

WHITING COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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Independent Auditor's Report

To the Board of Education of
Whiting 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 Whiting Community School District, Whiting, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Whiting Community School District at 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 August 3, 2006, on our consideration of Whiting Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 37 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 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 Whiting Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

August 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Whiting 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 \$2,065,301 in fiscal 2005 to \$2,215,359 in fiscal 2006, while General Fund expenditures increased from \$1,899,600 in fiscal 2005 to \$2,027,284 in fiscal 2006. The District's General Fund balance increased from \$193,422 in fiscal 2005 to \$381,497 in fiscal 2006.
- The increase in General Fund revenues was attributable to an increase in miscellaneous revenue received by the school district in fiscal 2006.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Whiting 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 Whiting 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 Whiting Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

- 3) The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.
- 4) *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 the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2006.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,752,319	2,792,447	18,194	24,179	2,770,513	2,816,626	2%
Capital assets	1,306,307	1,512,987	4,360	3,386	1,310,667	1,516,373	16%
Total assets	4,058,626	4,305,434	22,554	27,565	4,081,180	4,332,999	6%
Long-term liabilities	888,392	826,148	-	-	888,392	826,148	-7%
Other liabilities	1,992,960	1,901,179	9,066	9,671	2,002,026	1,910,850	-5%
Total liabilities	2,881,352	2,727,327	9,066	9,671	2,890,418	2,736,998	-5%
Net Assets:							
Invested in capital assets, net of related debt	465,986	738,810	4,360	3,386	470,346	742,196	58%
Restricted	489,016	432,878	-	-	489,016	432,878	-11%
Unrestricted	222,272	406,419	9,128	14,508	231,400	420,927	82%
TOTAL NET ASSETS	1,177,274	1,578,107	13,488	17,894	1,190,762	1,596,001	34%

The District's combined net assets increased by nearly 34%, or approximately \$405,239, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$56,138 or 11% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$189,527. This increase in unrestricted net assets was a result of the District expenditures for the year being less than revenues.

Figure A-2 shows the change in net assets for the years ended June 30, 2005 and 2006.

Figure A-2

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	336,538	434,561	47,843	52,428	384,381	486,989	27%
Operating grants & contributions	321,428	306,527	56,587	57,285	378,015	363,812	-4%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	967,865	1,082,328	-	-	967,865	1,082,328	12%
Income Surtax	53,466	54,225	-	-	53,466	54,225	1%
Local option sales tax	81,867	112,915	-	-	81,867	112,915	38%
Unrestricted state grants	642,653	618,367	-	-	642,653	618,367	-4%
Unrestricted investment earnings	24,784	38,199	203	626	24,987	38,825	55%
Other revenue	2,204	2,604	-	-	2,204	2,604	18%
Total Revenues	2,430,805	2,649,726	104,633	110,339	2,535,438	2,760,065	9%
Expenses:							
Instruction	1,346,909	1,458,356	-	-	1,346,909	1,458,356	8%
Support services	613,483	643,974	-	-	613,483	643,974	5%
Non-instructional programs	-	-	104,109	105,933	104,109	105,933	2%
Other expenditures	191,367	194,365	-	-	191,367	194,365	2%
Total expenses	2,151,759	2,296,695	104,109	105,933	2,255,868	2,402,628	7%
Change in net assets before Transfers	279,046	353,031	524	4,406	279,570	357,437	28%
Transfers	(2,300)	-	2,300	-	-	-	0%
CHANGE IN NET ASSETS	276,746	353,031	2,824	4,406	279,570	357,437	28%
Net assets beginning of year	900,528	1,225,076	10,664	13,488	911,192	1,238,564	36%
Net assets end of year	1,177,274	1,578,107	13,488	17,894	1,190,762	1,596,001	34%

The beginning net assets at June 30, 2006 were increased by \$47,802; see Note 12 of the financial statements.

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,649,726 and expenses were \$2,296,695. The District was able to balance the budget by trimming expenses below available revenues.

The following figure [A-3] presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-3

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2006 \$	Net Cost of Services 2005 \$	Net Cost of Services 2006 \$
Instruction	1,346,909	1,458,356	774,804	789,594
Support Services	613,483	643,974	594,069	638,474
Non-instructional Programs	-	-	-	-
Other Expenses	191,367	194,365	124,920	127,539
TOTAL	2,151,759	2,296,695	1,493,793	1,555,607

- The cost financed by users of the District's programs was \$434,561.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$306,527.
- The net cost of governmental activities was financed with \$1,249,468 in property and other taxes and \$618,367 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$110,339 and expenses were \$105,933. 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 for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for replacement of obsolete kitchen equipment in the next fiscal year.

