay for the added costs the District used general fund cash balances that were not replenished which resulted in a lower fund balance in the General Fund. The District can only replace the funds by a cash reserve property tax levy.

- Instructional Support Program: The District is in the fourth year of a five year voter approved Instructional Support Program. Approximately \$990,192 per year in property taxes, income surtax, and state aid revenues result from the program. Expenditures for the program pay for the following.

1. Teacher wages	\$ 450,877
2. School buses	379,878
3. Private school textbooks	82,895
4. Athletic trainer	21,323

This program will end after the 2006-2007 school year. Voter approval or School Board action will be needed to continue the program.

- Transportation: Transportation expenses continue to be a significant cost of education. Western Dubuque Schools is the largest geographic school district in Iowa. The Iowa school funding formula does not provide for any additional funds for transportation costs. If operational costs (fuel, labor and vehicles) increase at a higher rate than the District's revenue growth, changes in the services that are provided will need to be made.
- Operation of two high schools: The costs of operating two high school programs in a District the size of Western Dubuque is significant. Approximately 39% of the District's enrollment is in grades 9-12. The state average for the same grade range is 30%. The Iowa funding formula does not provide additional funding for high school students versus elementary students. As a result, the Western Dubuque District already incurs significant costs for operating two high schools. A significant change in its elementary to secondary school enrollment ratio would affect the ability to fund existing high school programs and activities.
- Wages and benefits are by far the most significant expenditure of the District's operation costs. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact on the District's General Fund Budget.
- Financial Solvency Ratio: A measure of a school district's financial health can be determined from its Financial Solvency Ratio. The ratio is used by lending institutions to determine a district's ability to repay borrowings. Currently the Iowa Schools Cash Anticipation Program sponsored by the Iowa Association of School Boards uses the ratio when evaluating credit ratings of school districts. The ratio is determined as follows:

$$\frac{\text{Unreserved Fund Balance}}{\div \text{Total Receipts} - \text{AEA Support}}$$

Following is the Financial Solvency Ratio for the Western Dubuque District for the past five years.

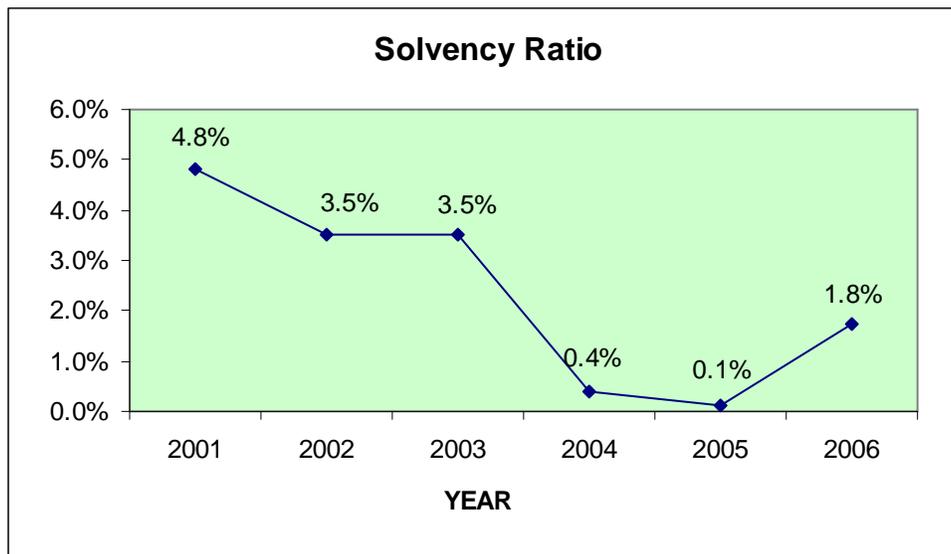
2000-2001	4.8%
2001-2002	3.5%
2002-2003	3.5%
2003-2004	0.4%
2004-2005	0.1%
2005-2006	1.8%

<u>Grading:</u>	
> 5%	Good
0% to 5%	Acceptable
-3% to 0%	Concern
< -3%	Serious Concern

Two major reasons for the decline of the ratio are:

1. State aid cuts in 2003-2004.
2. Unlevied property taxes for increased enrollment in the Fall of 2003 and 2004.

To achieve a targeted solvency ratio of 5%, the District would need to initially levy approximately \$850,000. Thereafter, the District would need to levy for on-time enrollment increases and state aid cuts or reduce expenditures to compensate for the cash shortfalls related to the two factors.



### 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 David Wegmann, District Secretary/Treasurer and Business Manager, Western Dubuque County Community School District, 405 3<sup>rd</sup> Avenue NE, Farley, Iowa 52046.

## **BASIC FINANCIAL STATEMENTS**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
ISCAP	\$ 5,000,370	\$ -	\$ 5,000,370
Other	5,411,647	371,678	5,783,325
Receivables:			
Property Tax:			
Delinquent	110,585	-	110,585
Succeeding year	10,751,474	-	10,751,474
Income surtax	508,479	-	508,479
Accounts	57,273	128	57,401
ISCAP accrued interest	28,988	-	28,988
Due from other governments	646,197	-	646,197
Due from other funds	38,406	(38,406)	-
Prepaid expenses	22,514	2,265	24,779
Deferred debt expense	65,990	-	65,990
Inventories	-	38,852	38,852
Capital assets, net of accumulated depreciation	27,090,293	99,603	27,189,896
<b>Total Assets</b>	<b>\$ 49,732,216</b>	<b>\$ 474,120</b>	<b>\$ 50,206,336</b>
<b>Liabilities</b>			
Accounts payable	\$ 106,057	\$ 196	\$ 106,253
Salaries and benefits payable	1,497,327	4,491	1,501,818
Accrued interest payable	46,847	-	46,847
Deferred revenue - succeeding year property tax	10,751,474	-	10,751,474
ISCAP warrants payable	5,000,000	-	5,000,000
ISCAP accrued interest payable	29,527	-	29,527
ISCAP unamortized premium	36,003	-	36,003
Long-term Liabilities:			
Portion due within one year:			
General obligation bonds payable	805,000	-	805,000
Revenue bonds payable	1,035,000	-	1,035,000
Early retirement payable	840,024	-	840,024
Portion due after one year:			
General obligation bonds payable	5,885,000	-	5,885,000
Revenue bonds payable	7,000,000	-	7,000,000
Early retirement payable	1,501,279	-	1,501,279
Unamortized bond discount	(127,960)	-	(127,960)
<b>Total Liabilities</b>	<b>\$ 34,405,578</b>	<b>\$ 4,687</b>	<b>\$ 34,410,265</b>

See notes to financial statements.

