

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT
WILLIAMSBURG, IOWA

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

JUNE 30, 2006

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WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Robert Marlin	President	2005
Mark Armstrong	Vice President	2005
James McMillin	Board Member	2006
Bob Lillis	Board Member	2007
Darren Spenler	Board Member	2007
<u>Board of Education</u>		
(After September 2005 Election)		
Mark Armstrong	President	2008
Tom Claypool	Vice President	2008
James McMillin	Board Member	2006
Bob Lillis	Board Member	2007
Darren Spenler	Board Member	2007
<u>School Officials</u>		
Dr. Randy L. Freeman	Superintendent	2007
Kathryn McMann	District Secretary	2006
Melinda Driscoll	District Treasurer	2006
Tom Buchanan	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Williamsburg 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 Williamsburg Community School District, 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 opinions on these basic financial statements based on our audit.

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

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 Williamsburg Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2006 on our consideration of Williamsburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of 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.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 46 through 47 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. However, 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 Williamsburg 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 (none of which are 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.

Oskaloosa, Iowa
September 8, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Williamsburg 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 \$7,908,889 in fiscal 2005 to \$8,702,741 in fiscal 2006, while General Fund expenditures increased from \$8,366,516 in fiscal 2005 to \$8,856,535 in fiscal 2006. The District's General Fund balance decreased from \$492,046 in fiscal 2005 to \$351,656 in fiscal 2006, a 28.5% decrease.
- The increase in General fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2006.
- A local options sales tax vote was approved and the district started receiving the revenue around the first of September, 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the district's operations in more detail than the district-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the district operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

