

WEST SIOUX COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

**West Sioux Community School District**

**OFFICIALS**

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<b>Board of Education (Before September 2005 Election)</b>		
Dean Blom	President	2005
Armando Ortiz	Vice President	2007
Tim McKenney	Board Member	2005
Brian Parks	Board Member	2006
Doug Smit	Board Member	2006
<b>Board of Education (After September 2005 Election)</b>		
Armando Ortiz	President	2007
Doug Smit	Vice President	2006
Tim McKenney	Board Member	2008
Brian Parks	Board Member	2006
Teresa Vande Pol	Board Member	2006
<b>School Officials</b>		
Paul C. Olson	Superintendent	2006
Paula Bartunek	Treasurer and Business Manager	2006
Karin Borchers	District Secretary	2006
James Pickner	Attorney	2006

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Independent Auditors' Report

To the Board of Education of the  
West Sioux Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Sioux Community School District, Hawarden, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion 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 opinion.

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

In accordance with Governmental Auditing Standards, we have also our report dated October 12, 2006 on our consideration of the West Sioux Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Governmental Auditing Standards and should be read considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 36 through 38 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise West Sioux Community School District's basis financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general-purpose financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the 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 financial statements taken as a whole.

Heard Halse & Co.

October 12, 2006

## Management Discussion and Analysis

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

### **2006 Financial Highlights**

- General Fund revenues increased from \$5,720,430 in fiscal year 2005 to \$5,885,676 in fiscal year 2006, while General Fund expenditures increased from \$5,570,538 in fiscal year 2005 to \$6,112,921 in fiscal 2006. The District's General Fund balance decreased from \$796,276 in fiscal 2005 to \$569,031, a 28.5% decrease.
- The decrease in General Fund revenues was attributable to an increase in state and federal revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in salaries and benefits. The General Fund balance was carefully monitored during the year keeping in mind the fluctuation in revenues caused by legislative action and student enrollments.
- An increase in interest rates and investments resulted in interest earnings in the General Fund alone to increase from \$36,182 in fiscal year 2005 to \$58,503 in fiscal year 2006.
- Enrollment declines and increased numbers of open enrolled out pupils continue to plague the district and create financial burdens.

### **Using this Annual Report**

The annual report consists of series financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Sioux Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Sioux Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Sioux Community School District acts solely as an agent or custodian for the benefit of those outside of County government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

Figure A-1  
West Sioux Community School District Annual Financial Report

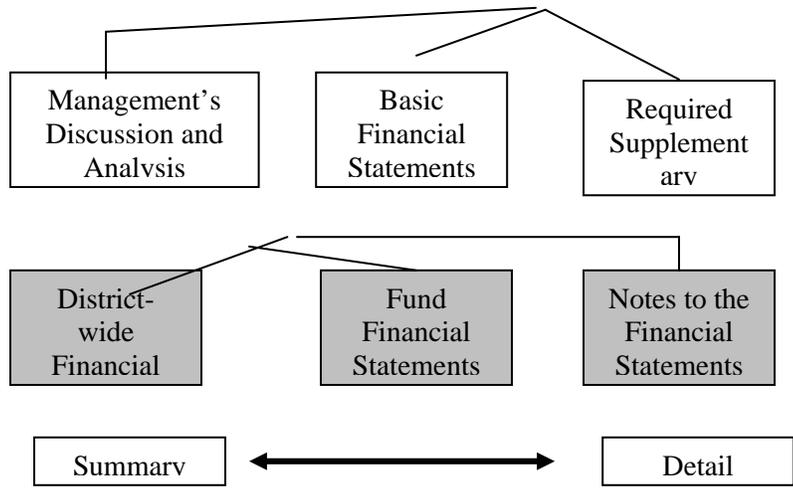


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	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 is included here
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, expenditures, and changes in fund net assets</li> <li>Statement of cash flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. 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 building and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

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

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

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

2. *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

	Governmental Activities		Business type Activities		Total Activities		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$ 5,626	\$ 5,628	\$ 58	\$ 41	\$ 5,684	\$ 5,669	0.26%
Capital assets	6,448	6,415	89	97	6,537	6,512	0.38%
Total assets	<u>12,074</u>	<u>12,043</u>	<u>147</u>	<u>138</u>	<u>12,221</u>	<u>12,181</u>	<u>0.33%</u>
Long-term Liabilities	5,050	5,406	-	-	5,050	5,406	(6.59%)
Other Liabilities	4,336	4,021	90	79	4,426	4,100	7.95%
Total Liabilities	<u>9,386</u>	<u>9,427</u>	<u>90</u>	<u>79</u>	<u>9,476</u>	<u>9,506</u>	<u>(0.32%)</u>
Net Assets							
Invested in capital assets, net of related debt	1,509	1,103	89	97	1,598	1,200	33.17%
Restricted	679	753	-	-	679	753	(9.83%)
Unrestricted	501	760	(32)	(37)	469	723	(35.13%)
Total net assets	<u>\$ 2,689</u>	<u>\$ 2,616</u>	<u>\$ 57</u>	<u>\$ 60</u>	<u>\$ 2,746</u>	<u>\$ 2,676</u>	<u>2.62%</u>