**EXHIBIT "A" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 13,465,293	\$ 99,603	\$ 13,564,896
Restricted for:			
Management levy	399,834	-	399,834
Physical plant and equipment levy	265,264	-	265,264
Other special revenue purposes	334,126	-	334,126
School infrastructure	1,900,709	-	1,900,709
Debt payment	1,351,933	-	1,351,933
Unrestricted	(2,390,521)	369,830	(2,020,691)
<b>Total Net Assets</b>	<b>\$ 15,326,638</b>	<b>\$ 469,433</b>	<b>\$ 15,796,071</b>

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
 FARLEY, IOWA

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities:</b>							
Instruction:							
Regular instruction	\$ 9,528,026	\$ 675,235	\$ 1,106,010	\$ -	\$ (7,746,781)	\$ -	\$ (7,746,781)
Special instruction	3,283,169	176,939	698,791	-	(2,407,439)	-	(2,407,439)
Other instruction	2,091,413	727,436	35,499	-	(1,328,478)	-	(1,328,478)
<b>Total Instruction</b>	<b>\$ 14,902,608</b>	<b>\$ 1,579,610</b>	<b>\$ 1,840,300</b>	<b>\$ -</b>	<b>\$ (11,482,698)</b>	<b>\$ -</b>	<b>\$ (11,482,698)</b>
Support Services:							
Student services	\$ 849,577	\$ 420	\$ -	\$ -	\$ (849,157)	\$ -	\$ (849,157)
Instructional staff services	866,136	-	16,464	-	(849,672)	-	(849,672)
Administration services	2,500,610	-	-	-	(2,500,610)	-	(2,500,610)
Operation and maintenance of plant services	1,567,255	40,095	-	-	(1,527,160)	-	(1,527,160)
Transportation services	1,947,650	158,188	562,176	-	(1,227,286)	-	(1,227,286)
<b>Total Support Services</b>	<b>\$ 7,731,228</b>	<b>\$ 198,703</b>	<b>\$ 578,640</b>	<b>\$ -</b>	<b>\$ (6,953,885)</b>	<b>\$ -</b>	<b>\$ (6,953,885)</b>
<b>Non-instructional Programs</b>	<b>\$ 66,767</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (66,767)</b>	<b>\$ -</b>	<b>\$ (66,767)</b>

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs (Continued)</b>							
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	\$ 158,553	\$ -	\$ -	\$ 584,443	\$ 425,890	\$ -	\$ 425,890
Long-term debt interest	663,760	-	-	-	(663,760)	-	(663,760)
AEA flowthrough	974,359	-	974,359	-	-	-	-
Depreciation (unallocated)*	724,720	-	-	-	(724,720)	-	(724,720)
<b>Total Other Expenditures</b>	<b>\$ 2,521,392</b>	<b>\$ -</b>	<b>\$ 974,359</b>	<b>\$ 584,443</b>	<b>\$ (962,590)</b>	<b>\$ -</b>	<b>\$ (962,590)</b>
<b>Total Governmental Activities</b>	<b>\$ 25,221,995</b>	<b>\$ 1,778,313</b>	<b>\$ 3,393,299</b>	<b>\$ 584,443</b>	<b>\$ (19,465,940)</b>	<b>\$ -</b>	<b>\$ (19,465,940)</b>
Business Type Activities:							
Instruction:							
Regular instruction	\$ 100,775	\$ 103,733	\$ -	\$ -	\$ -	\$ 2,958	\$ 2,958
Non-instructional programs:							
Nutritional services	1,240,317	865,206	433,103	-	-	57,992	57,992
<b>Total Business Type Activities</b>	<b>\$ 1,341,092</b>	<b>\$ 968,939</b>	<b>\$ 433,103</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,950</b>	<b>\$ 60,950</b>
<b>Total</b>	<b>\$ 26,563,087</b>	<b>\$ 2,747,252</b>	<b>\$ 3,826,402</b>	<b>\$ 584,443</b>	<b>\$ (19,465,940)</b>	<b>\$ 60,950</b>	<b>\$ (19,404,990)</b>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
 FARLEY, IOWA

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 8,797,088	\$ -	\$ 8,797,088
Debt service					1,081,903	-	1,081,903
Capital outlay					279,331	-	279,331
Instructional support surtax					599,881	-	599,881
Local option sales and service tax					2,451,461	-	2,451,461
Unrestricted state grants					8,929,347	-	8,929,347
Unrestricted investment earnings					382,320	11,966	394,286
Other					121,924	-	121,924
Total General Revenues					<u>\$ 22,643,255</u>	<u>\$ 11,966</u>	<u>\$ 22,655,221</u>
Change in Net Assets					<u>\$ 3,177,315</u>	<u>\$ 72,916</u>	<u>\$ 3,250,231</u>
Net Assets Beginning of Year					\$ 13,054,986	\$ 396,517	\$ 13,451,503
Prior period adjustment					<u>(905,663)</u>	<u>-</u>	<u>(905,663)</u>
Net Assets Beginning of Year, as restated					<u>\$ 12,149,323</u>	<u>\$ 396,517</u>	<u>\$ 12,545,840</u>
Net Assets End of Year					<u>\$ 15,326,638</u>	<u>\$ 469,433</u>	<u>\$ 15,796,071</u>

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 5,000,370	\$ -	\$ -	\$ 5,000,370
Other	1,345,200	2,713,850	1,352,597	5,411,647
Receivables:				
Property tax:				
Delinquent	85,740	-	24,845	110,585
Succeeding year	8,209,111	-	2,542,363	10,751,474
Income surtax	508,479	-	-	508,479
Accounts	56,326	-	947	57,273
ISCAP accrued interest	28,988	-	-	28,988
Other	-	-	-	-
Due from other funds	46,406	-	-	46,406
Due from other governments	448,040	198,157	-	646,197
Prepaid expenses	19,931	-	2,583	22,514
<b>Total Assets</b>	<b><u>\$ 15,748,591</u></b>	<b><u>\$ 2,912,007</u></b>	<b><u>\$ 3,923,335</u></b>	<b><u>\$ 22,583,933</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 72,944	\$ -	\$ 33,113	\$ 106,057
Salaries and benefits payable	1,497,327	-	-	1,497,327
Due to other funds	-	-	8,000	8,000
ISCAP warrants payable	5,000,000	-	-	5,000,000
ISCAP unamortized premium	36,003	-	-	36,003
ISCAP accrued interest payable	29,527	-	-	29,527
Deferred revenue:				
Succeeding year property tax	8,209,111	-	2,542,363	10,751,474
Income surtax	508,479	-	-	508,479
Other	11,048	-	-	11,048
<b>Total Liabilities</b>	<b><u>\$ 15,364,439</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,583,476</u></b>	<b><u>\$ 17,947,915</u></b>
Fund Balances:				
Reserved for debt payment	\$ -	\$ 1,210,169	\$ -	\$ 1,210,169
Unreserved	384,152	1,701,838	1,339,859	3,425,849
<b>Total Fund Balances</b>	<b><u>\$ 384,152</u></b>	<b><u>\$ 2,912,007</u></b>	<b><u>\$ 1,339,859</u></b>	<b><u>\$ 4,636,018</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 15,748,591</u></b>	<b><u>\$ 2,912,007</u></b>	<b><u>\$ 3,923,335</u></b>	<b><u>\$ 22,583,933</u></b>

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
 FARLEY, IOWA

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

<b>Total fund balances of governmental funds</b>	\$ 4,636,018
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets of \$42,434,025, net of accumulated depreciation of \$(15,343,732) are not financial resources and, therefore, are not reported in the governmental funds.	27,090,293
Income surtaxes and other deferred revenues will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	519,527
Long-term liabilities of \$(17,066,303) are not due and payable in the current period and are not reported in the funds. Other related amounts include deferred debt expense of \$65,990, bond interest payable of \$(46,847), and unamortized bond discount of \$127,960.	<u>(16,919,200)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 15,326,638</u></u>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

