

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

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CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2006 Election)		
Debra Griebel	Board President	2006
Jan Muhl	Board Member	2006
Nancy Kelting	Board Member	2007
Kimberly Kay	Board Member	2007
Todd Rohling	Board Member	2008
Dean Boussetot	Board Member	2008
Bret Dosland	Board Member	2008
(After September 2006 Election)		
Todd Rohling	Board President	2008
Nancy Kelting	Board Member	2007
Kimberly Kay	Board Member	2007
Dean Boussetot	Board Member	2008
Bret Dosland	Board Member	2008
Jan Muhl	Board Member	2009
Shelley Weiss	Board Member	2009
<b>School Officials</b>		
Charles Freese	Superintendent	2007
Marika Pewe	District Secretary/Treasurer	Indefinite
Lane & Waterman	Attorney	Indefinite

# KAY L. CHAPMAN, CPA PC

210 Cedar Street  
Muscatine, Iowa 52761  
563-264-1385

## Independent Auditor's Report

To the Board of Education  
Calamus Wheatland Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Calamus Wheatland Community School District, Wheatland, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 Calamus Wheatland Community School District as of June 30, 2007, 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, I have also issued my report dated December 11, 2007 on my consideration of Calamus Wheatland Community School District's internal control over financial reporting and my 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 my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calamus Wheatland Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 3, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I 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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2007, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic and general purpose financial statements from which it has been derived.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
December 11, 2007

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Calamus Wheatland 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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,092,496 in fiscal 2006 to \$4,311,567 in fiscal 2007, while General Fund expenditures increased from \$4,035,000 in fiscal 2006 to \$4,273,341 in fiscal 2007. The District's General Fund balance increased from \$643,656 in fiscal 2006 to \$685,428 in fiscal 2007, a 6% increase.
- The main reason for the increase in revenue was in property tax, state foundation aid, and teacher quality programs. Property tax revenue increased from \$1,301,785 in FY06 to \$1,412,446 in FY07 or 9%. State foundation aid revenue increased from \$1,919,317 in FY06 to \$1,953,411 in FY07 or 2% primarily through the funding formula. Teacher quality program revenue increased from \$78,109 in FY06 to \$118,041 in FY07 or 51%.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

### **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 Calamus Wheatland 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 Calamus Wheatland 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 Calamus Wheatland Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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 Governmental Funds.