The District's combined net assets increased by 2.62% or approximately \$70,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restrict net assets decreased approximately \$74,000 or 9.8% less than the prior year. The decrease was primarily a result of payments of bonds paid with local option sales and services taxes.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – decreased approximately \$254,000 or 35.1%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4 Changes in Net Assets (Expressed in Thousands)								
	Governmental Activities		Business-type Activities		Total School District		Total	
	2006	2005	2006	2005	2006	2005	2005-2006	
<b>Revenue</b>								
Program revenue:								
Charges for service	\$ 598	\$ 653	\$ 129	\$ 133	\$ 727	\$ 786	(7.506%)	
Operating grants, contributions and restricted interest	985	788	173	161	1,158	949	22.023%	
Capital grants, contributions and restricted interest	-	-	-	-	-	-	0.000%	
General revenues:								
Property tax	2,162	2,735	-	-	2,162	2,735	(20.951%)	
Local option sales and service tax	378	496	-	-	378	496	(23.790%)	
Unrestricted state grants	2,996	2,647	-	-	2,996	2,647	13.185%	
Other	81	46	-	-	81	46	76.087%	
Total revenues	<u>7,200</u>	<u>7,365</u>	<u>302</u>	<u>294</u>	<u>7,502</u>	<u>7,659</u>	<u>(2.050%)</u>	
<b>Program expenses:</b>								
Governmental activities:								
Instruction	4,603	4,207	-	-	4,603	4,207	9.413%	
Support service	2,032	1,788	-	-	2,032	1,788	13.647%	
Non-instructional programs	4	4	304	294	308	298	3.356%	
Other expenses	493	469	-	-	493	469	5.117%	
Total expenses	<u>7,132</u>	<u>6,468</u>	<u>304</u>	<u>294</u>	<u>7,436</u>	<u>6,762</u>	<u>9.967%</u>	
Change in net assets	<u>\$ 68</u>	<u>\$ 897</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 897</u>	<u>(92.642%)</u>	

In fiscal 2006, property tax and unrestricted state grants account for 76.9% of the total revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$7.5 million of which \$7.2 million was for governmental activities and .3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.05% decrease in revenues and a 9.967% increase in expenses. The unrestricted state grants increased approximately \$349,000 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as completing the track capital project.

### Governmental Activities

Revenues for governmental activities were \$7,200,032 and expenses were \$7,132,034. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5  
Total and Net Cost of Governmental Activities  
(Expressed in Thousands)

	Total Cost of Services		Change 2005-2006	Net Cost of Services		Change 2005-2006
	2006	2005		2006	2005	
Instruction	\$ 4,603	\$ 4,207	9.413%	\$ 3,330	\$ 3,063	8.717%
Support services	2,032	1,788	13.647%	1,956	1,715	14.052%
Non-instructional programs	4	4	0.000%	4	4	0.000%
Other expenses	493	469	5.117%	259	244	6.148%
Totals	<u>\$ 7,132</u>	<u>\$ 6,468</u>	<u>10.266%</u>	<u>\$ 5,549</u>	<u>\$ 5,026</u>	<u>10.406%</u>

- The cost financed by users of the District's programs was \$597,691.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$985,399.
- The net cost of governmental activities was financed with \$2,539,452 in property and other taxes and \$2,996,236 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$301,805 and expenses were \$304,267. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District increased meal prices. The increase was used to reduce the debt and make improvements to the Food Service. Other measures also have been taken to reduce expenses.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,297,973, \$293,984 below last year's ending fund balances of \$1,591,957. The primary reason for the decrease in combined fund balances in fiscal 2006 is due to the expenses related to increases in the negotiated salary and benefits as well as completing the track capital project.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$796,276 to \$569,031, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PEL) Fund balance decreased from \$(22,869) in fiscal 2005 to \$(37,067) in fiscal 2006. Revenues increased and the purchase of a new school equipment and the track capital project increased expenses for the year. The District will be monitoring the expenditure in the future in order to improve the financial condition of the fund.
- The Capital Projects Funds balance decreased due to the Local Option Sales Tax funds being used to pay the capital loan payments and the track improvement project being completed in

2006. The District ended fiscal 2005 with \$602,098 balance and ended fiscal 2006 ended with a balance of \$504,234.

**Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$59,299 at June 30, 2005 to \$56,837 at June 30, 2006, representing decrease of approximately 6.7%. In the prior year the District increased meal prices. The increases in revenues have slowed the losses and believe that the next year will show additional improvement.

**BUDGETARY HIGHLIGHTS**

The District’s receipts were \$ 52,143 less than budgeted receipts, with a variance of .69%. The most significant variance resulted from the District receiving several federal grants for the various programs which had not been budgeted for the year and less in property taxes.

Total expenditures were less than budgeted, due primarily to the District’s budget for the General Fund. It is the District’s practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District’s certified budget should always exceed actual expenditures for the year.

In spite of the District’s budgetary practice, the certified budget was exceeded in the non-instructional functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2006, the District had invested \$6.45 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 0.34% from last year. More detailed information about the District’s capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$226,393.

The original cost of the District’s capital assets was \$11.1 million. Governmental funds account for \$10.9 million, with the remainder of \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category.

Figure A-6 Capital Assets, net of Depreciation (expressed in thousands)							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51	0.00%
Buildings	5,206	5,387	-	-	5,206	5,387	(3.36%)
Improvements other than buildings	379	157	-	-	379	157	141.40%
Furniture and Equipment	812	824	82	89	894	913	(2.08%)
Totals	\$ 6,448	\$ 6,419	\$ 82	\$ 89	\$ 6,530	\$ 6,508	0.34%

## Long-Term Debt

At June 30, 2006, the District had \$5,050,057 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 6.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District had total outstanding bonded indebtedness at June 30, 2006 of \$4,870,000.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	Total		Total
	School District		Change
	June 30,		June 30,
	2006	2005	2005-2006
General Obligation Bonds	\$ 4,770	\$ 5,060	(5.73%)
Notes Payable	102	150	(32.00%)
Early Retirement	109	94	15.96%
Capital Lease	70	102	(31.37%)
	<u>\$ 5,051</u>	<u>\$ 5,406</u>	<u>(6.57%)</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District enrollment decreased in fiscal year 2005-2006 by 10 students to a budget enrollment of 678. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2005-2006 school-year, West Sioux students who open enroll out to other districts decreased by 4 students, from 80 to 76. Because West Sioux is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District annually negotiates a one-year contract with the West Sioux Education Teacher Association (WSETA). Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Paula Bartunek, Board Secretary/Business Manager at the West Sioux Community School District, 1300 Avenue P, Hawarden, IA 51023 or 712-551-1461.