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

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
<b>Revenues</b>				
Local sources:				
Local tax	\$ 8,360,627	\$ 2,451,461	\$ 2,332,021	\$ 13,144,109
Tuition	717,011	-	-	717,011
Other	642,142	113,141	836,936	1,592,219
Intermediate sources	6,459	-	-	6,459
State sources	11,438,891	-	1,505	11,440,396
Federal sources	832,496	584,443	-	1,416,939
Total Revenues	<u>\$ 21,997,626</u>	<u>\$ 3,149,045</u>	<u>\$ 3,170,462</u>	<u>\$ 28,317,133</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular instruction	\$ 8,720,718	\$ -	\$ 433,652	\$ 9,154,370
Special instruction	3,257,397	-	31,893	3,289,290
Other instruction	1,368,115	-	737,866	2,105,981
Total Instruction	<u>\$ 13,346,230</u>	<u>\$ -</u>	<u>\$ 1,203,411</u>	<u>\$ 14,549,641</u>
Support Services:				
Student services	\$ 795,531	\$ -	\$ 24,434	\$ 819,965
Instructional staff services	745,132	-	121,004	866,136
Administration services	2,463,829	-	64,198	2,528,027
Operation and maintenance of plant services	1,435,242	-	132,770	1,568,012
Transportation services	1,963,512	-	158,471	2,121,983
Total Support Services	<u>\$ 7,403,246</u>	<u>\$ -</u>	<u>\$ 500,877</u>	<u>\$ 7,904,123</u>
Non-instructional Programs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,643</u>	<u>\$ 19,643</u>

**EXHIBIT "E" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
<b>Expenditures (Continued)</b>				
Other Expenditures:				
Facilities acquisition	\$ -	\$ 391,761	\$ 257,542	\$ 649,303
Long-term debt:				-
Principal	-	-	1,760,000	1,760,000
Interest and fiscal charges	-	-	650,629	650,629
AEA flowthrough	974,359	-	-	974,359
Total Other Expenditures	<u>\$ 974,359</u>	<u>\$ 391,761</u>	<u>\$ 2,668,171</u>	<u>\$ 4,034,291</u>
Total Expenditures	<u>\$ 21,723,835</u>	<u>\$ 391,761</u>	<u>\$ 4,392,102</u>	<u>\$ 26,507,698</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 273,791</u>	<u>\$ 2,757,284</u>	<u>\$ (1,221,640)</u>	<u>\$ 1,809,435</u>
 <b>Other Financing Sources (Uses)</b>				
Compensation for loss of fixed assets	\$ 4,384	\$ -	\$ -	\$ 4,384
Sale of equipment and materials	1,190	-	-	1,190
Operating transfers in	-	-	1,323,290	1,323,290
Operating transfers out	-	(1,323,290)	-	(1,323,290)
Total Other Financing Sources (Uses)	<u>\$ 5,574</u>	<u>\$ (1,323,290)</u>	<u>\$ 1,323,290</u>	<u>\$ 5,574</u>
 Net Change in Fund Balances	<u>\$ 279,365</u>	<u>\$ 1,433,994</u>	<u>\$ 101,650</u>	<u>\$ 1,815,009</u>
 Fund Balances Beginning of Year	<u>104,787</u>	<u>1,478,013</u>	<u>1,238,209</u>	<u>2,821,009</u>
 Fund Balances End of Year	<u>\$ 384,152</u>	<u>\$ 2,912,007</u>	<u>\$ 1,339,859</u>	<u>\$ 4,636,018</u>

See notes to financial statements.

EXHIBIT "F"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA

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

Net change in fund balances - total governmental funds \$ 1,815,009

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,319,652 exceeded depreciation of \$(1,251,970) in the current period. 67,682

Because income surtaxes and other deferred revenues will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 76,603

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments of \$1,760,000 exceeded amortization of bond discount of \$(17,716) and amortization of issuance costs of \$(10,740). 1,731,544

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net increase in early retirement payable of \$(518,108) and net decrease in accrued interest of \$4,585. (513,523)

**Change in net assets of governmental activities** \$ 3,177,315

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006**

	School Nutrition	Other Nonmajor Enterprise Fund Regular Education Preschool	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 367,104	\$ 4,574	\$ 371,678
Accounts receivable	23	105	128
Prepaid expenses	2,196	69	2,265
Inventories	38,852	-	38,852
Capital assets, net of accumulated depreciation	99,603	-	99,603
<b>Total Assets</b>	<u>\$ 507,778</u>	<u>\$ 4,748</u>	<u>\$ 512,526</u>
<b>Liabilities</b>			
Accounts payable	\$ 196	\$ -	\$ 196
Salaries and benefits payable	3,171	1,320	4,491
Due to other funds	38,406	-	38,406
<b>Total Liabilities</b>	<u>\$ 41,773</u>	<u>\$ 1,320</u>	<u>\$ 43,093</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 99,603	\$ -	\$ -
Unrestricted	366,402	3,428	469,433
<b>Total Net Assets</b>	<u>\$ 466,005</u>	<u>\$ 3,428</u>	<u>\$ 469,433</u>

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

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

	<u>School Nutrition</u>	<u>Other Nonmajor Enterprise Fund Regular Education Preschool</u>	<u>Total</u>
<b>Operating Revenues</b>			
Local sources:			
Charges for service	\$ 865,206	\$ 103,733	\$ 968,939
<b>Operating Expenses</b>			
Instruction:			
Regular instruction			
Salaries and benefits	\$ -	\$ 79,273	\$ 79,273
Benefits	-	18,998	18,998
Supplies	-	2,504	2,504
Total Instruction	<u>\$ -</u>	<u>\$ 100,775</u>	<u>\$ 100,775</u>
Noninstructional Programs:			
Food service operations:			
Salaries and benefits	\$ 497,284	\$ -	\$ 497,284
Benefits	113,272	-	113,272
Purchased services	9,041	-	9,041
Supplies	606,050	-	606,050
Depreciation	14,670	-	14,670
Total Noninstructional Programs	<u>\$ 1,240,317</u>	<u>\$ -</u>	<u>\$ 1,240,317</u>
Total Operating Expenses	<u>\$ 1,240,317</u>	<u>\$ 100,775</u>	<u>\$ 1,341,092</u>
Operating Income (Loss)	<u>\$ (375,111)</u>	<u>\$ 2,958</u>	<u>\$ (372,153)</u>
<b>Non-Operating Revenues</b>			
State sources	\$ 15,628	\$ -	\$ 15,628
Federal sources	417,475	-	417,475
Interest income	11,496	470	11,966
Total Non-Operating Revenues	<u>\$ 444,599</u>	<u>\$ 470</u>	<u>\$ 445,069</u>
Net Income	\$ 69,488	\$ 3,428	\$ 72,916
Net Assets Beginning of Year	<u>396,517</u>	<u>-</u>	<u>396,517</u>
Net Assets End of Year	<u>\$ 466,005</u>	<u>\$ 3,428</u>	<u>\$ 469,433</u>

See notes to financial statements.

**EXHIBIT "I"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

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

	<u>School Nutrition</u>	<u>Other Nonmajor Enterprise Fund Regular Education Preschool</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Cash received from sale of lunches and breakfasts	\$ 865,633	\$ -	\$ 865,633
Cash received for tuition	-	103,628	103,628
Cash payment to employees for services	(572,577)	(96,951)	(669,528)
Cash payments to suppliers for goods or services	(545,656)	(2,573)	(548,229)
Net Cash Provided (Used) by Operating Activities	<u>\$ (252,600)</u>	<u>\$ 4,104</u>	<u>\$ (248,496)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>			
State grants received	\$ 15,628	\$ -	\$ 15,628
Federal grants received	349,846	-	349,846
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 365,474</u>	<u>\$ -</u>	<u>\$ 365,474</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition of capital assets	\$ (6,811)	\$ -	\$ (6,811)
<b>Cash Flows From Investing Activities</b>			
Interest on investments	\$ 11,496	\$ 470	\$ 11,966
Net Increase in Cash and Cash Equivalents	\$ 117,559	\$ 4,574	\$ 122,133
Cash and Cash Equivalents Beginning of Year	<u>249,545</u>	<u>-</u>	<u>249,545</u>
Cash and Cash Equivalents End of Year	<u>\$ 367,104</u>	<u>\$ 4,574</u>	<u>\$ 371,678</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (375,111)	\$ 2,958	\$ (372,153)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	67,629	-	67,629
Depreciation	14,670	-	14,670
Decrease in inventories	4,555	-	4,555
(Increase) decrease in accounts receivable	427	(105)	322
(Increase) in prepaid expenses	(2,196)	(69)	(2,265)
(Decrease) in accounts payable	(553)	-	(553)
Increase (decrease) in salaries and benefits payable	(427)	1,320	893
Increase in due to other funds	38,406	-	38,406
Net Cash Provided (Used) by Operating Activities	<u>\$ (252,600)</u>	<u>\$ 4,104</u>	<u>\$ (248,496)</u>

**Non-Cash Investing, Capital and Financing Activities**

During the year ended June 30, 2006, the District received \$67,629 of federal commodities.