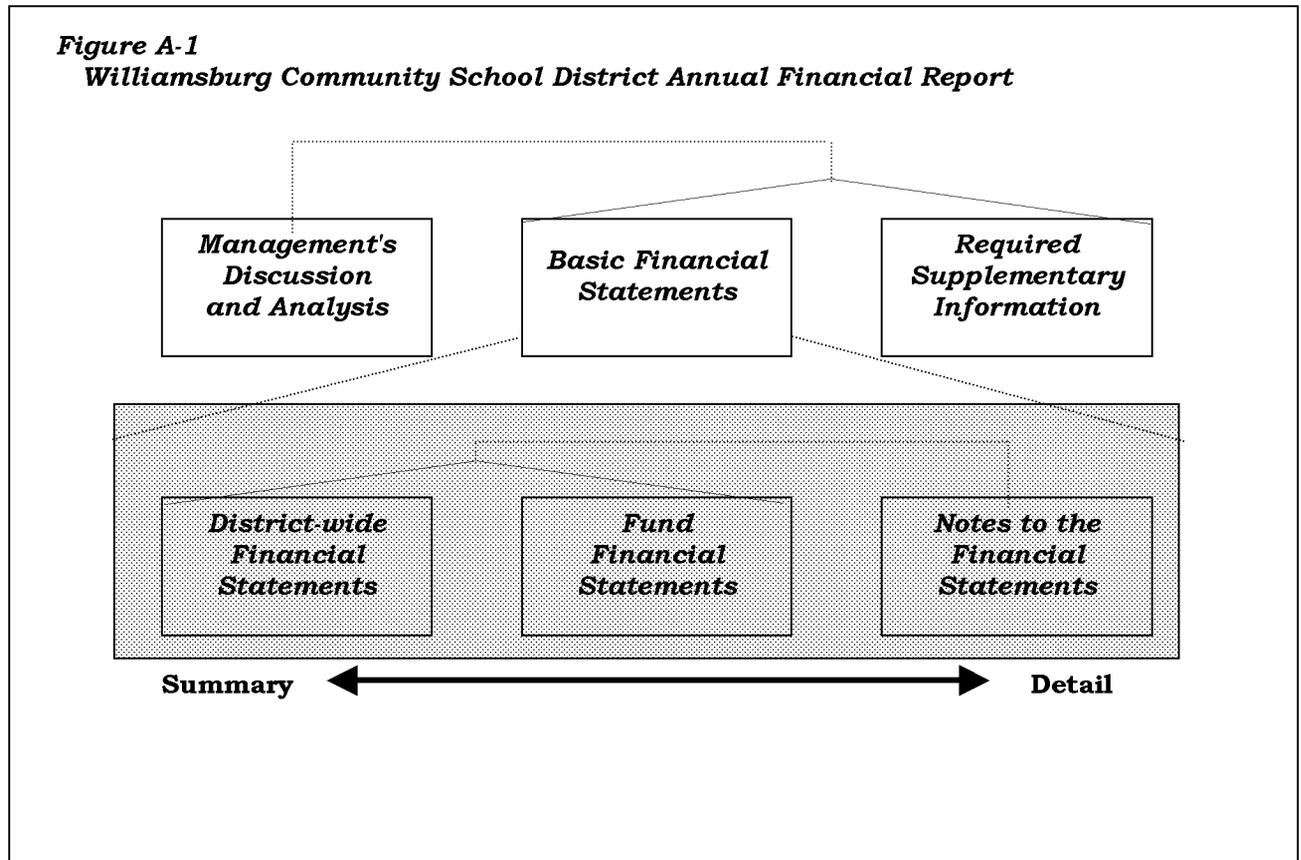


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service 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 and one Internal Service Fund, used to account for the District's flexible benefits plan.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>		<u>Total Change</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
	Current and other assets	\$ 6,136,096	\$5,512,458	\$ 58,726	\$ 98,120	\$ 6,194,822	
Capital assets	<u>9,278,802</u>	<u>9,543,231</u>	<u>140,771</u>	<u>162,051</u>	<u>9,419,573</u>	<u>9,705,282</u>	-3.03%
Total assets	<u>15,414,898</u>	<u>15,055,689</u>	<u>199,497</u>	<u>260,171</u>	<u>15,614,395</u>	<u>15,315,860</u>	1.95%
Long-term obligations	1,042,693	1,548,042	-	-	1,042,693	1,548,042	-32.64%
Other liabilities	<u>4,552,753</u>	<u>4,198,985</u>	<u>3,304</u>	-	<u>4,556,057</u>	<u>4,198,985</u>	8.50%
Total liabilities	<u>5,595,446</u>	<u>5,747,027</u>	<u>3,304</u>	-	<u>5,598,750</u>	<u>5,747,027</u>	-2.58%
Net assets							
Invested in capital assets, net of related debt	8,443,802	8,318,231	140,771	162,051	8,584,573	8,480,282	1.23%
Restricted	712,981	220,291	-	-	712,981	220,291	223.65%
Unrestricted	<u>662,669</u>	<u>770,140</u>	<u>55,422</u>	<u>98,120</u>	<u>718,091</u>	<u>868,260</u>	-17.30%
Total net assets	<u>\$ 9,819,452</u>	<u>\$9,308,662</u>	<u>\$ 196,193</u>	<u>\$ 260,171</u>	<u>\$ 10,015,645</u>	<u>\$ 9,568,833</u>	4.67%

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

	Change in Net Assets						
	Governmental		Business-type		Total School		Total
	Activities		Activities		District		
	2006	2005	2006	2005	2006	2005	Change
Revenues							
Program revenues							
Charges for service and sales	\$ 842,432	\$744,197	\$ 298,806	\$ 310,574	\$1,141,238	\$1,054,771	8.20%
Operating grants, contrib. and							
restricted int.	995,731	950,455	121,553	102,302	1,117,284	1,052,757	6.13%
Capital grants, contrib. and restricted							
int.		403,165		-	0	403,165	-
General revenues							
Property tax	3,483,896	3,136,844		-	3,483,896	3,136,844	11.06%
Income Surtax	439,589	331,400			439,589	331,400	32.65%
Local Options Sales and Services Tax	308,604				308,604		-
Unrestricted state grants	4,083,043	3,856,809		-	4,083,043	3,856,809	5.87%
Unrestricted investment earnings	102,887	44,993	693	767	103,580	45,760	126.35%
Other	<u>84,436</u>	<u>29,347</u>	<u>-</u>	<u>-</u>	<u>84,436</u>	<u>29,347</u>	187.72%
Total revenues	<u>10,340,618</u>	<u>9,497,210</u>	<u>421,052</u>	<u>413,643</u>	<u>10,761,670</u>	<u>9,910,853</u>	8.58%
Program expenses							
Governmental activities							
Instruction	6,271,134	6,090,358		-	6,271,134	\$6,090,358	2.97%
Support services	2,806,131	2,544,728	7,989	-	2,814,120	\$2,544,728	10.58%
Non-instructional programs	4,144	35,526	477,041	425,224	481,185	\$ 460,750	4.40%
Other expenses	<u>748,419</u>	<u>721,950</u>	<u>-</u>	<u>-</u>	<u>748,419</u>	<u>721,950</u>	3.67%
Total expenses	<u>9,829,828</u>	<u>9,392,562</u>	<u>485,030</u>	<u>425,224</u>	<u>10,314,858</u>	<u>9,817,786</u>	5.06%
Change in net assets	<u>\$ 510,790</u>	<u>\$104,648</u>	<u>\$ (63,978)</u>	<u>\$ (11,581)</u>	<u>\$ 446,812</u>	<u>\$ 93,067</u>	N/A

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,340,618 and expenses were \$9,829,828.

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

	<u>Total and Net Cost of Governmental Activities</u>	
	<u>Total Cost</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>of Services</u>
Instruction	\$ 6,271,134	\$ 4,921,432
Support services	2,806,131	2,657,099
Non-instructional programs	4,144	4,144
Other expenses	<u>748,419</u>	<u>408,990</u>
 Total expenses	 <u>\$ 9,829,828</u>	 <u>\$ 7,991,665</u>

- The cost financed by users of the District’s programs was \$842,432.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$995,731.
-

The net cost of governmental activities was financed with \$3,483,896 in property, \$4,083,043 in State Foundation Aid, \$439,589 in income surtax, \$102,887 in unrestricted interest, \$308,464 in local option sales and services tax, and \$84,436 in other general revenue.