## **BASIC FINANCIAL STATEMENTS**

West Sioux Community School District  
Statement of Net Assets  
June 30, 2006

Exhibit A

	Governmental Activities	Business Type Activities	Totals
<b>Assets</b>			
Cash and cash Equivalents:			
ISCAP	\$ 1,455,820	\$ -	\$ 1,455,820
Other	1,782,069	48,408	1,830,477
Receivables:			
Property tax:			
Delinquent	44,910	-	44,910
Succeeding year	2,105,682	-	2,105,682
Local Option Sales Taxes	34,929	-	34,929
Accounts	186,452	5,449	191,901
Accrued interest:			
ISCAP	16,211	-	16,211
Other	390	-	390
Inventories	-	4,044	4,044
Capital assets, net of accumulated depreciation	6,448,390	89,040	6,537,430
<b>Total assets</b>	<b>12,074,853</b>	<b>146,941</b>	<b>12,221,794</b>
<b>Liabilities</b>			
Accounts payable	201,545	4,441	205,986
Salaries and benefits payable	509,329	85,663	594,992
Accrued interest payable	40,722	-	40,722
Deferred revenue - succeeding year			
property tax	2,105,682	-	2,105,682
ISCAP warrents payable	1,454,000	-	1,454,000
ISCAP accrued interest payable	25,195	-	25,195
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	305,000	-	305,000
Note payable	51,674	-	51,674
Capital Lease	33,792	-	33,792
Early retirement	31,065	-	31,065
Portion due after one year:			
General obligation bonds payable	4,465,000	-	4,465,000
Capital Lease	35,889	-	35,889
Note payable	50,000	-	50,000
Early retirement	77,637	-	77,637
<b>Total liabilities</b>	<b>\$ 9,386,530</b>	<b>\$ 90,104</b>	<b>\$ 9,476,634</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 1,508,709	\$ 89,040	\$ 1,597,749
Restricted for:			
Management levy	63,267	-	63,267
Physical plant and equipment levy	-	-	-
Capital projects	504,234	-	504,234
Other special revenue purposes	111,560	-	111,560
Unrestricted	500,553	(32,203)	468,350
<b>Total net assets</b>	<b>\$ 2,688,323</b>	<b>\$ 56,837</b>	<b>\$ 2,745,160</b>

See notes to financial statements.

West Sioux Community School District  
Statement of Activities  
June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 2,503,550	\$ 187,881	\$ 290,265	\$ -
Special instruction	1,404,660	-	195,252	-
Other instruction	695,246	404,754	195,573	-
	<u>4,603,456</u>	<u>592,635</u>	<u>681,090</u>	<u>-</u>
Support services:				
Student services	184,063	-	37,551	-
Instructional staff services	266,544	-	-	-
Administration Services	667,687	-	4,134	-
Operation and maintenance of plant services	638,357	605	-	-
Transportation services	275,005	4,451	28,410	-
	<u>2,031,656</u>	<u>5,056</u>	<u>70,095</u>	<u>-</u>
Non-instructional programs	4,189	-	-	-
Other expenditures:				
Long-term debt interest	250,380	-	-	-
AEA flowthrough	234,214	-	234,214	-
	<u>492,733</u>	<u>-</u>	<u>234,214</u>	<u>-</u>
Total governmental activities	7,132,034	597,691	985,399	-
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	304,267	128,554	173,251	-
Total	<u>\$ 7,436,301</u>	<u>\$ 726,245</u>	<u>\$ 1,158,650</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Exhibit B

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (2,025,404)	\$ -	\$ (2,025,404)
(1,209,408)	-	(1,209,408)
(94,919)	-	(94,919)
<u>(3,329,731)</u>	<u>-</u>	<u>(3,329,731)</u>
(146,512)	-	(146,512)
(266,544)	-	(266,544)
(663,553)	-	(663,553)
(637,752)	-	(637,752)
(242,144)	-	(242,144)
<u>(1,956,505)</u>	<u>-</u>	<u>(1,956,505)</u>
<u>(4,189)</u>	<u>-</u>	<u>(4,189)</u>
(250,380)	-	(250,380)
-	-	-
<u>(258,519)</u>	<u>-</u>	<u>(258,519)</u>
<u>(5,548,944)</u>	<u>-</u>	<u>(5,548,944)</u>
-	(2,462)	(2,462)
<u>(5,548,944)</u>	<u>(2,462)</u>	<u>(5,551,406)</u>
2,091,388	-	2,091,388
70,166	-	70,166
377,898	-	377,898
2,996,236	-	2,996,236
64,113	-	64,113
17,141	-	17,141
<u>5,616,942</u>	<u>-</u>	<u>5,616,942</u>
67,998	(2,462)	65,536
2,620,325	59,299	2,679,624
<u>\$ 2,688,323</u>	<u>\$ 56,837</u>	<u>\$ 2,745,160</u>

West Sioux Community School District  
Balance Sheet - Governmental Funds  
June 30, 2006