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
 FARLEY, IOWA

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2006

	Private Purpose Trust
	<u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 53,246</u>
<b>Liabilities</b>	
None	<u>\$ -</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>\$ 53,246</u></u>

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
 FARLEY, IOWA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2006

	Private Purpose Trust
	<u>Scholarship</u>
<b>Additions</b>	
Local Sources:	
Gifts and contributions	\$ 4,255
Interest	1,931
Total Additions	<u>\$ 6,186</u>
<b>Deductions</b>	
Support Services:	
Scholarships awarded	<u>\$ 588</u>
Change in Net Assets	\$ 5,598
Net Assets Beginning of Year	<u>47,648</u>
Net Assets End of Year	<u><u>\$ 53,246</u></u>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies:**

The Western Dubuque County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Northeast Iowa including portions of the following counties; Dubuque, Delaware, Jackson, Clayton and Jones. The District is governed by a Board of Education whose members are elected on a nonpartisan 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, the 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 Western Dubuque County Community School District has two component units which meet the Governmental Accounting Standards Board criteria, the Bobcat Foundation and the C.A.R.E. Foundation. These component units have not been included in the District's financial statements.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide 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 Dubuque County Assessor's Conference Board and the Dubuque County Resource Enhancement and Protection Board.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**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 services.

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 activities:

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

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

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

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

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

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Local Option Sales Tax Fund is used to account for resources used in the acquisition and construction of capital facilities as well as accounting for resources used for repayment of revenue bonds issued to finance the acquisition of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

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

**C. Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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 financial statements.:

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

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

**Property Tax Receivable** - Property tax in governmental fund types is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding 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 becomes 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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

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

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

**Capital Assets** - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	All
Buildings	\$ 3,000
Improvements other than buildings	3,000
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

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

**Deferred Revenue** - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

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 the succeeding year property tax and income surtax receivable.

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

**Long-Term Obligations, Deferred Debt Expense, and Bond Discounts/Premiums**

In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

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

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

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the support services functional area exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**F. Estimates**

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 - Cash and Pooled Investments:**

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

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

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

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 4,951,497

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

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

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 3 - Due From and Due To Other Funds:**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Student Activity	\$ 8,000
	Enterprise:	
	Nutrition	<u>38,406</u>
		<u>\$ 46,406</u>

The Student Activity Fund is repaying the General Fund for grant revenue that was incorrectly recorded. The Nutrition Fund is repaying the General Fund for nutrition program wages paid from the General Fund. These balances will be repaid within fiscal year 2007.

**Note 4 - Interfund Transfers:**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Local Option Sales Tax	<u>\$ 1,323,290</u>

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

**Note 5 - Iowa School Cash Anticipation Program (ISCAP):**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 5 - Iowa School Cash Anticipation Program (ISCAP): (Continued)**

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/2006	1/27/2007	\$ 1,505,235	\$ 27,901	\$ 1,500,000	\$ 28,664
2006-07A	6/28/2006	6/28/2007	3,495,135	1,087	3,500,000	863
			<u>\$ 5,000,370</u>	<u>\$ 28,988</u>	<u>\$ 5,000,000</u>	<u>\$ 29,527</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advanced Repaid	Balance End of Year
2005-06A	\$ -	\$ 3,585,000	\$ 3,585,000	\$ -
2005-06B	-	1,450,000	1,450,000	-
	<u>\$ -</u>	<u>\$ 5,035,000</u>	<u>\$ 5,035,000</u>	<u>\$ -</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	5.676%	4.500%

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 6- Capital Assets:**

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

	Balance Beginning of Year	Prior Period Adjustment	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 240,116	\$ -	\$ -	\$ -	\$ 240,116
Construction in progress	585,122	-	-	585,122	-
Total capital assets, not being depreciated	<u>\$ 825,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,122</u>	<u>\$ 240,116</u>
Capital assets, being depreciated:					
Buildings	\$ 30,683,583	\$ -	\$ 1,041,910	\$ -	\$31,725,493
Improvements other than buildings	1,581,355	-	21,464.00	-	1,602,819
Furniture and equipment	8,542,941	(76,473)	841,400.00	442,271	8,865,597
Total capital assets, being depreciated	<u>\$ 40,807,879</u>	<u>\$ (76,473)</u>	<u>\$ 1,904,774</u>	<u>\$ 442,271</u>	<u>\$42,193,909</u>
Less accumulated depreciation for:					
Buildings	\$ 6,134,947	\$ 409,495	\$ 642,550	\$ -	\$ 7,186,992
Improvements other than buildings	1,242,288	51,221	66,244	-	1,359,753
Furniture and equipment	6,327,608	368,474	543,176	442,271	6,796,987
Total accumulated depreciation	<u>\$ 13,704,843</u>	<u>\$ 829,190</u>	<u>1,251,970</u>	<u>\$ 442,271</u>	<u>\$15,343,732</u>
Total capital assets, being depreciated, net	<u>\$ 27,103,036</u>	<u>\$ (905,663)</u>	<u>\$ 652,804</u>	<u>\$ -</u>	<u>\$26,850,177</u>
Total governmental activities capital assets, net	<u>\$ 27,928,274</u>	<u>\$ (905,663)</u>	<u>\$ 652,804</u>	<u>\$ 585,122</u>	<u>\$27,090,293</u>
<b>Business type activities:</b>					
Furniture and equipment	\$ 184,645	\$ -	\$ 6,811	\$ -	\$ 191,456
Less accumulated depreciation	77,183	-	14,670	-	91,853
Business type activities capital assets, net	<u>\$ 107,462</u>	<u>\$ -</u>	<u>\$ (7,859)</u>	<u>\$ -</u>	<u>\$ 99,603</u>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 6- Capital Assets: (Continued)**

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular instruction	\$ 199,043
Special instruction	1,925
Other instruction	22,109

Support Services:

Student services	1,115
Administration services	2,721
Operation and maintenance of plant services	9,160
Transportation services	273,357
Noninstructional services	17,820
Unallocated	<u>724,720</u>

Total governmental activities depreciation expense	<u><u>\$ 1,251,970</u></u>
---	----------------------------

Business type activities:

Food service operations	<u><u>\$ 14,670</u></u>
-------------------------	-------------------------

**Note 7 - Long-Term Debt:**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 7,440,000	\$ -	\$ 750,000	\$ 6,690,000	\$ 805,000
Revenue bonds	9,045,000	-	1,010,000	8,035,000	1,035,000
Early retirement	<u>1,823,195</u>	<u>1,186,928</u>	<u>668,820</u>	<u>2,341,303</u>	<u>840,024</u>
Total	<u><u>\$ 18,308,195</u></u>	<u><u>\$ 1,186,928</u></u>	<u><u>\$ 2,428,820</u></u>	<u><u>\$ 17,066,303</u></u>	<u><u>\$ 2,680,024</u></u>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 7 - Long-Term Debt: (Continued)**