INDIVIDUAL FUND ANALYSIS

As previously noted, Whiting 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 \$843,234, well above last year's ending fund balances of \$711,704.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.
- The General Fund balance increased from \$193,422 to \$381,497.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$142,875 in fiscal 2005 to \$143,667 in fiscal 2006
- The Capital Projects Fund balance decreased from a fiscal 2005 balance of 303,045 to a fiscal 2006 ending balance of \$218,874

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$13,488 at June 30, 2005 to \$17,894 at June 30, 2006. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets. The District also revamped its school lunch program to provide students with the option of salad and/or pasta bars at lunch with little additional cost to the program. This change resulted in an increase in meals served and a related increase in revenue and net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$336,593 less than budgeted receipts. The most significant variance resulted from the District receiving less in federal revenue than originally anticipated.

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. Expenditures in the support services function exceeded the amount budgeted.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures 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 \$1.52 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-4) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$71,766.

The original cost of the District's capital assets was \$2.46 million. Governmental funds account for \$2.45 million, with the remainder of \$0.02 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2005-2006
	Activities		Activities		School District		
	2005	2006	2005	2006	2005	2006	
	Restated				Restated		
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	120,660	-	-	-	120,660	0%
Buildings	1,229,700	1,197,500	-	-	1,229,700	1,197,500	-3%
Improvements	37,125	82,188	-	-	37,125	82,188	121%
Equipment & Furniture	77,284	102,639	4,360	3,386	81,644	106,025	30%
TOTAL	1,354,109	1,512,987	4,360	3,386	1,358,469	1,516,373	12%

Long-Term Debt

At June 30, 2006, the District had \$826,148 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 7% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-5
Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2005-2006
	2005	2006	
	\$	\$	
General Obligation Bonds	825,000	765,000	-7%
Capital Leases	15,321	9,177	-40%
Early Retirement	25,716	29,131	13%
Compensated Absences	22,355	22,840	2%
	888,392	826,148	-7%

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:

- Monona County has advised the District that, due to the recent completion of property revaluation assessments, the District's total taxable valuation will increase from \$66,474,544 to \$71,081,567 for property tax collected in fiscal 2006.
- Although the District has experienced declining resident enrollment for the past three years, the District expects a slight increase in future enrollment due to open enrollment into the District.

- School financing is highly dependent upon student enrollment. The District's September 2005 resident enrollment decreased by eight students. This drop in enrollment will decrease the District's state aid funding however, it is anticipated the funds derived from open enrollment into the district will increase the total funding for fiscal year 2007.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, two school vans had to be replaced during fiscal 2006 at a total cost of \$35,642. To pay for these vans, the District used resources from the Physical Plant and Equipment Levy Fund.

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 Lori West, District Board Secretary, Whiting Community School District, 606 West Street, Whiting, Iowa, 51063.