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments:					
ISCAP	\$ 1,455,820	\$ -	\$ -	\$ -	\$ 1,455,820
Other	978,768	13,535	470,589	319,177	1,782,069
Receivables:					
Property tax:					
Delinquent	37,272	1,476	-	6,162	44,910
Local Option Sales Taxes	-	-	34,929	-	34,929
Accounts	186,452	-	-	-	186,452
Accrued interest:					
ISCAP	16,211	-	-	-	16,211
Other	-	-	390	-	390
Due from other funds	83,872	-	-	-	83,872
Total assets	<u>2,758,395</u>	<u>15,011</u>	<u>505,908</u>	<u>325,339</u>	<u>3,604,653</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	200,840	-	-	705	201,545
Salaries and benefits payable	509,329	-	-	-	509,329
Due to other funds	-	5,700	-	78,172	83,872
ISCAP warrents payable	1,454,000	-	-	-	1,454,000
ISCAP accrued interest payable	25,195	-	-	-	25,195
Loan Payable	-	-	1,674	-	1,674
Early retirement	-	-	-	31,065	31,065
Total liabilities	<u>2,189,364</u>	<u>5,700</u>	<u>1,674</u>	<u>109,942</u>	<u>2,306,680</u>
Fund balances:					
Reserved for debt service	-	9,311	-	-	9,311
Unreserved	569,031	-	504,234	215,397	1,288,662
Total fund balances	<u>569,031</u>	<u>9,311</u>	<u>504,234</u>	<u>215,397</u>	<u>1,297,973</u>
Total liabilities and fund balances	<u>\$ 2,758,395</u>	<u>\$ 15,011</u>	<u>\$ 505,908</u>	<u>\$ 325,339</u>	<u>\$ 3,604,653</u>

See notes to financial statements.  
West Sioux Community School District  
Reconciliation of Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2006

Exhibit D

<b>Total fund balances of governmental funds (page 18)</b>	\$ 1,297,973
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,448,390
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	-
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,722)
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,947,637)</u>
<b>Net assets of governmental activities (page 15)</b>	<u><u>\$ 2,758,004</u></u>

See notes to financial statements.

West Sioux Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
June 30, 2006

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 1,807,030	\$ 70,166	\$ 377,898	\$ 284,358	\$ 2,539,452
Tuition	159,940	-	-	-	159,940
Other	117,409	-	171,861	410,073	699,343
Intermediate sources	-	-	-	-	-
State sources	3,503,210	-	-	-	3,503,210
Federal sources	298,087	-	-	-	298,087
<b>Total Revenues</b>	<b>5,885,676</b>	<b>70,166</b>	<b>549,759</b>	<b>694,431</b>	<b>7,200,032</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	2,329,155	-	-	-	2,329,155
Special instruction	1,404,660	-	-	-	1,404,660
Other instruction	309,872	-	-	385,374	695,246
	<b>4,043,687</b>	<b>-</b>	<b>-</b>	<b>385,374</b>	<b>4,429,061</b>
Support services:					
Student services	172,959	-	-	-	172,959
Instructional staff services	261,151	-	-	-	261,151
Administration Services	666,787	-	-	-	666,787
Operation and maintenace of plant services	487,712	-	-	128,032	615,744
Transportation services	242,222	-	-	-	242,222
	<b>1,830,831</b>	<b>-</b>	<b>-</b>	<b>128,032</b>	<b>1,958,863</b>
Non-instructional programs	4,189	-	-	-	4,189
Other expenditures:					
Facilities acquisition	-	-	227,713	36,250	263,963
Long-term debt interest	-	230,905	102	-	231,007
AEA flowthrough	234,214	-	-	-	234,214
	<b>234,214</b>	<b>230,905</b>	<b>227,815</b>	<b>36,250</b>	<b>729,184</b>
<b>Total expenditures</b>	<b>6,112,921</b>	<b>230,905</b>	<b>227,815</b>	<b>549,656</b>	<b>7,121,297</b>
Excess (deficiency) of revenues over (under) expenditures	(227,245)	(160,739)	321,944	144,775	78,735
Other financing sources (uses):					
Operating transfers in (out)	-	535,149	(419,808)	(115,341)	-
General obligation bonds	-	(372,719)	-	-	(372,719)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>162,430</b>	<b>(419,808)</b>	<b>(115,341)</b>	<b>(372,719)</b>
Net Change in fund balances	(227,245)	1,691	(97,864)	29,434	(293,984)
Fund balances beginning of year	796,276	7,620	602,098	185,963	1,591,957
<b>Fund balances end of year</b>	<b>\$ 569,031</b>	<b>\$ 9,311</b>	<b>\$ 504,234</b>	<b>\$ 215,397</b>	<b>\$ 1,297,973</b>

See notes to financial statements.

West Sioux Community School District  
 Reconciliation of Statement of Revenues, Expenditures and  
 Changes in Fund Balances to the Statement of Net Assets  
 Year ended June 30, 2006

Exhibit F

**Net change in fund balance - total governmental funds (page 20)** \$ (293,984)

Amounts reported for governmental activities in the  
 Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in  
 governmental funds as expenditures. However, those costs are  
 not reported in the Statement of Net Assets and are allocated  
 over their estimated useful lives as depreciation expense in the  
 Statement of Activities. Capital outlay expenditures exceeded  
 depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 255,824	
Depreciation expense	<u>(226,393)</u>	29,431

Certain delinquent property tax not collected for several months  
 after year end is not considered available revenue and is deferred  
 in the governmental funds.

- -

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

Issued	(56,290)	
Repaid	<u>428,109</u>	371,819

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

(19,373)

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

Early retirement	<u>(19,895)</u>	<u>(19,895)</u>
------------------	-----------------	-----------------

**Change in net assets of governmental activities (page 17)** \$ 67,998

See notes to financial statements.