**General Obligation Bonds Payable**

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

Year Ending June 30,	Bond Issue February 27, 1997			Bond Issue September 1, 2001		
	Interest Rates	Principal Amount	Interest	Interest Rates	Principal Amount	Interest
2007	4.800	535,000	53,680	4.500	-	187,499
2008	5.000	560,000	28,000	4.500	-	187,499
2009	-	-	-	4.500	-	187,499
2010	-	-	-	4.500	-	187,499
2011	-	-	-	4.500	-	187,499
2012-2016	-	-	-	4.500-4.650	1,705,000	799,794
2017-2021	-	-	-	4.700-4.750	2,295,000	337,518
		<u>1,095,000</u>	<u>81,680</u>		<u>4,000,000</u>	<u>2,074,807</u>

Year Ending June 30,	Bond Issue February 1, 2002			Total	
	Interest Rates	Principal Amount	Interest	Principal	Interest
2007	3.550	270,000	63,040	805,000	304,219
2008	3.800	280,000	53,455	840,000	268,954
2009	4.000	295,000	42,815	295,000	230,314
2010	4.000	305,000	31,015	305,000	218,514
2011	4.200	320,000	18,815	320,000	206,314
2012-2016	4.300	125,000	5,375	1,830,000	805,169
2017-2021	-	-	-	2,295,000	337,518
		<u>1,595,000</u>	<u>214,515</u>	<u>6,690,000</u>	<u>2,371,002</u>

Series 1997 bonds are due June 1, 2002-2005, inclusive, are noncallable. Bonds due June 1, 2006-2008, inclusive, are callable in part and on any date on or after June 1, 2005, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District and within any maturity by lot.

Series 2001 bonds due June 1, 2012-2021, inclusive, are callable on any date on or after June 1, 2011, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any maturities as determined by the District and within any maturity by lot.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 7 - Long-Term Debt: (Continued)**

Series 2002 bonds due June 1, 2004 - 2008, inclusive, are noncallable. Bonds due June 1, 2009 - 2012, inclusive, are callable in whole or in part on any date after June 1, 2008 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

**Revenue Bonds Payable**

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

Year Ending June 30,	Bond Issue June 30, 2005		
	Interest Rates	Principal Amount	Interest
2007	2.900	1,035,000	287,030
2008	3.200	1,060,000	257,015
2009	3.200	1,095,000	223,095
2010	3.600	1,140,000	188,055
2011	3.900	1,185,000	147,015
2012-2013	4.000	2,520,000	152,200
		<u>8,035,000</u>	<u>1,254,410</u>

The local option sales and service tax revenue bonds were issued for the purpose of providing funds to pay costs of school infrastructure. The Bonds are special limited revenue obligations of the Issuer, payable solely from the Local Option Sales and Service Tax revenues received by the Issuer under the Act and pledged to the repayment of the Bonds under the Bond Resolution. The Bonds are not general obligations of the Issuer and the general credit and taxing powers of the Issuer are not pledged to the payment of the principal thereof or interest thereon.

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

- a) Interest on the Bonds is payable on June 1 and December 1 in each year, beginning December 1, 2003, to the registered owners thereof. The Bonds will mature serially on June 1. Bonds maturing on or after June 1, 2010, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at par plus accrued interest to date of call.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 7 - Long-Term Debt: (Continued)**

- b) The Bond Resolution establishes a Project Fund (the "Project Fund") into which the net Bond proceeds shall be deposited. Moneys in the Project Fund shall be used for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose. Any Project Fund moneys used to pay debt service on the Bonds shall be repaid to the Project Fund at the earliest opportunity.
  
- c) The Bond Resolution also establishes the Local Option Sales and Services Tax Revenue Fund (the "Revenue Fund"), into which shall be deposited all local option sales taxes when received from the State. Moneys in the Revenue Fund shall be disbursed to the following funds and accounts in the following order of priority.
  
- d) Interest and principal on the Bonds (and any Parity Obligations, as defined below) will be paid from the Sinking Fund (the "Sinking Fund"). The amount to be deposited in the Sinking Fund shall be equal to the amount of principal and interest coming due on the Bonds, and any other obligations payable from the Local Option Tax revenues on a parity with the Bonds ("Parity Obligations") during the fiscal year and shall be used solely for the purpose of paying debt service on the Bonds and any Parity Obligations.
  
- e) The Bonds are secured by the Reserve Fund established under the Bond Resolution which Reserve Fund will be funded from proceeds of the Bonds. So long as any Bonds are outstanding, the Issuer is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the proceeds of the Bonds; (b) 125% of the average annual debt service on such Bonds and (c) the maximum annual debt service on such Bonds (the "Reserve Fund Requirement").

The District did comply with all of the provisions during the year ended June 30, 2006. The Sinking Fund and Reserve Fund requirements are accounted for in the Local Option Sales Tax Fund.

**Early Retirement**

The District offers the following early retirement plans to its employees.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 7 - Long-Term Debt: (Continued)**

**Early Retirement (Continued)**

Principals/Supervisors – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District of which the last ten years must be as an administrator or supervisor. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Cash incentive benefits are deposited with a third-party administrator on behalf of the employee. Employees are provided four years of medical insurance payments at the same employer contribution level as when they retired.

Teachers/Nurses – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days and personal leave days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided five years of medical insurance payments at the employer contribution level for family coverage at the time of retirement.

Hourly Employees – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided three years of medical insurance payments at the same employer contribution level as when they retired.

Early retirement benefits paid during the year ended June 30, 2006, totaled \$668,820. Fiscal year 2006 was the final year of the program for Principals/Supervisors and Teachers/Nurses.

**Note 8 - Lease Agreement:**

On October 20, 2001, the District entered an agreement to lease a building for five years. The District is to receive rent of \$36,000 per year for the first two years with the rent for the remaining three years to be negotiated. On February 12, 2003, the lease was renegotiated and the District is to receive \$37,440 for the remainder of the lease. At the end of five years, the lessee has the option to renew the lease for an additional five years. On February 15, 2006, the lessee renewed the lease for five years. The District is to receive rent of \$37,440 per year.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 9 - 28E Agreement:**

On July 20, 2005, the District entered into a 28E Agreement with the City of Farley, Iowa. The agreement is for the purpose of constructing a high school regulation softball field. Along with the 28E Agreement, the District has entered into a lease agreement with the City of Farley for the use of the softball field. The term of the lease is 40 years with annual rent of \$1.

**Note 10 - 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 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 \$856,349, \$755,161, and \$719,052, respectively, equal to the required contributions for each year.

**Note 11 - Risk Management:**

Western Dubuque 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.

**Note 12 - 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 \$974,359 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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 13- Construction in Progress:**

In June 2006, the District entered into a contract totaling \$236,428 to replace the roof of an elementary school. At June 30, 2006, no work had begun on this contract.

**Note 14 - Contingencies:**

Compensated Absences - District employees accumulate sick leave hours for subsequent use. Since the accumulated hours do not vest, they do not become liabilities until used. The District's unrecorded contingent liability for sick leave as of June 30, 2006, is approximately \$4,674,539. The District does not have a liability for employee vacations as they do not vest and any unused vacation lapses at year-end.

Early Retirement - As of June 30, 2006, several District employees met the eligibility criteria for early retirement but did not request it. Therefore, no liability was recorded for those individuals. The District will no longer be offering an early retirement incentive for principals, supervisors, teachers, or nurses. Hourly employees will be able to request an early retirement incentive through fiscal year 2007. The District's unrecorded contingent liability for early retirement for hourly employees is approximately \$95,778 as of June 30, 2006.