Business Type Activities

Revenues for business type activities were \$421,052 and expenses were \$485,030. 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.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the Williamsburg 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 \$1,184,614.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. A decrease in the budgeted income surtax and the unexpected decrease in property tax contributed to the decrease in revenues. The increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$492,046 to \$351,656, due in part to the negotiated salary and benefits settlement, the prior year reduction in property and existing expenditure commitments of the District.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$260,171 at June 30, 2005 to \$196,193 at June 30, 2006, representing a decrease of \$63,978. For fiscal 2006, the District did not increase meal prices, resulting in the decreasing net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Williamsburg Community School District exceeded its annual budget in the support services functional area due to new account coding changes.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2006, the District had invested \$9,419,573, 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) More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

The balance of the District's capital assets at June 30, 2006 was \$9,419,573 net of the accumulated depreciation. Governmental funds account for \$9,278,802 with the remaining \$140,771 accounted for in the Enterprise, School Nutrition Fund.

Figure A-6

	Capital Assets, Net of Depreciation					
	Governmental		Business-type		Total	
	Activities		Activities		School District	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 255,800	\$ 255,800			\$ 255,800	\$ 255,800
Buildings and improvements	8,700,666	8,958,041		-	8,700,666	8,958,041
Furniture and equipment	<u>322,336</u>	<u>329,390</u>	<u>140,771</u>	<u>162,051</u>	<u>463,107</u>	<u>491,441</u>
Totals	<u>\$9,278,802</u>	<u>\$9,543,231</u>	<u>\$ 140,771</u>	<u>\$ 162,051</u>	<u>\$ 9,419,573</u>	<u>\$ 9,705,282</u>

Long-Term Debt

At June 30, 2006, the District had \$835,000 in general obligation bonds, \$90,852 for an asbestos loan and \$116,841 in early retirement benefits long-term liabilities outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

	<u>Outstanding Long-term Obligations</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
General			
Obligation	\$ 835,000	\$ 1,225,000	\$ (390,000)
Asbestos	90,852	111,041	(20,189)
Early retirement	<u>116,841</u>	<u>212,001</u>	<u>(95,160)</u>
Total	<u>\$ 1,042,693</u>	<u>\$ 1,548,042</u>	<u>\$ (505,349)</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- Open enrollment-out expenditures should be at approximately the same level for the fiscal 2007 as the previous year.
- The district enrollment decreased by .8 students in the 2006-07 school year.
- The local options sales tax will continue to be collected during the 2006-07 year and will be used to reduce property tax askings and for future projects.

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 Kathryn McMann, District Secretary and Business Manager, Williamsburg Community School District, 810 West Walnut, Williamsburg, IA 52361.

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Basic Financial Statements

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 951,042	\$ 44,555	\$ 995,597
Receivables:			
Property tax:			
Current year	64,702	-	64,702
Succeeding year	2,777,000	-	2,777,000
Income surtax	401,865	-	401,865
Accounts	344	-	344
Due from other governments	222,977	-	222,977
Inventories	-	14,171	14,171
Restricted ISCAP assets (note 4):			
Investments	1,702,359	-	1,702,359
Accrued interest receivable	15,807	-	15,807
Capital assets, net of accumulated depreciation (note 5)	9,278,802	140,771	9,419,573
Total assets	15,414,898	199,497	15,614,395
Liabilities			
Accounts payable	32,186	-	32,186
Salaries and benefits payable	12,709	-	12,709
Accrued interest payable	3,136	-	3,136
ISCAP warrants payable (note 4)	1,701,000	-	1,701,000
ISCAP accrued interest payable (note 4)	14,819	-	14,819
ISCAP unamortized premium (note 4)	11,903	-	11,903
Deferred revenue:			
Succeeding year property tax	2,777,000	-	2,777,000
Other	-	3,304	3,304
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	41,838	-	41,838
Bonds payable	410,000	-	410,000
Asbestos loan payable	20,189	-	20,189
Portion due after one year:			
Early retirement	75,003	-	75,003
Bonds payable	425,000	-	425,000
Asbestos loan payable	70,663	-	70,663
Total liabilities	5,595,446	3,304	5,598,750

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 8,443,802	\$ 140,771	\$ 8,584,573
Restricted for:			
Management levy	143,516		143,516
Physical plant and equipment levy	93,246	-	93,246
Other special revenue purposes	125,719	-	125,719
Debt service	39,946	-	39,946
Capital projects	310,554	-	310,554
Unrestricted	<u>662,669</u>	<u>55,422</u>	<u>718,091</u>
Total net assets	<u>\$ 9,819,452</u>	<u>\$ 196,193</u>	<u>\$ 10,015,645</u>

See notes to financial statements.