West Sioux Community School District  
Statement of Net Assets - Proprietary Fund  
June 30, 2006

Exhibit G

	School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 48,408
Accounts receivable	5,449
Inventories	4,044
Capital assets, net of accumulated depreciation	89,040
<b>Total assets</b>	<b>146,941</b>
<b>Liabilities</b>	
Accounts payable	4,441
Interfund payable	85,663
<b>Total Liabilites</b>	<b>90,104</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	89,040
Unrestricted	(32,203)
<b>Total net assets</b>	<b>\$ 56,837</b>

See notes to financial statements.

West Sioux Community School District  
Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Proprietary Fund  
June 30, 2006

Exhibit H

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 128,554</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	83,783
Benefits	41,907
Purchased services	6,115
Supplies	161,411
Depreciation	11,051
Total operating expenses	<u>304,267</u>
Operating loss	<u>(175,713)</u>
Non-operating revenues:	
State sources	3,986
Federal sources	168,946
Interest Income	319
Total non-operating revenues	<u>173,251</u>
Change in net assets	(2,462)
Net assets beginning of year	<u>59,299</u>
Net assets end of year	<u><u>\$ 56,837</u></u>

See notes to financial statements.

West Sioux Community School District  
Statement of Cash Flows - Proprietary Fund  
Year ended June 30, 2006

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 132,088
Cash paid to employees for services	(117,380)
Cash paid to supplies for goods or services	(138,703)
Net cash used by operating activities	(123,995)
Cash flows from non-capital financing activities:	
State grants received	3,986
Federal grants received	142,585
Net cash provided by non-capital financing activities	146,571
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,400)
Net cash used by capital and related financing activities	(3,400)
Cash flows from investing activities:	
Interest on Investments	319
Net decreases in cash and cash equivalents	19,495
Cash and cash equivalents beginning of year	28,913
Cash and cash equivalents end of year	\$ 48,408
<b>Reconciliation of operating loss to net cash used by operating activities</b>	
Operating Loss	\$ (175,713)
Adjustments to reconcile operating loss to net cash used by operating activities	
Commodities used	28,767
Depreciation	11,051
Decrease (Increase) in inventories	554
Increase (Decrease) in Family Accounts	3,533
Increase (Decrease) in accounts payable	(498)
Increase (Decrease) in salaries and benefits payable	8,311
Net cash used by operating activities	\$ (123,995)

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

During the year ended June 30, 2006, the District received \$25,559 of federal commodities.

See notes to financial statements.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2006**

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

The West Sioux 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 cities of Hawarden and Ireton, Iowa and the predominately agricultural territory in Sioux and Plymouth County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

**Government-wide Financial Statements** – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt 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 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 is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are

incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum-adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

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

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

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

Capital Assets – Capital assets, which include property, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (in Years)
Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment:	5 - 15 years

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

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

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

Compensated Absences – District employees can not accumulate unused vacation for subsequent use. All vacation must be used before June 30 of each year. Therefore no liability is recorded in the government-wide financial statements.

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

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

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

E. Budgets 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 instruction and support services functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(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.

(3) **Due From and Due to Other Funds**

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

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 85,663
	PPEL	78,172
	Debt Service	5,700
		<u>\$ 169,535</u>

The School Nutrition Fund is repaying the General Fund for payroll for School Nutrition that is paid out of the General Fund. The Debt Service Fund is repaying General Fund for money advanced for debt payment. The Physical Plant and Equipment fund is repaying the General Fund for money advanced for purchase of bus.

**(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>
Track Fund	Physical Plant and Equipment Levy	<u>\$ 20,000</u>
Debt Service	Physical Plant and Equipment Levy	\$ 95,342
	Capital Projects - SILO	439,808
		<u>\$ 535,150</u>

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

**(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 at June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2005-06B	1/26/2006	1/26/2007	\$ 789,747	\$ 16,004	\$ 787,000	\$ 15,039
2006-07 A	6/28/2006	6/28/2007	666,073	207	667,000	165
Total			<u>\$ 1,455,820</u>	<u>\$ 16,211</u>	<u>\$ 1,454,000</u>	<u>\$ 15,204</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 25<sup>th</sup> 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. No advances from ISCAP were made during the current year.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06B	4.772%	4.500%
2006-07 A	4.500%	5.676%

6) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 51,375	\$ -	\$ -	\$ 51,375
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>51,375</u>	<u>-</u>	<u>-</u>	<u>51,375</u>
Capital assets being depreciated:				
Buildings	8,886,764	-	-	8,886,764
Improvements other than buildings	156,720	222,074	-	378,794
Furniture and equipment	1,638,216	33,750	75,081	1,596,885
Total capital assets being depreciated	<u>10,681,700</u>	<u>255,824</u>	<u>75,081</u>	<u>10,862,443</u>
Less accumulated depreciation for:				
Buildings & Improvements	3,500,273	180,586	-	3,680,859
Furniture and equipment	813,843	45,807	75,081	784,569
Total accumulated depreciation	<u>4,314,116</u>	<u>226,393</u>	<u>75,081</u>	<u>4,465,428</u>
Total capital assets being depreciated, net	<u>6,367,584</u>	<u>29,431</u>	<u>-</u>	<u>6,397,015</u>
Governmental activities capital assets, net	<u>\$ 6,418,959</u>	<u>\$ 29,431</u>	<u>\$ -</u>	<u>\$ 6,448,390</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 199,304	\$ 3,908		\$ 203,212
less accumulated depreciation	110,263	11,051	-	121,314
Business type activities capital assets, net	<u>\$ 89,041</u>	<u>\$ (7,143)</u>	<u>\$ -</u>	<u>\$ 81,898</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 174,395
Other	11,104

Support services:

Instructional staff	5,393
Operation and maintenance of plant	2,718
Transportation	32,782

Total depreciation expense - governmental activities \$ 226,392

Business type activities:

Food service operations \$ 11,051

**(7) Long-Term Debt**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	5,060,000	-	290,000	4,770,000	305,000
Capital Leases	101,500	-	31,819	69,681	33,792
Notes Payable	150,000	57,964	106,290	101,674	51,674
Early Retirement	94,379	49,245	34,922	108,702	31,065
<b>Total</b>	<b>5,405,879</b>	<b>107,209</b>	<b>463,031</b>	<b>5,050,057</b>	<b>421,531</b>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is being allowed to remain on the group's health insurance plan at a specified rate per month for individual coverage and will end when the employee is medicare eligible.