**Note 15 - Prior Period Adjustment:**

As a result of further review of a study conducted by the District, it was determined that accumulated depreciation of the capital assets of the governmental activities was understated. This adjustment adds this additional accumulated depreciation to the assets of the governmental activities. In addition, several disposed assets were not removed from the District's records. These items have been removed as part of this adjustment. This causes the total assets and the total net assets of the governmental activities to decrease by \$905,663.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006**

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Receipts						
Local sources	\$ 15,454,244	\$ 981,228	\$ 16,435,472	\$ 16,000,267	\$ 16,000,267	\$ 435,205
Intermediate sources	6,459	-	6,459	-	-	6,459
State sources	11,503,292	15,628	11,518,920	11,457,278	11,457,278	61,642
Federal sources	1,453,142	417,475	1,870,617	1,905,924	1,905,924	(35,307)
Total Receipts	<u>\$ 28,417,137</u>	<u>\$ 1,414,331</u>	<u>\$ 29,831,468</u>	<u>\$ 29,363,469</u>	<u>\$ 29,363,469</u>	<u>\$ 467,999</u>
Disbursements						
Instruction	\$ 14,517,168	\$ 97,300	\$ 14,614,468	\$ 17,058,026	\$ 17,058,026	\$ 2,443,558
Support services	8,346,401	2,226	8,348,627	6,593,719	7,600,000	(748,627)
Non-instructional programs	19,643	1,231,078	1,250,721	1,407,835	1,500,000	249,279
Other expenditures	4,775,431	-	4,775,431	4,961,042	5,055,963	280,532
Total Disbursements	<u>\$ 27,658,643</u>	<u>\$ 1,330,604</u>	<u>\$ 28,989,247</u>	<u>\$ 30,020,622</u>	<u>\$ 31,213,989</u>	<u>\$ 2,224,742</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 758,494	\$ 83,727	\$ 842,221	\$ (657,153)	\$ (1,850,520)	\$ 2,692,741
Other Financing Sources, Net	<u>(32,831)</u>	<u>38,406</u>	<u>5,575</u>	<u>-</u>	<u>-</u>	<u>5,575</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ 725,663	\$ 122,133	\$ 847,796	\$ (657,153)	\$ (1,850,520)	\$ 2,698,316
Balances Beginning of Year	<u>4,685,984</u>	<u>249,545</u>	<u>4,935,529</u>	<u>3,515,064</u>	<u>3,515,064</u>	<u>1,420,465</u>
Balances End of Year	<u>\$ 5,411,647</u>	<u>\$ 371,678</u>	<u>\$ 5,783,325</u>	<u>\$ 2,857,911</u>	<u>\$ 1,664,544</u>	<u>\$ 4,118,781</u>

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006**

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 28,417,137	\$ (100,004)	\$ 28,317,133
Expenditures	27,658,643	(1,150,945)	26,507,698
Net	\$ 758,494	\$ 1,050,941	\$ 1,809,435
Other Financing Sources (Uses)	(32,831)	38,405	5,574
Beginning Fund Balances	4,685,984	(1,864,975)	2,821,009
Ending Fund Balances	<u>\$ 5,411,647</u>	<u>\$ (775,629)</u>	<u>\$ 4,636,018</u>

	Proprietary Funds		
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 1,414,331	\$ (323)	\$ 1,414,008
Expenditures	1,330,604	10,488	1,341,092
Net	\$ 83,727	\$ (10,811)	\$ 72,916
Other Financing Sources (Uses)	38,406	(38,406)	-
Beginning Fund Balances	249,545	146,972	396,517
Ending Fund Balances	<u>\$ 371,678</u>	<u>\$ 97,755</u>	<u>\$ 469,433</u>

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,193,367.

During the year ended June 30, 2006, disbursements in the support services functional area exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

## **OTHER SUPPLEMENTARY INFORMATION**

**SCHEDULE "1"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	
<b>Assets</b>						
Cash and pooled investments	\$ 386,616	\$ 365,075	\$ 269,133	\$ 201,303	\$ 130,470	\$ 1,352,597
Receivables:						
Property tax:						
Delinquent	10,635	-	2,916	-	11,294	24,845
Succeeding year	1,150,000	-	283,145	-	1,109,218	2,542,363
Accounts	-	947	-	-	-	947
Prepaid expenses	2,583	-	-	-	-	2,583
<b>Total Assets</b>	<b>\$ 1,549,834</b>	<b>\$ 366,022</b>	<b>\$ 555,194</b>	<b>\$ 201,303</b>	<b>\$ 1,250,982</b>	<b>\$ 3,923,335</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ -	\$ 23,896	\$ 6,785	\$ 2,432	\$ -	\$ 33,113
Due to other funds	-	8,000	-	-	-	8,000
Deferred revenue:						
Succeeding year property tax	1,150,000	-	283,145	-	1,109,218	2,542,363
<b>Total Liabilities</b>	<b>\$ 1,150,000</b>	<b>\$ 31,896</b>	<b>\$ 289,930</b>	<b>\$ 2,432</b>	<b>\$ 1,109,218</b>	<b>\$ 2,583,476</b>
<b>Unreserved Fund Balances</b>	<b>\$ 399,834</b>	<b>\$ 334,126</b>	<b>\$ 265,264</b>	<b>\$ 198,871</b>	<b>\$ 141,764</b>	<b>\$ 1,339,859</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,549,834</b>	<b>\$ 366,022</b>	<b>\$ 555,194</b>	<b>\$ 201,303</b>	<b>\$ 1,250,982</b>	<b>\$ 3,923,335</b>

See accompanying independent auditor's report.

**SCHEDULE "2"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	
<b>Revenues</b>						
Local Sources:						
Local tax	\$ 970,787	\$ -	\$ 279,331	\$ -	\$ 1,081,903	\$ 2,332,021
Other	52,316	748,601	9,089	8,903	18,027	836,936
State sources	646	-	176	-	683	1,505
Total Revenues	\$ 1,023,749	\$ 748,601	\$ 288,596	\$ 8,903	\$ 1,100,613	\$ 3,170,462
<b>Expenditures</b>						
Current:						
Instruction:						
Regular instruction	\$ 424,568	\$ -	\$ 9,084	\$ -	\$ -	\$ 433,652
Special instruction	31,893	-	-	-	-	31,893
Other instruction	38,872	698,994	-	-	-	737,866
Total Instruction	\$ 495,333	\$ 698,994	\$ 9,084	\$ -	\$ -	\$ 1,203,411
Support Services:						
Student services	\$ 24,434	\$ -	\$ -	\$ -	\$ -	\$ 24,434
Instructional staff services	2,245	9,099	55,495	54,165	-	121,004
Administration services	64,143	55	-	-	-	64,198
Operation and maintenance of plant services	129,033	-	3,737	-	-	132,770
Transportation services	97,957	11,904	48,610	-	-	158,471
Total Support Services	\$ 317,812	\$ 21,058	\$ 107,842	\$ 54,165	\$ -	\$ 500,877
Non-instructional Programs	\$ 19,643	\$ -	\$ -	\$ -	\$ -	\$ 19,643

See accompanying independent auditor's report.

**SCHEDULE "2" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	
<b>Expenditures (Continued)</b>						
Other Expenditures:						
Facilities acquisition	\$ -	\$ -	\$ 187,372	\$ 70,170	\$ -	\$ 257,542
Long-term debt:						
Principal	-	-	-	-	1,760,000	1,760,000
Interest and fiscal charges	-	-	-	-	650,629	650,629
Total Other Expenditures	\$ -	\$ -	\$ 187,372	\$ 70,170	\$ 2,410,629	\$ 2,668,171
Total Expenditures	\$ 832,788	\$ 720,052	\$ 304,298	\$ 124,335	\$ 2,410,629	\$ 4,392,102
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 190,961	\$ 28,549	\$ (15,702)	\$ (115,432)	\$(1,310,016)	\$ (1,221,640)
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	-	-	-	-	1,323,290	1,323,290
Net Change in Fund Balances	\$ 190,961	\$ 28,549	\$ (15,702)	\$ (115,432)	\$ 13,274	\$ 101,650
Fund Balances Beginning of Year	208,873	305,577	280,966	314,303	128,490	1,238,209
Fund Balances End of Year	\$ 399,834	\$ 334,126	\$ 265,264	\$ 198,871	\$ 141,764	\$ 1,339,859

See accompanying independent auditor's report.