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

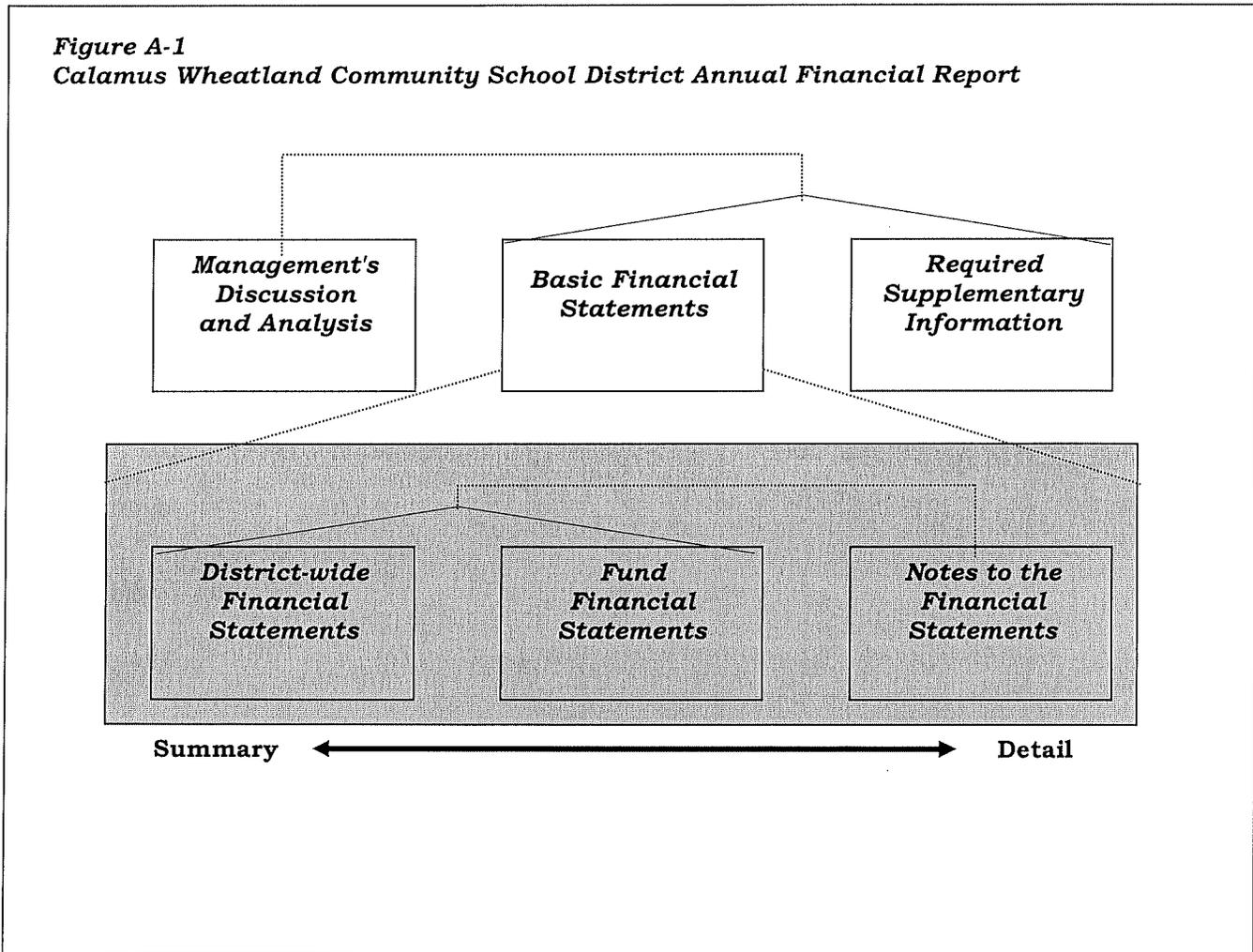


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

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

## 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 also account for the District's Internal Service Fund, which is an accounting device used to accumulate and allocate costs internally among the District's various functions. 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, Flex-benefit Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-Purpose Trust Fund.

- 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 includes 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-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

### Condensed Statement of Net Assets

	Governmental		Business type		Total		Total Change <u>2006-</u> <u>2007</u>
	Activities		Activities		School District		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
Current and other assets	\$ 3,598,719	\$ 3,275,454	\$ 35,228	\$ 29,258	\$ 3,633,947	\$ 3,304,712	9.96%
Capital assets	<u>6,367,071</u>	<u>6,476,052</u>	<u>22,642</u>	<u>28,484</u>	<u>6,389,713</u>	<u>6,504,536</u>	-1.77%
Total assets	<u>9,965,790</u>	<u>9,751,506</u>	<u>57,870</u>	<u>57,742</u>	<u>10,023,660</u>	<u>9,809,248</u>	2.19%
Long-term obligations	2,781,738	3,321,550	-	-	2,781,738	3,321,550	-16.25%
Other liabilities	<u>2,354,817</u>	<u>2,206,051</u>	<u>13,739</u>	<u>13,549</u>	<u>2,368,556</u>	<u>2,219,600</u>	6.71%
Total liabilities	<u>5,136,555</u>	<u>5,527,601</u>	<u>13,739</u>	<u>13,549</u>	<u>5,150,294</u>	<u>5,541,150</u>	-7.05%
Net assets							
Invested in capital assets, net of related debt	3,585,333	3,154,502	22,642	28,484	3,607,975	3,182,986	13.35%
Restricted	340,564	347,496	-	-	340,564	347,496	-1.99%
Unrestricted	<u>903,338</u>	<u>721,907</u>	<u>21,489</u>	<u>15,709</u>	<u>924,827</u>	<u>737,616</u>	25.38%
Total net assets	<u>\$ 4,829,235</u>	<u>\$ 4,223,905</u>	<u>\$ 44,131</u>	<u>\$ 44,193</u>	<u>\$ 4,873,366</u>	<u>\$ 4,268,098</u>	14.18%

The District's combined net assets increased by approximately 14%, or \$605,268 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 \$6,932, or approximately 2% from the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund and the Capital Projects Fund.