At June 30, 2006, the District has obligations to seven participants with a total liability of \$108,702. Early retirement benefits paid during the year ended June 30, 2006 totaled \$34,922.

General Obligation Bonds and Capital Loan Notes

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

Year Ending June 30,	General Obligation School								
	Capital Loan Notes - 1997A			Bond, Series 1998 A			Bond Totals		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2007	4.900%	\$ 50,000	\$ 4,950	4.050%	\$ 305,000	\$ 206,233	\$ 355,000	\$ 211,183	\$566,183
2008	5.000%	50,000	4,950	4.100%	320,000	193,880	370,000	198,830	568,830
2009	-	-	-	4.150%	335,000	180,760	335,000	180,760	515,760
2010	-	-	-	4.200%	350,000	166,858	350,000	166,858	516,858
2011	-	-	-	4.250%	365,000	152,158	365,000	152,158	517,158
2012	-	-	-	4.300%	380,000	136,645	380,000	136,645	516,645
2013	-	-	-	4.300%	400,000	120,305	400,000	120,305	520,305
2014	-	-	-	4.350%	420,000	103,105	420,000	103,105	523,105
2015	-	-	-	4.400%	440,000	84,835	440,000	84,835	524,835
2016	-	-	-	4.500%	460,000	65,475	460,000	65,475	525,475
2017	-	-	-	4.500%	485,000	44,775	485,000	44,775	529,775
2018	-	-	-	4.500%	510,000	22,950	510,000	22,950	532,950
<b>Total</b>		<b>\$100,000</b>	<b>\$9,900</b>		<b>\$4,770,000</b>	<b>\$1,477,979</b>	<b>\$4,870,000</b>	<b>\$1,487,879</b>	<b>\$6,357,879</b>

The District is using the local option sales and services tax revenue to pay for these bonds and reduce the property tax rates. During the year ended June 30, 2006, the District made principal and interest payments totaling \$601,062 under the agreements of which \$419,808 was paid by the local option sales and service revenue.

Capital Lease

The District has a capital lease agreement with Kock Financial Corporation for HVAC, lighting and ceiling upgrades made in 2000. The lease payments are paid with Physical Plant and Equipment Levy revenue which amounted to \$37,542 in 2006. Details of the District's June 30, 2006, capital lease obligations are as follows:

Capital Lease July 12, 2000		
Interest Rate	Principal	Interest
3.055%	\$ 33,792	\$ 3,749
3.055%	35,889	1,653
	<u>\$69,681</u>	<u>\$5,402</u>

Note Payable

During the year the District obtained a revolving loan for the Track Project to be completed in time for it to be used in the school year. The total advanced was \$57,963.94, with \$56,289.71 principal paid and \$102 in interest payments. The repayment of the loan came from donations and fundraisers from the District's community supporters. As of June 30, 2006, \$1,674.23 remained of the loan which will be paid as pledges come in the 2006-07 school year.

**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$192,902, \$181,781 and \$173,639 respectively, equal to the required contributions for each year.

**(9) Risk Management**

West Sioux 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.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$234,214 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.

**West Sioux Community School District**

## **Required Supplementary Information**

West Sioux Communtiy School District  
 Budgetary Comparison Scheudle of Receipts, Disbursements and Changes in Balances -  
 Budget and Actual - All Governmental Funds and Proprietary Fund  
 Required Supplementary Information  
 Year ended June 30, 2006

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Local Sources	\$ 3,398,735	\$ 128,873
Intermediate sources	-	-
State sources	3,503,210	3,986
Federal sources	298,087	168,946
Total receipts	<u>7,200,032</u>	<u>301,805</u>
Disbursements:		
Instruction	4,429,061	-
Support services	1,958,863	-
Non-instructional programs	4,189	304,267
Other expenditures	1,101,903	-
Total disbursements	<u>7,494,016</u>	<u>304,267</u>
Deficiency of receipts under disbursements	(293,984)	(2,462)
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(293,984)	(2,462)
Balances beginning of year	<u>1,591,957</u>	<u>59,299</u>
Balances end of year	<u><u>\$ 1,297,973</u></u>	<u><u>\$ 56,837</u></u>

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 3,527,608	\$ 3,695,293	\$ 3,695,293	\$ (167,685)
-	-	-	-
3,507,196	3,470,687	3,470,687	36,509
467,033	388,000	388,000	79,033
<u>7,501,837</u>	<u>7,553,980</u>	<u>7,553,980</u>	<u>(52,143)</u>
4,429,061	4,929,045	4,929,045	(499,984)
1,958,863	2,102,105	2,102,105	(143,242)
308,456	227,500	227,500	80,956
<u>1,101,903</u>	<u>1,158,182</u>	<u>1,158,182</u>	<u>(56,279)</u>
<u>7,798,283</u>	<u>8,416,832</u>	<u>8,416,832</u>	<u>(618,549)</u>
(296,446)	(862,852)	(862,852)	566,406
-	-	-	-
(296,446)	(862,852)	(862,852)	566,406
<u>1,651,256</u>	<u>1,415,379</u>	<u>1,415,379</u>	<u>235,877</u>
<u>\$ 1,354,810</u>	<u>\$ 552,527</u>	<u>\$ 552,527</u>	<u>\$ 802,283</u>

See accompanying independent auditor's report.