**SCHEDULE "3"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

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

	Balance June 30, 2005	Revenues	Expen- ditures	Intra- fund Transfers	Balance June 30, 2006
<b>District Wide Accounts:</b>					
Employee Awards	\$ 154	\$ -	\$ -	\$ -	\$ 154
Miscellaneous	(63)	-	25	-	(88)
Western Trip	8,715	-	-	-	8,715
School Photos	245	-	-	(245)	-
District Wide Interest	38,095	13,842	-	-	51,937
Book Fair	268	-	-	(268)	-
Student/Employee Wellness	2,385	-	1,236	-	1,149
Total District Wide	<u>\$ 49,799</u>	<u>\$ 13,842</u>	<u>\$ 1,261</u>	<u>\$ (513)</u>	<u>\$ 61,867</u>
<b>Epworth High School:</b>					
Computer Technology	\$ 675	\$ 53	\$ 593	\$ -	\$ 135
Poms	(620)	13,528	15,882	-	(2,974)
Dramatics Fund	3,672	7,095	6,984	187	3,970
Speech Club	(305)	2,166	2,320	-	(459)
Vocal Music	2,136	10,709	6,309	1,174	7,710
Instrumental Music	2,876	11,583	9,422	1,174	6,211
Show Choir	(726)	16,094	18,755	(695)	(4,082)
Show Choir/Aristocrats	(786)	-	-	-	(786)
Show Choir Invitational	(1,223)	-	-	-	(1,223)
Model U.N.	362	1,369	1,189	-	542
Student Council	6,842	8,587	12,086	3,728	7,071
Future Farmers	10,487	34,777	43,041	-	2,223
Cheerleaders	598	3,830	2,728	2	1,702
Yearbook	(1,045)	16,359	17,044	38	(1,692)
Library Club	1,998	372	482	-	1,888
Close up	32	-	-	-	32
Post Prom	2,117	1,547	1,937	1,000	2,727
National Honor Society	585	2,779	3,269	-	95
Halloween Hoot	-	-	683	683	-
Class of 2009	-	3,575	3,120	793	1,248
Class of 2008	494	553	230	-	817
Class of 2007	1,507	8,198	3,358	(2,396)	3,951
Class of 2006	2,110	2,046	2,678	-	1,478
Class of 2005	3,592	-	2,056	(793)	743
Class of 2004	1,439	-	2,233	-	(794)
Class of 2003	2,304	-	1,405	-	899
Class of 2001	707	-	500	-	207

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA

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

	Balance June 30, 2005	Revenues	Expen- ditures	Intra- fund Transfers	Balance June 30, 2006
Future Business Leaders	\$ 1,621	\$ 4,533	\$ 4,505	\$ -	\$ 1,649
Athletic Fund	31,846	157,731	120,843	3,641	72,375
Pop and Uniforms	11,483	12,083	7,815	(8,536)	7,215
Fundraiser	-	2,574	1,919	-	655
Band	1,320	731	1,004	-	1,047
Miscellaneous	1,002	4,477	6,269	-	(790)
Total Epworth High School	<u>\$ 87,100</u>	<u>\$ 327,349</u>	<u>\$ 300,659</u>	<u>\$ -</u>	<u>\$ 113,790</u>
Cascade High School:					
Poms	\$ 913	\$ 3,184	\$ 231	\$ -	\$ 3,866
Dramatics/Speech	9,080	12,697	12,411	-	9,366
Vocal Music	1,548	4,233	4,535	500	1,746
Instrumental Music	2,993	4,939	5,330	500	3,102
Band	2,498	836	1,960	-	1,374
Student Council	931	4,679	3,352	-	2,258
Future Farmers	8,298	45,954	45,643	-	8,609
Cheerleaders	504	-	146	-	358
National Honor Society	607	30	140	-	497
Spanish Club	190	-	-	-	190
Junior High	2,083	10,451	10,181	-	2,353
Class of 2008	150	-	-	-	150
Class of 2007	100	238	230	-	108
Class of 2006	1,953	1,859	3,537	676	951
Class of 2005	278	-	-	-	278
Class of 2004	236	-	-	-	236
Athletic Fund	39,379	41,901	69,012	3,400	15,668
Pop and Uniforms	7,494	27,458	15,180	(7,016)	12,756
Vocal Music - Student	1,755	7,640	8,396	-	999
Instrumental - Student	3,562	32,492	32,144	-	3,910
Yearbook	2,604	7,492	9,638	500	958
Miscellaneous	598	2,759	2,660	1,440	2,137
Total Cascade High School	<u>\$ 87,754</u>	<u>\$ 208,842</u>	<u>\$ 224,726</u>	<u>\$ -</u>	<u>\$ 71,870</u>
Bernard Elementary:					
Student Expenses	<u>\$ 2,687</u>	<u>\$ 5,679</u>	<u>\$ 5,951</u>	<u>\$ -</u>	<u>\$ 2,415</u>

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA

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

	Balance June 30, 2005	Revenues	Expen- ditures	Intra- fund Transfers	Balance June 30, 2006
Cascade Elementary:					
Student Expenses	\$ 9,026	\$ 7,095	\$ 8,823	\$ -	\$ 7,298
School Photos	2,589	1,305	162	-	3,732
Student Council	688	760	771	-	677
Total Cascade Elementary	<u>\$ 12,303</u>	<u>\$ 9,160</u>	<u>\$ 9,756</u>	<u>\$ -</u>	<u>\$ 11,707</u>
Dyersville Elementary:					
Student Expenses	\$ 404	\$ 2,438	\$ 2,245	\$ -	\$ 597
Book Fair	(169)	895	906	-	(180)
School Photos	1,028	506	-	-	1,534
Total Dyersville Elementary	<u>\$ 1,263</u>	<u>\$ 3,839</u>	<u>\$ 3,151</u>	<u>\$ -</u>	<u>\$ 1,951</u>
Farley:					
Spring Fundraiser	\$ 22,040	\$ 10,639	\$ 19,236	\$ -	\$ 13,443
Student Council	(4,538)	463	1,039	688	(4,426)
Yearbook	1,646	4,233	4,421	-	1,458
Dramatics	4	290	528	-	(234)
Vocal Music	1,493	16,756	20,614	71	(2,294)
Instrumental Music	374	1,994	2,812	-	(444)
Athletic Fund	1,910	1,990	12,640	6,909	(1,831)
Booster Club/PTO	284	93	93	-	284
Outdoor Education	2,528	6,844	5,542	(90)	3,740
Pop and Uniforms	7,710	12,374	7,668	(116)	12,300
Fitness Program	4,287	1,592	1,717	-	4,162
Book Fair	3,300	8,134	10,060	-	1,374
School Photos	7,775	3,417	-	(1,332)	9,860
Magazine/Newspaper Fundraiser	440	38,346	27,565	(6,480)	4,741
Grade 8 Class Trip	-	5,643	7,415	-	(1,772)
Various Groups	12,401	13,102	14,157	350	11,696
Total Farley	<u>\$ 61,654</u>	<u>\$ 125,910</u>	<u>\$ 135,507</u>	<u>\$ -</u>	<u>\$ 52,057</u>
Epworth Elementary:					
Student Expenses	<u>\$ 3,017</u>	<u>\$ 40,862</u>	<u>\$ 27,134</u>	<u>\$ 513</u>	<u>\$ 17,258</u>
Peosta Elementary:					
Yearbook	\$ -	\$ 922	\$ 925	\$ -	\$ (3)
Booster Club	-	8,500	7,843	-	657
Miscellaneous	-	3,696	3,139	-	557
Total Peosta Elementary	<u>\$ -</u>	<u>\$ 13,118</u>	<u>\$ 11,907</u>	<u>\$ -</u>	<u>\$ 1,211</u>
Total	<u>\$ 305,577</u>	<u>\$ 748,601</u>	<u>\$ 720,052</u>	<u>\$ -</u>	<u>\$ 334,126</u>

See accompanying independent auditor's report.