WILLIAMSBURG 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
Governmental Activities:			
Instruction	\$ 6,271,134	\$ 833,842	\$ 515,860
Support services:			
Student services	238,184	-	27,028
Instructional staff services	273,013	-	49,055
Administration services	730,776	-	-
Operation and maintenance of plant services	1,007,554	8,590	-
Transportation services	556,604	-	64,359
	<u>2,806,131</u>	<u>8,590</u>	<u>140,442</u>
Non-instructional programs	<u>4,144</u>	-	-
Other expenditures:			
Facilities acquisition	102,107	-	-
Long-term debt interest and fiscal charges	49,508	-	-
AEA flowthrough	339,429	-	339,429
Depreciation (unallocated) *	257,375	-	-
	<u>748,419</u>	<u>-</u>	<u>339,429</u>
Total governmental activities	<u>9,829,828</u>	<u>842,432</u>	<u>995,731</u>
Business-Type Activities:			
Support services:			
Food service operations	<u>7,989</u>	-	-
Non-instructional programs:			
Food service operations	<u>477,041</u>	<u>298,806</u>	<u>121,553</u>
Total business-type activities	<u>485,030</u>	<u>298,806</u>	<u>121,553</u>
Total	<u>\$ 10,314,858</u>	<u>\$ 1,141,238</u>	<u>\$ 1,117,284</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,921,432)	\$ -	\$ (4,921,432)
(211,156)	-	(211,156)
(223,958)	-	(223,958)
(730,776)	-	(730,776)
(998,964)	-	(998,964)
(492,245)	-	(492,245)
(2,657,099)	-	(2,657,099)
(4,144)	-	(4,144)
(102,107)	-	(102,107)
(49,508)	-	(49,508)
-	-	-
(257,375)	-	(257,375)
(408,990)	-	(408,990)
(7,991,665)	-	(7,991,665)
-	(7,989)	(7,989)
-	(56,682)	(56,682)
-	(64,671)	(64,671)
(7,991,665)	(64,671)	(8,056,336)

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs

General Revenues:

Property tax 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

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
\$	2,945,947	\$ -	\$	2,945,947
	440,377	-		440,377
	97,572	-		97,572
	439,589	-		439,589
	308,604	-		308,604
	4,083,043	-		4,083,043
	102,887	693		103,580
	84,436	-		84,436
	<hr/> 8,502,455	693		<hr/> 8,503,148
	510,790	(63,978)		446,812
	<hr/> 9,308,662	260,171		<hr/> 9,568,833
\$	<u>9,819,452</u>	<u>\$ 196,193</u>	\$	<u>10,015,645</u>

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 242,187	\$ 708,855	\$ 951,042
Receivables:			
Property tax:			
Current year	51,388	13,314	64,702
Succeeding year	2,476,000	301,000	2,777,000
Income surtax	401,865	-	401,865
Accounts	344	-	344
Due from other governments	112,188	110,789	222,977
Restricted ISCAP assets (note 4):			
Investments	1,702,359	-	1,702,359
Accrued interest receivable	15,807	-	15,807
	<u>\$ 5,002,138</u>	<u>\$ 1,133,958</u>	<u>\$ 6,136,096</u>
Total assets			
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 32,186	\$ -	\$ 32,186
Salaries and benefits payable	12,709	-	12,709
ISCAP warrants payable (note 4)	1,701,000	-	1,701,000
ISCAP accrued interest payable (note 4)	14,819	-	14,819
ISCAP unamortized premium (note 4)	11,903	-	11,903
Deferred revenue:			
Succeeding year property tax	2,476,000	301,000	2,777,000
Other	401,865	-	401,865
Total liabilities	<u>4,650,482</u>	<u>301,000</u>	<u>4,951,482</u>
Fund balance:			
Reserved for:			
Debt service	-	43,082	43,082
Unreserved:			
Reported in nonmajor Special Revenue Funds	-	479,322	479,322
Undesignated	351,656	310,554	662,210
Total fund balances	<u>351,656</u>	<u>832,958</u>	<u>1,184,614</u>
	<u>\$ 5,002,138</u>	<u>\$ 1,133,958</u>	<u>\$ 6,136,096</u>
Total liabilities and fund balances	<u>\$ 5,002,138</u>	<u>\$ 1,133,958</u>	<u>\$ 6,136,096</u>

See notes to financial statements.

WILLIAMSBURG 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	\$ 1,184,614
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.	9,278,802
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	401,865
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.	(3,136)
Long-term liabilities, including bonds payable, loans payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,042,693)</u>
Net assets of governmental activities	<u>\$ 9,819,452</u>

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 3,149,253	\$ 1,093,828	\$ 4,243,081
Tuition	320,718	-	320,718
Other	149,276	523,150	672,426
State sources	4,884,005	443	4,884,448
Federal sources	199,489	-	199,489
Total revenues	<u>8,702,741</u>	<u>1,617,421</u>	<u>10,320,162</u>
Expenditures:			
Current:			
Instruction	<u>5,717,252</u>	<u>562,432</u>	<u>6,279,684</u>
Support services:			
Student services	238,184	-	238,184
Instructional staff services	273,013	-	273,013
Administration services	806,944	-	806,944
Operation and maintenance of plant services	954,963	65,817	1,020,780
Transportation services	522,606	16,242	538,848
	<u>2,795,710</u>	<u>82,059</u>	<u>2,877,769</u>
Non-instructional programs	<u>4,144</u>	<u>-</u>	<u>4,144</u>
Other expenditures:			
Facilities acquisition	-	110,025	110,025
Long term debt:			
Principal	-	410,189	410,189
Interest and fiscal charges	-	50,535	50,535
AEA flowthrough	339,429	-	339,429
	<u>339,429</u>	<u>570,749</u>	<u>910,178</u>
Total expenditures	<u>8,856,535</u>	<u>1,215,240</u>	<u>10,071,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(153,794)</u>	<u>402,181</u>	<u>248,387</u>