BASIC FINANCIAL STATEMENTS

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	541,034	-	541,034
Other	1,079,198	22,947	1,102,145
Receivables:			
Property tax:			
Delinquent	17,784	-	17,784
Succeeding year	1,040,201	-	1,040,201
Accounts	-	80	80
Accrued interest ISCAP	3,392	-	3,392
Due from other governments	110,838	-	110,838
Inventories	-	1,152	1,152
Capital assets, net of accumulated depreciation	1,512,987	3,386	1,516,373
	<u>4,305,434</u>	<u>27,565</u>	<u>4,332,999</u>
Liabilities			
Accounts payable	123,063	-	123,063
Salaries and benefits payable	186,503	8,624	195,127
Accrued interest payable	3,298	-	3,298
Deferred revenue:			
Succeeding year property tax	1,040,201	-	1,040,201
Other	-	1,047	1,047
ISCAP warrants payable	541,000	-	541,000
ISCAP accrued interest payable	3,262	-	3,262
ISCAP premium	3,852	-	3,852
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	60,000	-	60,000
Capital leases	6,770	-	6,770
Termination benefits	15,588	-	15,588
Compensated absences	4,000	-	4,000
Portion due after one year:			
General obligation bonds payable	705,000	-	705,000
Capital leases	2,407	-	2,407
Termination benefits	13,543	-	13,543
Compensated absences	18,840	-	18,840
	<u>2,727,327</u>	<u>9,671</u>	<u>2,736,998</u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	738,810	3,386	742,196
Restricted for:			
Gifted and talented program	3,570	-	3,570
Management levy	31,458	-	31,458
Physical plant and equipment levy	143,667	-	143,667
Other special revenue purposes	24,190	-	24,190
Local option sales tax capital projects	218,874	-	218,874
Debt service	11,119	-	11,119
Unrestricted	406,419	14,508	420,927
Total net assets	<u>1,578,107</u>	<u>17,894</u>	<u>1,596,001</u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	839,102	274,272	179,070	-
Special instruction	240,054	95,350	27,024	-
Other instruction	379,200	59,439	33,607	-
	<u>1,458,356</u>	<u>429,061</u>	<u>239,701</u>	<u>-</u>
Support services:				
Student services	29,672	-	-	-
Instructional staff services	51,987	-	-	-
Administration services	286,139	-	-	-
Operation and maintenance of plant services	188,170	5,500	-	-
Transportation services	88,006	-	-	-
	<u>643,974</u>	<u>5,500</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	38,645	-	-	-
Long-term debt interest	43,765	-	281	-
AEA flowthrough	66,545	-	66,545	-
Depreciation (unallocated)*	45,410	-	-	-
	<u>194,365</u>	<u>-</u>	<u>66,826</u>	<u>-</u>
Total governmental activities	2,296,695	434,561	306,527	-
Business type activities:				
Non-instructional programs:				
Food service operations	105,933	52,428	57,285	-
Total	<u>2,402,628</u>	<u>486,989</u>	<u>363,812</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
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, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(385,760)	-	(385,760)
(117,680)	-	(117,680)
(286,154)	-	(286,154)
<u>(789,594)</u>	<u>-</u>	<u>(789,594)</u>
(29,672)	-	(29,672)
(51,987)	-	(51,987)
(286,139)	-	(286,139)
(182,670)	-	(182,670)
(88,006)	-	(88,006)
<u>(638,474)</u>	<u>-</u>	<u>(638,474)</u>
(38,645)	-	(38,645)
(43,484)	-	(43,484)
-	-	-
(45,410)	-	(45,410)
<u>(127,539)</u>	<u>-</u>	<u>(127,539)</u>
(1,555,607)	-	(1,555,607)
<u>-</u>	<u>3,780</u>	<u>3,780</u>
<u>(1,555,607)</u>	<u>3,780</u>	<u>(1,551,827)</u>
912,543	-	912,543
103,068	-	103,068
66,717	-	66,717
54,225	-	54,225
112,915	-	112,915
618,367	-	618,367
38,199	626	38,825
2,604	-	2,604
<u>1,908,638</u>	<u>626</u>	<u>1,909,264</u>
353,031	4,406	357,437
<u>1,225,076</u>	<u>13,488</u>	<u>1,238,564</u>
<u>1,578,107</u>	<u>17,894</u>	<u>1,596,001</u>

WHITING COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	541,034	-	-	541,034
Other	532,553	287,411	259,234	1,079,198
Receivables:				
Property tax:				
Delinquent	13,831	-	3,953	17,784
Succeeding year	823,336	-	216,865	1,040,201
Accrued interest - ISCAP	3,392	-	-	3,392
Interfund receivable	-	20,324	-	20,324
Due from other governments	79,039	31,799	-	110,838
Total assets	1,993,185	339,534	480,052	2,812,771
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	2,403	120,660	-	123,063
Salaries and benefits payable	186,503	-	-	186,503
Interfund payable	-	-	20,324	20,324
ISCAP warrants payable	541,000	-	-	541,000
ISCAP accrued interest payable	3,262	-	-	3,262
ISCAP premium	3,852	-	-	3,852
Deferred revenue:				
Succeeding year property tax	823,336	-	216,865	1,040,201
Other	51,332	-	-	51,332
Total liabilities	1,611,688	120,660	237,189	1,969,537
Fund balances:				
Reserved for:				
Gifted and talented program	3,570	-	-	3,570
Debt service	-	-	14,417	14,417
Unreserved reported in:				
General fund	377,927	-	-	377,927
Special revenue funds	-	-	228,446	228,446
Capital projects funds	-	218,874	-	218,874
Total fund balances	381,497	218,874	242,863	843,234
Total liabilities and fund balances	1,993,185	339,534	480,052	2,812,771

See notes to financial statements.