**SCHEDULE "4"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

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

	Modified Accrual Basis				
	2006	2005	2004	2003	2002
<b>Revenues</b>					
Local Sources:					
Local tax	\$ 13,144,109	\$ 12,445,327	\$ 11,259,357	\$ 8,635,638	\$ 7,757,212
Tuition	717,011	651,757	631,073	576,731	598,362
Other	1,592,219	1,349,802	1,279,922	1,194,147	1,648,306
Intermediate Sources	6,459	-	4,108	80	-
State Sources	11,440,396	10,326,712	9,278,073	9,556,936	9,545,789
Federal Sources	1,416,939	1,464,404	950,399	1,552,042	776,270
<b>Total</b>	<u>\$ 28,317,133</u>	<u>\$ 26,238,002</u>	<u>\$ 23,402,932</u>	<u>\$ 21,515,574</u>	<u>\$ 20,325,939</u>
<b>Expenditures</b>					
Instruction:					
Regular instruction	\$ 9,154,370	\$ 8,469,963	\$ 8,377,622	\$ 8,181,683	\$ 8,286,275
Special instruction	3,289,290	3,099,950	3,605,876	3,074,974	2,871,659
Other instruction	2,105,981	2,667,318	2,129,419	2,108,320	2,046,932
Support Services:					
Student services	819,965	692,460	666,742	589,805	626,819
Instructional staff services	866,136	553,355	534,905	467,647	392,662
Administration services	2,528,027	2,138,672	1,627,196	1,772,832	1,750,488
Operation and maintenance of plant services	1,568,012	1,471,773	1,299,654	1,175,562	1,136,769
Transportation services	2,121,983	2,002,883	1,708,369	1,435,289	1,297,138
Central support services	-	-	1,244	93,387	10,950
Non-Instructional Programs	19,643	26,152	18,420	14,350	-
Other Expenditures:					
Facilities acquisition	649,303	6,953,304	5,427,398	5,825,035	750,806
Long-term debt:					
Principal	1,760,000	1,705,000	1,670,000	435,000	415,000
Interest and other charges	650,629	704,141	753,765	578,879	140,928
AEA flowthrough	974,359	903,083	872,561	920,041	918,733
<b>Total</b>	<u>\$ 26,507,698</u>	<u>\$ 31,388,054</u>	<u>\$ 28,693,171</u>	<u>\$ 26,672,804</u>	<u>\$ 20,645,159</u>

See accompanying independent auditor's report.

**SCHEDULE "5"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect Programs:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY06	<u>\$ 62,287</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY06	\$ 47,981
National School Lunch Program	10.555	FY06	<u>307,208</u>
			<u>\$ 355,189</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY06	\$ 313,650
Vocational Education - Basic Grants to States	84.048	FY06	39,115
Safe and Drug Free Schools - State Grants	84.186	FY06	19,201
Demonstration Construction Grant	84.215	FY06	584,443
State Grants for Innovative Programs	84.298	FY06	10,381
Improving Teacher Quality State Grants	84.367	FY06	144,698
State Assessment	84.369	FY06	16,464
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY06	<u>205,645</u>
			<u>\$ 1,333,597</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY06	<u>\$ 83,342</u>
Total			<u><u>\$ 1,834,415</u></u>

See accompanying independent auditor's report.

**SCHEDULE "5" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006**

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Dubuque County Community School District and is presented on 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.

**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  
Western Dubuque 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 Western Dubuque County Community School District as of and for the year ended June 30, 2006, which collectively comprises the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 24, 2006. We expressed an unqualified opinion on the financial statements of the primary government and an adverse opinion on the financial reporting entity due to the omission of the financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District's primary government. 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 Western Dubuque County Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part 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. However, of the reportable condition described in Part II, we believe Item II-C-06 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Dubuque 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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 for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque County Community School District may report. 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 Western Dubuque 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.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa  
October 24, 2006

**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  
Western Dubuque County Community School District

Compliance

We have audited the compliance of Western Dubuque County Community School District with the types of compliance requirements described in the *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. Western Dubuque 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 Western Dubuque County Community School District's management. Our responsibility is to express an opinion on Western Dubuque 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 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 Western Dubuque 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 Western Dubuque County Community School District's compliance with those requirements.

In our opinion, Western Dubuque 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 Western Dubuque 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 Western Dubuque 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 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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that 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 operation 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 the Western Dubuque County Community School District and other parties to whom Western Dubuque 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.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa  
October 24, 2006

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

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

- a) An unqualified opinion was issued on the financial statements of the primary government. An adverse opinion was issued on the financial statements of the reporting entity.
- b) Three reportable conditions were disclosed during the audit of the financial statements, including one material weakness.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No reportable conditions or material weaknesses 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 programs were as follows:
  - CFDA Number 84.215 - Demonstration Construction Grant
  - Clustered Programs:
    - 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) Western Dubuque County Community School District does qualify as a low-risk auditee.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

**Part II: Findings Related to the Financial Statements:**

**Instances of Noncompliance:**

No matters were reported

**Reportable Conditions:**

II-A-06 Payroll Withholdings - There are several general ledger accounts used to account for amounts withheld from employee wages. These accounts are not being reconciled on a regular basis.

Recommendation - The payroll withholding accounts should be reconciled on a quarterly basis at a minimum.

Response - We will reconcile these accounts.

Conclusion - Response accepted.

II-B-06 Authorized Check Signers - We noted the authorized check signers for two of the District's depositories include a former employee/Board member.

Recommendation - Depository information should be updated to include only current employees/Board members as authorized check signers.

Response - We will update the depository information.

II-C-06 Capital Assets - As a result of a study conducted by the District and a change in the software used to track capital assets, several adjustments to the capital asset accounts and the related accumulated depreciation accounts have been recorded by the District during the current and past two fiscal years.

Recommendation - The District should review its procedures for recording, updating, and reviewing its capital assets records.

Response - We will review our procedures.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**Instances of Noncompliance:**

No matters were reported

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

**Part III: Findings and Questioned Costs for Federal Awards: (Continued)**

**Reportable Conditions:**

No matters were reported.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-06 Certified Budget - Disbursements for the year ended June 30, 2006, exceeded the amended certified budget amounts in the support services functional area.

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

Response - Future budgets will be amended in sufficient amounts to ensure that the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - Certain petty cash disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, since the public benefits to be derived have not been clearly documented.

Recommendation - The District should determine and document the public purpose served by these disbursements. The District should also consider reviewing its policies and procedures regarding petty cash disbursements.

Response - We will comply with this recommendation. In addition, the District received reimbursement for these petty cash disbursements.

Conclusion - Response accepted.

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 or employees 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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

**Part IV: Other Findings Related to Required Statutory Reporting: (Continued)**

IV-F-06 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

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

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

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

IV-J-06 Student Activity Fund - Several Student activity accounts had deficit balances at June 30, 2006.

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

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.