West Sioux Community School District  
Notes to Required Supplementary Information – Budgetary Reporting  
Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant 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.

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

During the year ended June 30, 2006, disbursements in the non-instructional functions exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

**West Sioux Community School District**  
**Other Supplementary Information**

West Sioux Community School District  
 Combining Balance Sheet - Nonmajor Special Revenue Funds  
 June 30, 2006

Schedule 1

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and cash Equivalents:				
Other	\$ 168,627	\$ 112,265	\$ 38,285	\$ 319,177
Receivables:				
Property tax:				
Delinquent	3,342	-	2,820	6,162
<b>Total assets</b>	171,969	112,265	41,105	325,339
<b>Liabilites and Fund Equity</b>				
Liabilities:				
Accounts payable	-	705	-	705
Interfund payable	-	-	78,172	78,172
Early retirement	31,065	-	-	31,065
Total liabilities	31,065	705	78,172	109,942
Fund equity:				
Unreserved fund balances	140,904	111,560	(37,067)	215,397
<b>Total liabilities and fund equity</b>	\$ 171,969	\$ 112,265	\$ 41,105	\$ 325,339

See accompanying independent auditor's report.

West Sioux Community School District  
Combining Schedule of Revenues, Expenditures and Changes  
in Fund Balances -Nonmajor Special Revenue Funds  
Year ended June 30, 2006

Schedule 2

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 150,359	\$ -	\$ 133,999	\$ 284,358
Other	5,063	401,616	3,394	410,073
Total revenues	<u>155,422</u>	<u>401,616</u>	<u>137,393</u>	<u>694,431</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	385,374	-	385,374
Support services:				
Operation and maintenace of plant services	128,032	-	-	128,032
Other expenditures:				
Facilities acquisition	-	-	36,250	36,250
Total expenditures	<u>128,032</u>	<u>385,374</u>	<u>36,250</u>	<u>549,656</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,390</u>	<u>16,242</u>	<u>101,143</u>	<u>144,775</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(115,341)	(115,341)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(115,341)</u>	<u>(115,341)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	27,390	16,242	(14,198)	29,434
Fund balances beginning of year	<u>113,514</u>	<u>95,318</u>	<u>(22,869)</u>	<u>185,963</u>
Fund balances end of year	<u>\$ 140,904</u>	<u>\$ 111,560</u>	<u>\$ (37,067)</u>	<u>\$ 215,397</u>

See accompanying independent auditor's report.

West Sioux Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 Year ended June 30, 2006

Schedule 3

	Balance Beginning of Year	Revenues and Interfund Transfers	Expend- itures	Balance End of Year
<b>HIGH SCHOOL</b>				
Adult education	\$ 28	\$ -	\$ -	\$ 28
Clearing Account	94	40,248	40,342	-
Annual	855	3,979	3,870	964
Newspaper-Falcon Banner	224	672	334	562
Drama Club	4,345	13,450	15,264	2,531
Dance Team	2,660	5,574	7,432	802
Materials for Resale	-	10,674	7,014	3,660
Vocal Music Group	1,198	1,182	1,238	1,142
Band	(53)	1,983	1,335	595
High School Athletics	17,521	75,855	83,197	10,179
Concession Supplies	4,187	34,369	34,654	3,902
Future Farmers of America	5,014	12,681	8,357	9,338
Library Club	1,401	1,866	1,717	1,550
Student Council	4,270	14,099	10,161	8,208
Letterpersons' Club	716	1,600	1,719	597
Cheerleaders	3,120	4,210	5,816	1,514
HS Student Newspaper	5	1,550	1,552	3
Class of 2005	70	-	70	-
Class of 2006	233	769	913	89
Class of 2007	1,838	9,205	10,499	544
Class of 2008	906	1,620	634	1,892
Class of 2009	-	840	-	840
Class of 2010	307	-	307	-
Employee Fundraiser	276	621	516	381
High School Art Club	208	-	-	208
National Honor Society	887	1,850	1,756	981
Volleyball Fundraiser	1,538	460	814	1,184
Softball Fundraiser	2,441	4,892	4,836	2,497
Boys Basketball Fundraiser	454	8,126	6,827	1,753
High School Miscellaneous Accounts	1,839	-	179	1,660
Football Fundraiser	2,966	20,577	17,913	5,630
Boys Baseball Fundraiser	71	1,195	187	1,079
Girls Basketball Fundraiser	4,331	2,243	3,208	3,366
Cross Country Fundraiser	2,704	1,738	1,608	2,834
District Activities Fee	1,974	2,689	2,832	1,831
Wrestling Fundraiser	1,192	2,728	3,268	652
Track Fundraiser	367	1,787	1,130	1,024
Track Resurface Project	-	100	-	100
Prom Fund	-	2,000	-	2,000
Math Center Fundraiser	92	2,618	2,404	306
Falcon Joe's Coffee Shop	997	1,626	498	2,125
Recycle Fund	83	50	-	133
FCA	435	661	1,039	57
Speech	450	3,051	2,709	792
Quiz Bowl	749	1,187	1,149	787
High School Interest	-	3,390	3,390	-
Aviation Grant	56	-	56	-
Washington, D.C. Trips	2,275	52,826	50,098	5,003
<b>TOTAL HIGH SCHOOL</b>	<b>75,324</b>	<b>352,841</b>	<b>342,842</b>	<b>85,323</b>

West Sioux Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 Year ended June 30, 2005