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Compensation for loss of capital assets	\$ 33,593	\$ -	\$ 33,593
Interfund transfers in (note 3)	-	20,189	20,189
Interfund transfers out (note 3)	(20,189)	-	(20,189)
Total other financing sources (uses)	13,404	20,189	33,593
Net change in fund balances	(140,390)	422,370	281,980
Fund balances beginning of year	492,046	410,588	902,634
Fund balances end of year	\$ 351,656	\$ 832,958	\$ 1,184,614

See notes to financial statements.

WILLIAMSBURG 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 \$ 281,980

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 116,344	
Depreciation expense	<u>(380,773)</u>	(264,429)

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. (13,137)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 410,189

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,027

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 governmental funds. 95,160

Change in net assets of governmental activities \$ 510,790

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 44,555
Inventories	14,171
Capital assets, net of accumulated depreciation	<u>140,771</u>
Total assets	<u>199,497</u>
Liabilities	
Deferred revenue:	
Other	<u>3,304</u>
Net Assets	
Invested in capital assets	140,771
Unrestricted	<u>55,422</u>
Total net assets	<u>\$ 196,193</u>

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>298,806</u>
Operating expenses:	
Support services:	
Food service operations:	
Purchased services	<u>7,989</u>
Non-instructional programs:	
Food service operations:	
Salaries	185,481
Benefits	43,435
Purchased services	64
Supplies	225,061
Depreciation	<u>23,000</u>
	<u>477,041</u>
Total expenses	<u>485,030</u>
Operating loss	<u>(186,224)</u>
Non-operating revenues:	
Interest on investments	693
State sources	5,599
Federal sources	<u>115,954</u>
Total non-operating revenues	<u>122,246</u>
Change in net assets	(63,978)
Net assets beginning of year	<u>260,171</u>
Net assets end of year	\$ <u><u>196,193</u></u>

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 299,361
Cash received from miscellaneous operating activities	2,749
Cash payments to employees for services	(228,916)
Cash payments to suppliers for goods or services	<u>(205,461)</u>
Net cash used by operating activities	<u>(132,267)</u>
Cash flows from non-capital financing activities:	
State grants received	5,599
Federal grants received	<u>90,856</u>
Net cash provided by non-capital financing activities	<u>96,455</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,720)</u>
Cash flows from investing activities:	
Interest on investments	<u>693</u>
Net decrease in cash and cash equivalents	(36,839)
Cash and cash equivalents beginning of year	<u>81,394</u>
Cash and cash equivalents end of year	\$ <u><u>44,555</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (186,224)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	23,000
Commodities used	25,098
Decrease in inventories	2,555
Increase in deferred revenues	<u>3,304</u>
Net cash used by operating activities	\$ <u><u>(132,267)</u></u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2006, the District received \$25,098 of federal commodities.	

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

Williamsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten.

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 City of Williamsburg, Iowa, and agricultural territory in Iowa 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, Williamsburg 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. Williamsburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but 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 Iowa County Assessor's Conference Board.

B. Basis of Presentation

District-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 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.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

The District reports the following nonmajor proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the 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.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply 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 statement of net assets and 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.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes 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 contributed value for 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 District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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, the succeeding year 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 and unearned meal revenues.

Compensated Absences – The District’s policy is not to reimburse employees for unused vacation. Vacation can only be used by the employee in the year it is earned. The District had no compensated absences liability at June 30, 2006.

Long-term Liabilities – In the District-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.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Fund Balances – 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.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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 Control

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

Note 2. Cash and Pooled Investments

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

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

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

	Amortized Cost
Diversified Portfolio	\$ <u>35,723</u>

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

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 2. Cash and Pooled Investments (continued)

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ <u>20,189</u>

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

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. 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:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2005-06B	1/26/2006	1/26/2007	\$ 765,663	\$ 15,516	\$ 763,000	\$ 14,783	\$ 4,765
2006-07A	6/28/2006	6/28/2007	936,696	291	938,000	36	7,138
Total			\$ <u>1,702,359</u>	\$ <u>15,807</u>	\$ <u>1,701,000</u>	\$ <u>14,819</u>	\$ <u>11,903</u>

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

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:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2005-06A	\$ -	\$ 180,000	\$ 180,000	\$ -

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

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

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 255,800	\$ -	\$ -	\$ 255,800
Capital assets being depreciated:				
Buildings	11,839,191	-	-	11,839,191
Improvements other than buildings	662,598	-	-	662,598
Furniture and equipment	1,194,561	116,344	75,389	1,235,516
Total capital assets being depreciated	<u>13,696,350</u>	<u>116,344</u>	<u>75,389</u>	<u>13,737,305</u>
Less accumulated depreciation for:				
Buildings	3,221,065	227,248	-	3,448,313
Improvements other than buildings	322,683	30,127	-	352,810
Furniture and equipment	865,171	123,398	75,389	913,180
Total accumulated depreciation	<u>4,408,919</u>	<u>380,773</u>	<u>75,389</u>	<u>4,714,303</u>
Total capital assets being depreciated, net	<u>9,287,431</u>	<u>(264,429)</u>	<u>-</u>	<u>9,023,002</u>
Governmental activities capital assets, net	<u>\$ 9,543,231</u>	<u>\$ (264,429)</u>	<u>\$ -</u>	<u>\$ 9,278,802</u>