WHITING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

\$

Total fund balances of governmental funds (Exhibit C)

843,234

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

1,512,987

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.

51,332

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.

(3,298)

Long-term liabilities, including bonds payable, capital leases, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.

(826,148)**Net assets of governmental activities (Exhibit A)**1,578,107

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2006

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	896,887	112,915	239,539	1,249,341
Tuition	218,616	-	-	218,616
Other	207,682	9,612	72,047	289,341
State sources	796,844	-	127	796,971
Federal sources	95,330	-	-	95,330
Total revenues	<u>2,215,359</u>	<u>122,527</u>	<u>311,713</u>	<u>2,649,599</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	829,274	-	-	829,274
Special instruction	240,054	-	-	240,054
Other instruction	316,708	-	62,492	379,200
	<u>1,386,036</u>	<u>-</u>	<u>62,492</u>	<u>1,448,528</u>
Support services:				
Student services	29,672	-	-	29,672
Instructional staff services	48,788	-	16,995	65,783
Administration services	254,010	-	27,129	281,139
Operation and maintenance of plant services	169,832	-	17,267	187,099
Transportation services	72,401	-	39,163	111,564
	<u>574,703</u>	<u>-</u>	<u>100,554</u>	<u>675,257</u>
Other expenditures:				
Facilities acquisition	-	206,698	10,880	217,578
Long-term debt:				
Principal	-	-	66,144	66,144
Interest and fiscal charges	-	-	44,017	44,017
AEA flowthrough	66,545	-	-	66,545
	<u>66,545</u>	<u>206,698</u>	<u>121,041</u>	<u>394,284</u>
Total expenditures	<u>2,027,284</u>	<u>206,698</u>	<u>284,087</u>	<u>2,518,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>188,075</u>	<u>(84,171)</u>	<u>27,626</u>	<u>131,530</u>
Other financing sources (uses):				
Operating transfers in	-	-	7,368	7,368
Operating transfers out	-	-	(7,368)	(7,368)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	188,075	(84,171)	27,626	131,530
Fund balances beginning of year	<u>193,422</u>	<u>303,045</u>	<u>215,237</u>	<u>711,704</u>
Fund balances end of year	<u><u>381,497</u></u>	<u><u>218,874</u></u>	<u><u>242,863</u></u>	<u><u>843,234</u></u>

See notes to financial statements.

WHITING COMMUNITY SCHOOL DISTRICT

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 (Exhibit E)		131,530
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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 year as follows:		
Expenditures for capital assets	230,670	
Depreciation expense	<u>(71,792)</u>	158,878
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		127
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		66,144
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.		
		252
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:		
Termination benefits	(3,415)	
Compensated absences	<u>(485)</u>	<u>(3,900)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>353,031</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	22,947
Accounts receivable	80
Inventories	1,152
Capital assets, net of accumulated depreciation	<u>3,386</u>
Total assets	<u>27,565</u>
Liabilities	
Salaries and benefits payable	8,624
Deferred revenue	<u>1,047</u>
Total liabilities	<u>9,671</u>
Net assets	
Invested in capital assets, net of related debt	3,386
Unrestricted	<u>14,508</u>
Total net assets	<u><u>17,894</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>52,428</u>
Operating expenses:	
Non-instructional programs:	
Salaries	33,410
Benefits	20,515
Purchased services	1,444
Supplies	47,786
Depreciation	974
Other	1,804
	<u>105,933</u>
Operating gain (loss)	<u>(53,505)</u>
Non-operating revenue:	
State sources	1,551
Federal sources	55,734
Interest income	626
Total non-operating revenue	<u>57,911</u>
Change in net assets	4,406
Net assets beginning of year	<u>13,488</u>
Net assets end of year	<u><u>17,894</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	52,658
Cash payments to employees for services	(53,605)
Cash payments to suppliers for goods or services	(45,703)
Net cash used by operating activities	<u>(46,650)</u>
Cash flows from non-capital financing activities:	
State grants received	1,551
Federal grants received	50,256
Net cash provided by non-capital financing activities	<u>51,807</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>626</u>
Net increase (decrease) in cash and cash equivalents	5,783
Cash and cash equivalents at beginning of year	<u>17,164</u>
Cash and cash equivalents at end of year	<u><u>22,947</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(53,505)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,478
Depreciation	974
Decrease (increase) in inventories	(147)
Decrease (increase) in accounts receivable	(55)
(Decrease) increase in salaries and benefits payable	320
(Decrease) increase in deferred revenue	285
Net cash used in operating activities	<u><u>(46,650)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$5,478 of federal commodities.