Schedule 3

	Balance Beginning of Year	Revenues and Interfund Transfers	Expend- itures	Balance End of Year
<b>IRETON ELEMENTARY:</b>				
Revolving	1,879	1,342	1,068	2,153
Kindergarten Milk	969	-	419	550
Pictures	1,934	226	72	2,088
Book Rent	27	-	-	27
Book Fairs	501	1,527	1,465	563
Book Fines	120	-	-	120
Pop Fund	136	-	45	91
TOTAL IRETON ELEM.	5,566	3,095	3,069	5,592
<b>HAWARDEN ELEMENTARY:</b>				
Miscellaneous	46	3,008	2,423	631
Pop	1,601	1,002	809	1,794
Picture	1,164	599	955	808
Book Fair	417	3,256	3,030	643
Library Fines	158	97	234	21
Assignment Notebooks	117	172	384	(95)
Interest	197	58	21	234
Computer Camp	1,150	952	951	1,151
Donations for School Supplies	95	-	-	95
Birthday Book Club	54	-	54	-
Box Tops for Education	468	331	-	799
TOTAL HAWARDEN ELEM.	5,467	9,475	8,861	6,081
<b>MIDDLE SCHOOL:</b>				
General	848	5,456	4,145	2,159
Pop	957	7,140	7,325	772
Magazines	2,629	10,203	11,066	1,766
Candy Sales	36	6,188	3,446	2,778
Pictures	754	245	-	999
Athletics	1,356	5,040	4,090	2,306
Computer Disc Resale	11	-	-	11
Interest	175	77	-	252
Assignment Notebooks	64	496	530	30
Student Participations	-	1,360	-	1,360
History Fair Account	2,131	-	-	2,131
TOTAL MIDDLE SCHOOL	\$ 8,961	\$ 36,205	\$ 30,602	\$ 14,564
GRAND TOTAL	\$ 95,318	\$ 401,616	\$ 385,374	\$ 111,560

See accompanying independent auditor's report.

West Sioux Community School District  
 Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds  
 For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	2006	2005	2004	2003
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,539,452	\$ 3,230,943	\$ 2,898,455	\$ 2,688,077
Tuition	159,940	144,066	161,039	160,197
Other	828,216	753,478	618,025	699,862
Intermediate sources	-	-	-	-
State sources	3,507,196	3,111,365	3,075,134	3,287,857
Federal sources	467,033	437,105	471,604	379,332
Total	<u>7,501,837</u>	<u>7,676,957</u>	<u>7,224,257</u>	<u>7,215,325</u>
<b>Expenditures:</b>				
Insturction:				
Regular instruction	2,329,155	2,422,967	2,207,852	2,267,697
Special instruction	1,404,660	855,679	918,168	973,038
Other instruction	695,246	766,328	639,521	285,337
Support services:				
Student services	172,959	140,337	134,220	202,592
Instructional staff services	261,151	245,256	314,336	281,388
Administration Services	666,787	554,151	526,789	516,386
Operation and maintenace of plant services	615,744	652,862	639,087	588,676
Transportation services	242,222	209,482	204,360	180,019
Central support services	-	-	-	5,634
Non-instructional programs	308,456	298,995	303,979	688,723
Other expenditures:				
Facilities acquisition	263,963	111,095	45,258	78,086
Long-term debt interest	231,007	246,101	260,767	564,275
AEA flowthrough	234,214	224,482	246,791	249,233
Total	<u>\$ 7,425,564</u>	<u>\$ 6,727,735</u>	<u>\$ 6,441,128</u>	<u>\$ 6,881,084</u>

See accompanying independent auditor's report.

**West Sioux Community School District**

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**ROCK RAPIDS, IOWA 51246**

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

To the Board of Education of  
West Sioux Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Sioux Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 12, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-06-A is a material weakness. Prior year reportable conditions have all been resolved except for item I-06-A.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the West Sioux Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and 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 object 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 noncompliance that are described in Part II of the accompanying Schedule of Findings.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Sioux Community School District and other parties to whom West Sioux 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 the West Sioux 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.

Heard Halse & Co.

October 12, 2006

West Sioux Community School District  
Schedule of Findings  
Year ended June 30, 2006

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

I-06-A     Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that the same person did all cash receipts and disbursements and bookkeeping and deposit functions.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

West Sioux Community School District  
Schedule of Findings  
Year ended June 30, 2006

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

- II-06-A      Official Depository – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.
- II-06-B      Certified Budget - Disbursements for the year ended June 30, 2006, exceeded the amount budgeted in the non-instructional function.  
  
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 – We will amend our budget before disbursements exceed the budget.  
  
Conclusion – Response accepted.
- II-06-C      Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-06-D      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.
- II-06-E      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.
- II-06-F      Board Minutes - No transactions requiring Board approval, which had not been approved by the Board, were noted.
- II-06-G      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 Districts’ investment policy were noted.
- II-06-H      Certified Annual Report - The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-06-I      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-06-J      Deficit Balance – Physical Plant and Equipment Levy fund and one student activity account had a deficit balance at June 30, 2006.  
  
Recommendation - The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.  
  
Response – The District is continuing to investigate alternatives to eliminate this deficit in the student activity account at the end of the fiscal year.  
  
Conclusion - Response accepted.

West Sioux Community School District  
 Schedule of Findings  
 Year ended June 30, 2006

II-06-K Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Reinking Insurance Inc. Spouse of an Employee	Insurance	93,092
Gregg Vreeman Spouse of a Teacher	Siouxland Propane	27,009

In accordance with an Attorney General's opinion date November 9, 1976, the transactions with Siouxland Propane Co. and Reinking Insurance do not appear to represent a conflict of interest since the transactions were competitively bid as provided by Chapter 279.7A of the Code of Iowa.

Recommendation - The District should continue to follow procedures to insure competitive bidding in instances where transactions with a related individual will exceed \$1,500 per fiscal year.

Response - We will do this.

Conclusion - Response accepted.