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 279,796	\$ 1,720	\$ -	\$ 281,516
Less accumulated depreciation	117,745	23,000	-	140,745
Business-type activities capital assets, net	<u>\$ 162,051</u>	<u>\$ (21,280)</u>	<u>\$ -</u>	<u>\$ 140,771</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

 Instruction:

 Regular

\$ 10,442

 Support services:

 Operation and maintenance of plant services

4,905

 Transportation

108,051

123,398

Unallocated depreciation

257,375

Total governmental activities depreciation expense

\$ 380,773

Business-type activities:

 Food service operations

\$ 23,000

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities

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

	Early Retirement	General Obligation Bonds	Asbestos Loan	Total
Balance beginning of year	\$ 212,001	\$ 1,225,000	\$ 111,041	\$ 1,548,042
Additions	970	-	-	970
Reductions	96,130	390,000	20,189	506,319
Balance end of year	<u>\$ 116,841</u>	<u>\$ 835,000</u>	<u>\$ 90,852</u>	<u>\$ 1,042,693</u>
Due within one year	<u>\$ 41,838</u>	<u>\$ 410,000</u>	<u>\$ 20,189</u>	<u>\$ 472,027</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees and administrators. 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 equal to a percentage of the difference between the B.A. Step O and the employee's position on the salary scale as of the last contract year, based on age at retirement. Eligible employees will also receive paid single health and major medical insurance coverage until the employee reaches age 65 or becomes eligible for Medicare coverage. Early retirement benefits paid during the year ended June 30, 2006, totaled \$57,175. The District also had a gain on settlement of early retirement liability of \$38,955 due to a retiree becoming ineligible for future benefits. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

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

Year Ending June 30,	Issue dated March 1, 2003		Issue dated June 1, 2000		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 280,000	\$ 6,160	\$ 130,000	\$ 31,470	\$ 410,000	\$ 37,630
2008	-	-	135,000	23,670	135,000	23,670
2009	-	-	140,000	16,246	140,000	16,246
2010	-	-	150,000	8,476	150,000	8,476
	<u>\$ 280,000</u>	<u>\$ 6,160</u>	<u>\$ 555,000</u>	<u>\$ 79,862</u>	<u>\$ 835,000</u>	<u>\$ 86,022</u>

During the year ended June 30, 2006, the District retired \$390,000 in general obligation bonds.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Asbestos Loan Program Grant

During the year ended June 30, 1991 the District entered into a loan agreement with the Environment Protection Agency to finance the removal of asbestos from the Junior-Senior High School. The agreement included a grant of \$2,274 and an interest free loan of \$363,405. The loan is to be paid in 36 equal biannual installments of \$10,094. The final date of the loan is May 30, 2011. Details of the District's asbestos management loan are as follows:

Year Ending June 30,	Payment
2007	\$ 20,189
2008	20,189
2009	20,189
2010	20,189
2011	10,096
	\$ 90,852

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, 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. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$317,616, \$299,230, and \$287,093 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Williamsburg Community School District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 8. Risk Management (continued)

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$988,306.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$339,429 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2006

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 5,236,225	\$ 299,499	\$ 5,535,724	\$ 4,991,873	\$ 543,851
Intermediate sources	-	-	-	65,000	(65,000)
State sources	4,884,448	5,599	4,890,047	4,840,266	49,781
Federal sources	199,489	115,954	315,443	293,000	22,443
Total revenues	10,320,162	421,052	10,741,214	10,190,139	551,075
EXPENDITURES/EXPENSES:					
Instruction	6,279,684	-	6,279,684	6,833,000	553,316
Support services	2,877,769	7,989	2,885,758	2,558,500	(327,258)
Non-instructional programs	4,144	477,041	481,185	566,000	84,815
Other expenditures	910,178	-	910,178	1,009,121	98,943
Total expenditures/expenses	10,071,775	485,030	10,556,805	10,966,621	409,816
Excess (deficiency) of revenues over (under) expenditures/ expenses	248,387	(63,978)	184,409	(776,482)	960,891
Other financing sources, net	33,593	-	33,593	-	33,593
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	281,980	(63,978)	218,002	(776,482)	994,484
Balance beginning of year	902,634	260,171	1,162,805	1,069,765	93,040
Balance end of year	\$ <u>1,184,614</u>	\$ <u>196,193</u>	\$ <u>1,380,807</u>	\$ <u>293,283</u>	\$ <u>1,087,524</u>

See accompanying independent auditor's report.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund 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 the accrual basis. Encumbrances are not recognized on the budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, no amendments were made to the budget.