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	2,464
Liabilities	
	<u>-</u>
Net assets	
Reserved for scholarships	<u><u>2,464</u></u>

WHITING COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	29
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net assets	(471)
Net assets beginning of year	<u>2,935</u>
Net assets end of year	<u><u>2,464</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

1. Summary of Significant Accounting Policies

Whiting Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Whiting, Iowa and the predominately agricultural territory in a portion of Monona 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, Whiting Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Whiting Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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.

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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be

susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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.

<u>Assets Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

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 no investments meeting the disclosure requirements of Governmental Accounting Standard Board Statement No. 3 and amended by Statement No. 40.

3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
		\$
	Nonmajor Funds:	
Capital Projects	Physical Plant and Equipment Levy Fund	20,324

The interfund receivable/payables are loans expected to be repaid in the next year.

4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Nonmajor Governmental Funds:	Nonmajor Governmental Funds:	
Debt Service	Physical Plant and Equipment Levy Fund	7,368

The transfer from the Physical Plant and Equipment Levy Fund to Debt Service Fund is a capital lease payment.

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. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2005-06B	1/26/06	1/26/07	161,562	3,274	161,000	3,119
2006-07A	6/28/06	6/28/07	379,472	118	380,000	143
Total			541,034	3,392	541,000	3,262

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:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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	4.500	5.676

6. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	120,660	-	120,660
Land	10,000	-	-	10,000
Total not being depreciated	<u>10,000</u>	<u>120,660</u>	<u>-</u>	<u>130,660</u>
Capital assets being depreciated:				
Buildings	2,020,000	-	-	2,020,000
Improvements other than buildings	51,975	58,273	-	110,248
Furniture and equipment	265,548	51,737	-	317,285
Total capital assets being deprec.	<u>2,337,523</u>	<u>110,010</u>	<u>-</u>	<u>2,447,533</u>
Less accumulated depreciation for:				
Buildings	790,300	32,200	-	822,500
Improvements other than buildings	14,850	13,210	-	28,060
Furniture and equipment	188,264	26,382	-	214,646
Total accumulated depreciation	<u>993,414</u>	<u>71,792</u>	<u>-</u>	<u>1,065,206</u>
Total capital assets being depreciated, net	<u>1,344,109</u>	<u>38,218</u>	<u>-</u>	<u>1,382,327</u>
Governmental activities capital assets, net	<u>1,354,109</u>	<u>158,878</u>	<u>-</u>	<u>1,512,987</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	17,334	-	-	17,334
Less accumulated depreciation	<u>12,974</u>	<u>974</u>	<u>-</u>	<u>13,948</u>
Business type activities capital assets, net	<u>4,360</u>	<u>(974)</u>	<u>-</u>	<u>3,386</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	5,928
Support Services:	
Instructional staff services	2,299
Administration services	5,000
Operation and maintenance of plant services	1,071
Transportation	<u>12,084</u>
	26,382
Unallocated depreciation	<u>45,410</u>
Total depreciation expense – governmental activities	<u><u>71,792</u></u>
Business type activities:	
Food services	<u><u>974</u></u>

7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	825,000	-	60,000	765,000	60,000
Capital leases	15,321	-	6,144	9,177	6,770
Termination benefits	25,716	14,252	10,837	29,131	15,558
Compensated absences	<u>22,355</u>	<u>485</u>	<u>-</u>	<u>22,840</u>	<u>4,000</u>
Total	<u>888,392</u>	<u>14,737</u>	<u>76,981</u>	<u>826,148</u>	<u>86,328</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than two employees per year will be granted benefits under the policy.

Early retirement benefits consist of the District paying health insurance premiums for three years after the date of retirement.

At June 30, 2006, the District has obligations to four participants with a total liability of \$29,131. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$10,837.