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

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Other Supplementary Information

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	<u>Special Revenue</u>			
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>
Assets				
Cash and pooled investments	\$ 255,640	\$ 125,719	\$ 91,687	\$ 36,044
Receivables:				
Property tax:				
Current year	4,717	-	1,559	7,038
Succeeding year	214,000	-	87,000	-
Due from other governments	-	-	-	-
 Total assets	 <u>\$ 474,357</u>	 <u>\$ 125,719</u>	 <u>\$ 180,246</u>	 <u>\$ 43,082</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ <u>214,000</u>	\$ <u>-</u>	\$ <u>87,000</u>	\$ <u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	43,082
Unreserved:				
Undesignated	260,357	125,719	93,246	-
Total fund equity	<u>260,357</u>	<u>125,719</u>	<u>93,246</u>	<u>43,082</u>
 Total liabilities and fund equity	 <u>\$ 474,357</u>	 <u>\$ 125,719</u>	 <u>\$ 180,246</u>	 <u>\$ 43,082</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 199,765	\$ 708,855
-	13,314
-	301,000
<u>110,789</u>	<u>110,789</u>
<u>\$ 310,554</u>	<u>\$ 1,133,958</u>

\$ - \$ 301,000

-	43,082
<u>310,554</u>	<u>789,876</u>
<u>310,554</u>	<u>832,958</u>
<u>\$ 310,554</u>	<u>\$ 1,133,958</u>

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 247,562	\$ -	\$ 97,520	\$ 440,142
Other	7,898	504,937	7,658	707
State sources	156	-	52	235
Total revenues	<u>255,616</u>	<u>504,937</u>	<u>105,230</u>	<u>441,084</u>
Expenditures:				
Current:				
Instruction	99,334	463,098	-	-
Support services:				
Operation and maintenance of plant services	65,817	-	-	-
Transportation services	16,242	-	-	-
Other expenditures:				
Facilities acquisition	-	-	110,025	-
Long term debt:				
Principal	-	-	-	410,189
Interest and fiscal charges	-	-	-	50,535
Total expenditures	<u>181,393</u>	<u>463,098</u>	<u>110,025</u>	<u>460,724</u>
Excess (deficiency) of revenues over (under) expenditures	74,223	41,839	(4,795)	(19,640)
Other financing sources (uses):				
Interfund transfers in	-	-	-	20,189
Excess (deficiency) of revenues over (under) expenditures and other financing uses	74,223	41,839	(4,795)	549
Fund balances beginning of year	<u>186,134</u>	<u>83,880</u>	<u>98,041</u>	<u>42,533</u>
Fund balances end of year	<u>\$ 260,357</u>	<u>\$ 125,719</u>	<u>\$ 93,246</u>	<u>\$ 43,082</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 308,604	\$ 1,093,828
1,950	523,150
-	443
310,554	1,617,421
-	562,432
-	65,817
-	16,242
-	110,025
-	410,189
-	50,535
-	1,215,240
310,554	402,181
-	20,189
310,554	422,370
-	410,588
\$ 310,554	\$ 832,958

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
All Weather Track	\$ 352	\$ 5,577	\$ 3,479	\$ 2,450
Athletics	1,249	123,067	121,052	3,264
Art Club	177	242	230	189
Baseball Club/Goodwin	4,485	7,227	9,140	2,572
Basketball Cheerleaders	3,471	11,818	10,636	4,653
Boys Golf Club	355	3,648	2,091	1,912
Change Fund	(1,000)	14,280	13,280	-
Cheerleaders	9	5,030	4,943	96
Class of:				
2004	1,319	-	1,319	-
2005	(516)	516	-	-
2006	5,722	710	5,912	520
2007	16	16,924	11,584	5,356
2008	129	200	88	241
2009	-	200	33	167
2010	-	-	-	-
Country Club	315	1,211	990	536
Drama	1,498	6,921	5,990	2,429
Elementary Book Rental	-	25,224	25,224	-
Future Farmers of America	14,603	26,935	26,051	15,487
Future Homemakers of America	2,299	8,934	6,370	4,863
General Revenue	5,563	4,232	4,142	5,653
German Club	275	422	465	232
Grade School Activities	8,509	19,755	21,561	6,703
Honor Society	1,195	4,984	4,897	1,282
Interest	1,152	1,067	510	1,709
Jr. High Account	2,364	4,574	3,873	3,065
Jr. High Honor Society	100	1,490	1,292	298
Jr. High Student Council	1,559	909	283	2,185
Jr. High Volleyball Club	402	-	-	402
Jr./Sr. High Book Rental	-	32,854	32,854	-
Letter Winners	2,426	1,274	839	2,861
Library	2,200	1,800	73	3,927
Little Raiders Girls' Basketball	461	16,511	10,594	6,378
M & M Club	-	-	-	-
Math Club	1,038	-	-	1,038
Mikana	4,635	15,382	13,865	6,152
Music Organization	1,322	8,065	5,584	3,803
Music Trip	-	24,246	15,825	8,421
Musicals	2,761	-	953	1,808
Pom Pom Squad	126	5,199	3,993	1,332