General Obligation Bonds Payable

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

<u>Year Ending June 30,</u>	<u>Bond Issue of June 1997</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2007	4.90	60,000	39,483	99,483
2008	4.95	65,000	36,543	101,543
2009	5.00	65,000	33,325	98,325
2010	5.1	70,000	30,075	100,075
2011	5.2	75,000	26,505	101,505
2012-2016	5.2-5.3	430,000	70,558	500,558
		<u>765,000</u>	<u>236,489</u>	<u>1,001,489</u>

Capital Leases

The District's capital lease indebtedness and related schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2006 are as follows:

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2007	7,368
	2008	2,456
Minimum Lease Payments		<u>9,824</u>
Less Amount Representing Interest		<u>647</u>
Present Value of Minimum Lease Payments		<u>9,177</u>

8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$66,925, \$66,877, and \$68,557 respectively, equal to the required contributions for each year.

9. Risk Management

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

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 \$66,545 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.

11. Construction Commitment

The District has entered into a \$180,459 contract for roof repairs. As of June 30, 2006 costs of \$120,660 had been incurred against the contract. The balances remaining at June 30, 2006 will be paid as work on the project progresses.

12. Restatement of Beginning Net Assets

The beginning net assets in the Statement of Activities were increased by \$47,802 due to corrections in the prior year depreciation schedule.

REQUIRED SUPPLEMENTARY INFORMATION

WHITING COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,757,298	53,054	1,810,352	1,685,399	1,685,399	124,953
State sources	796,971	1,551	798,522	923,132	923,132	(124,610)
Federal sources	95,330	55,734	151,064	488,000	488,000	(336,936)
Total revenues	<u>2,649,599</u>	<u>110,339</u>	<u>2,759,938</u>	<u>3,096,531</u>	<u>3,096,531</u>	<u>(336,593)</u>
Expenditures:						
Instruction	1,448,528	-	1,448,528	1,766,683	1,766,683	318,155
Support services	675,257	-	675,257	671,394	671,394	(3,863)
Non-instructional programs	-	105,933	105,933	108,441	108,441	2,508
Other expenditures	394,284	-	394,284	783,120	783,120	388,836
Total expenditures	<u>2,518,069</u>	<u>105,933</u>	<u>2,624,002</u>	<u>3,329,638</u>	<u>3,329,638</u>	<u>705,636</u>
Excess (deficiency) of revenues over (under) expenditures	131,530	4,406	135,936	(233,107)	(233,107)	369,043
Other financing sources (uses) net	-	-	-	8,000	8,000	(8,000)
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	131,530	4,406	135,936	(225,107)	(225,107)	361,043
Balance beginning of year	<u>711,704</u>	<u>13,488</u>	<u>725,192</u>	<u>267,864</u>	<u>267,864</u>	<u>457,328</u>
Balance end of year	<u><u>843,234</u></u>	<u><u>17,894</u></u>	<u><u>861,128</u></u>	<u><u>42,757</u></u>	<u><u>42,757</u></u>	<u><u>818,371</u></u>

WHITING 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 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 Internal Service, 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 a GAAP basis.

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

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

OTHER SUPPLEMENTARY INFORMATION

WHITING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Cash and pooled investments	59,438	24,190	162,890	12,716	259,234
Receivables:					
Property tax:					
Delinquent	1,151	-	1,101	1,701	3,953
Succeeding year	46,000	-	71,082	99,783	216,865
Total assets	106,589	24,190	235,073	114,200	480,052
Liabilities & Fund Balances					
Liabilities:					
Interfund payables	-	-	20,324	-	20,324
Deferred revenue:					
Succeeding year property tax	46,000	-	71,082	99,783	216,865
Total liabilities	46,000	-	91,406	99,783	237,189
Fund balances:					
Reserved for debt service	-	-	-	14,417	14,417
Unreserved reported in:					
Special revenue funds	60,589	24,190	143,667	-	228,446
Total fund balances	60,589	24,190	143,667	14,417	242,863
Total liabilities and fund balances	106,589	24,190	235,073	114,200	480,052