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Raider Basketball Club	\$ 953	\$ 7,075	\$ 6,630	\$ 1,398
Raider Football Club	3,245	34,217	31,990	5,472
Raider Softball Club	534	14,295	7,617	7,212
Refreshment Stand	503	16,262	15,789	976
Science Club	43	-	-	43
Soccer Club	-	1,818	1,817	1
Spanish Club	229	4,391	4,238	382
Special Education Activities	2,391	1,286	518	3,159
Speech Club	256	749	854	151
Student Council	2,127	7,331	6,435	3,023
Swimming Account	456	6,094	5,654	896
Thirty Days of Fitness	228	-	156	72
Volleyball Club	2,171	9,057	10,278	950
Wrestling Club	173	934	1,107	-
 Total	 <u>\$ 83,880</u>	 <u>\$ 504,937</u>	 <u>\$ 463,098</u>	 <u>\$ 125,719</u>

See accompanying independent auditor's report.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 4,243,081	\$ 3,458,255	\$ 3,597,722	\$ 3,742,959
Tuition	320,718	278,454	280,034	281,506
Other	672,426	563,645	404,784	1,254,200
Intermediate sources	-	-	51,710	59,339
State sources	4,884,448	4,583,508	4,220,517	4,230,375
Federal sources	199,489	247,543	161,709	181,268
Total revenues	\$ 10,320,162	\$ 9,131,405	\$ 8,716,476	\$ 9,749,647
Expenditures:				
Instruction	\$ 6,279,684	\$ 6,136,796	\$ 5,886,804	\$ 5,742,210
Support services:				
Student services	238,184	187,036	177,231	187,221
Instructional staff services	273,013	266,860	218,051	209,821
Administration services	806,944	724,704	624,215	627,898
Operation and maintenance of plant services	1,020,780	922,571	830,320	817,024
Transportation services	538,848	403,397	431,666	338,396
Central and other support services	-	-	40,406	-
Non-instructional programs	4,144	35,526	33,675	29,971
Other expenditures:				
Facilities acquisition	110,025	331,275	184,478	768,503
Long-term debt:				
Principal	410,189	405,189	390,189	360,189
Interest and fiscal charges	50,535	61,595	76,156	139,091
AEA flowthrough	339,429	326,127	318,408	334,046
Total expenditures	\$ 10,071,775	\$ 9,801,076	\$ 9,211,599	\$ 9,554,370

See accompanying independent auditor's report.

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
Williamsburg 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 Williamsburg Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 8, 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 Williamsburg 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 I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Williamsburg 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, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Williamsburg Community School 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 Williamsburg Community School District and other parties to whom Williamsburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Williamsburg 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.

Oskaloosa, Iowa
September 8, 2006

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-06 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. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. 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 operating procedures to improve in the areas needing further segregation of duties.

Conclusion – Response accepted.

I-B-06 Disbursement Support – We noted in one disbursement out of 40 tested that a reimbursement for travel expenses was made based on a credit card statement only.

Recommendation – The District should require full detail support documentation before reimbursing employee expenses to insure that all disbursements meet the purpose of a public expenditure.

Response – This was an oversight for this disbursement. We are educating all employees on the requirement for detail documentation for all future reimbursements.

Conclusion – Response accepted.

I-C-06 Disbursement Approval – We noted that the Board did not approve four disbursements out of 40 tested. These were for disbursements made between normal check runs.

Recommendation – Not reviewing and approving all disbursements weakens the control that the Board has over disbursements.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12, 1979, “no claim can be paid until the Board has taken final action on the claim. Logically, no final action can be taken on the claim until all of the specifics of the claim have been examined and verified.” Therefore, the District should develop procedures that allow the board to review and approve all disbursements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-C-06 Disbursement Approval (continued)

Response – We will review and implement this recommendation.

Conclusion – Response accepted.

I-D-06 Check Written and Held – We noted that the District had written a check in May, 2006 for the purchase of a bus. However, the bus was not received and the check was not cashed until August, 2006. This practice does not allow the District to properly match expenditures with goods or services received in the proper fiscal year.

Recommendation – This District should avoid all instances where a check is written and held in anticipation of the receipt of future goods or services to properly match the expenditure with the period benefited.

Response – A late problem in the manufacture of the bus arose in this instance, delaying delivery of the bus. We will avoid this type of situation in the future by not writing the check until we actually receive the goods or services.

Conclusion – Response accepted.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

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

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

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

II-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

II-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.

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

II-F-06 Board Minutes – Except as noted in item I-C-06, no transactions requiring Board approval which had not been approved by the Board were noted.

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

II-H-06 Deposits and Investments – 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 were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-06 Additional Compensation – The method of payment to bus drivers for a flat-dollar allowance for electricity for motor heaters on buses plugged in at the employee’s home does not allow for the withholding of any taxes.

Recommendation – The District should ensure that all flat-dollar allowance payments to employees be treated as additional compensation and, accordingly, withhold the appropriate taxes as required by the Internal Revenue Service and the Iowa Department of Revenue and Finance.

Response – We will investigate this and correct this situation, if necessary, in the future.

Conclusion – Response accepted.