WHITING COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2006

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	69,754	-	66,717	103,068	239,539
Other	2,156	60,356	9,254	281	72,047
State sources	37	-	35	55	127
Total revenues	<u>71,947</u>	<u>60,356</u>	<u>76,006</u>	<u>103,404</u>	<u>311,713</u>
Expenditures:					
Current:					
Instruction:					
Other instruction	-	62,492	-	-	62,492
Support services:					
Instructional staff services	-	-	16,995	-	16,995
Administration services	22,800	-	4,329	-	27,129
Operation and maintenance of					
plant services	17,267	-	-	-	17,267
Transportation services	3,521	-	35,642	-	39,163
Other expenditures:					
Facilities acquisition	-	-	10,880	-	10,880
Long-term debt:					
Principal	-	-	-	66,144	66,144
Interest and fiscal charges	-	-	-	44,017	44,017
Total expenditures	<u>43,588</u>	<u>62,492</u>	<u>67,846</u>	<u>110,161</u>	<u>284,087</u>
Excess (deficiency) of revenues over					
(under) expenditures	<u>28,359</u>	<u>(2,136)</u>	<u>8,160</u>	<u>(6,757)</u>	<u>27,626</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	7,368	7,368
Operating transfers out	-	-	(7,368)	-	(7,368)
Total other financing sources					
(uses)	<u>-</u>	<u>-</u>	<u>(7,368)</u>	<u>7,368</u>	<u>-</u>
Net change in fund balances	28,359	(2,136)	792	611	27,626
Fund balances beginning of year	<u>32,230</u>	<u>26,326</u>	<u>142,875</u>	<u>13,806</u>	<u>215,237</u>
Fund balances end of year	<u><u>60,589</u></u>	<u><u>24,190</u></u>	<u><u>143,667</u></u>	<u><u>14,417</u></u>	<u><u>242,863</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u> \$	<u>Revenues</u> \$	<u>Expenditures</u> \$	<u>Balance End of Year</u> \$
Class of 2005	82	-	82	-
Class of 2006	257	53	310	-
Class of 2007	800	3,460	3,845	415
Class of 2008	515	320	-	835
Class of 2009	189	95	-	284
Class of 2010	170	75	-	245
Class of 2011	95	75	-	170
Class of 2012	-	50	-	50
Unallocated interest	4,931	918	-	5,849
Music parents	8,228	8,703	11,380	5,551
Band fund raiser	70	113	179	4
Athletics	14,054	41,217	45,774	9,497
Cheerleaders	673	-	436	237
National honor society	248	651	486	413
Annual	<u>(3,986)</u>	<u>4,626</u>	<u>-</u>	<u>640</u>
Total	<u><u>26,326</u></u>	<u><u>60,356</u></u>	<u><u>62,492</u></u>	<u><u>24,190</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,249,341	1,105,798	1,259,856	949,151
Tuition	218,616	123,776	118,101	101,489
Other	289,341	297,077	294,508	246,466
State sources	796,971	810,196	670,788	912,566
Federal sources	95,300	95,938	143,684	88,448
Total revenues	<u>2,649,569</u>	<u>2,432,785</u>	<u>2,486,937</u>	<u>2,298,120</u>
Expenditures:				
Instruction:				
Regular instruction	829,274	786,815	858,050	927,145
Special instruction	240,054	397,659	383,182	367,049
Other instruction	379,200	151,583	218,328	205,970
Support services:				
Student services	29,672	28,335	26,968	46,668
Instructional staff services	65,783	48,981	49,023	57,133
Administration services	281,139	334,350	287,704	318,051
Operation and maintenance of plant services	187,099	137,744	152,718	147,409
Transportation services	111,564	50,915	57,713	55,254
Non-instructional programs	-	2,300	552	-
Other expenditures:				
Facilities acquisition	217,578	37,802	54,735	178,478
Long-term debt:				
Principal	66,144	60,575	55,059	53,110
Interest and other charges	44,017	47,224	50,016	51,860
AEA flowthrough	66,545	66,447	67,403	73,798
Total expenditures	<u>2,518,069</u>	<u>2,150,730</u>	<u>2,261,451</u>	<u>2,481,925</u>

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
Whiting 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 Whiting 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 August 3, 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 Whiting 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 I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 06-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whiting 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 or other matters that are described in Part II of the accompanying Schedule of Findings.

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

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

August 3, 2006

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring procedures to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the support services function.

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

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

Conclusion: Response accepted.

06-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

06-II-C Travel Expenses: 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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Storm, Board Member	Employed by bank used by District	-

The Board member is an employee of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

06-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

06-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

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

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting (Continued):

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

06-II-I Certified Annual Report (CAR): The audit field work was completed prior to the CAR due date.

06-II-J Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.