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 \$187,211, or approximately 25%. This increase in unrestricted net assets was due to the increase in property taxes and local option taxes exceeding the increase in expenses.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4  
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues							
Program revenues							
Charges for service and sales	\$ 558,328	\$ 554,773	\$ 125,793	\$ 124,591	\$ 684,121	\$ 679,364	0.70%
Operating grants	553,305	495,832	107,389	106,722	660,694	602,554	9.65%
General revenues							
Property tax	2,035,677	1,785,832	-	-	2,035,677	1,785,832	13.99%
Local option sales and service tax	393,906	332,054	-	-	393,906	332,054	18.63%
Unrestricted state grants	1,965,618	1,932,969	-	-	1,965,618	1,932,969	1.69%
Unrestricted investment earnings	43,583	27,785	142	111	43,725	27,896	56.74%
Contributions and donations	15,032	1,263	-	-	15,032	1,263	1090.18%
Other	10,453	45,917	-	-	10,453	45,917	-77.24%
Gain on disposal of materials	-	3,803	-	-	-	3,803	-100.00%
Total revenues	<u>5,575,902</u>	<u>5,180,228</u>	<u>233,324</u>	<u>231,424</u>	<u>5,809,226</u>	<u>5,411,652</u>	7.35%
Program expenses							
Governmental activities							
Instruction	3,002,179	2,851,905	-	-	3,002,179	2,851,905	5.27%
Support services	1,350,915	1,303,905	-	-	1,350,915	1,303,905	3.61%
Non-instructional programs	116,585	84,476	233,386	225,717	349,971	310,193	12.82%
Other expenses	<u>500,893</u>	<u>511,563</u>	<u>-</u>	<u>-</u>	<u>500,893</u>	<u>511,563</u>	-2.09%
Total expenses	<u>4,970,572</u>	<u>4,751,849</u>	<u>233,386</u>	<u>225,717</u>	<u>5,203,958</u>	<u>4,977,566</u>	4.55%
Increase in net assets	<u>\$ 605,330</u>	<u>\$ 428,379</u>	<u>\$ (62)</u>	<u>\$ 5,707</u>	<u>\$ 605,268</u>	<u>\$ 434,086</u>	39.44%

In fiscal 2007, property and sales tax and unrestricted state grants account for 78% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$5,809,226 of which \$5,575,902 was for governmental activities and \$233,324 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.35% increase in revenues and a 4.55% increase in expenses. Property tax increased \$249,845 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

### Governmental Activities

Revenues for governmental activities were \$5,575,902 and expenses were \$4,970,572. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$ 3,002,179	\$ 2,851,905	5.3%	\$ 2,064,587	\$ 2,010,356	2.7%
Support services	1,350,915	1,303,905	3.6%	1,343,023	1,249,224	7.5%
Non-instructional programs	116,585	84,476	38.0%	116,585	84,476	38.0%
Other expenses	<u>500,893</u>	<u>511,563</u>	<u>-2.1%</u>	<u>334,744</u>	<u>357,188</u>	<u>-6.3%</u>
Total expenses	<u>\$ 4,970,572</u>	<u>\$ 4,751,849</u>	<u>4.6%</u>	<u>\$ 3,858,939</u>	<u>\$ 3,701,244</u>	<u>4.3%</u>

- The cost financed by users of the District's programs was \$558,328.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$553,305.
- The net cost of governmental activities was financed with \$2,035,677 in property taxes and \$1,965,618 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$233,324, representing a .8% increase over the prior year and expenses were \$233,386, a 3% increase over the prior year. 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, 2007, the District did increase meal prices by \$.05. The District considers meal price increases only when deemed necessary to meet the obligations of the School Nutrition Fund.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Calamus Wheatland 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 \$989,776, above last year's ending fund balances of \$949,498. The primary reason for the increase in combined fund balances in fiscal 2007 is due to increased revenue from open enrollment, property tax and state aid.

### **Governmental Fund Highlights**

- The District's growth of the General Fund financial position is the product of several factors. Growth during the year in revenue, as a whole, more than offset the District's increase in General Fund expenditures allowing the District to grow carryover fund balances to meet its financial obligations during the coming years.
- The General Fund balance increased from \$643,656 to \$685,428, due in part to the negotiated salary and benefits settlement being more than offset by an increase in state aid, property tax and open enrollment revenue.
- The Debt Service Fund balance increased slightly from \$(36,786) in 2006 to \$(36,216) in 2007. The increase is a result of fees from when construction and remodeling building project bonds were refinanced in 2001. The revenues will even the deficit over the life of the bonds.
- The Capital Projects Fund balance decreased \$37,842 from the fiscal 2006 balance of \$304,630 to the fiscal 2007 balance of \$266,788. The decrease was due to the transfer of funds to the Debt Service Fund for repayment of principal and interest on debt.

### **Proprietary Fund Highlights**

Enterprise Fund net assets decreased from \$44,193 at June 30, 2006 to \$44,131 at June 30, 2007, representing a decrease of less than 1%. The District reviews this fund annually and makes adjustments to the lunch fees as necessary.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Calamus Wheatland Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with computer purchases, increased utility costs, year-end adjustments, and the Activity Center building interest and principal payments that that were not known at the time the budget was certified.

The District's revenues were \$102,536 more than budgeted revenues, a variance of approximately 1%.

Total expenditures were \$45,063 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at a reasonably higher amount but less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the depreciation expense within the School Nutrition Fund not being accounted for when the budget amendment was prepared.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$6,389,713, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$251,519.

The original cost of the District's capital assets was \$10,434,686. Governmental funds account for \$10,344,884, with the remainder of \$89,802 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$334,193 at June 30, 2007 compared to \$244,002 at June 30, 2006. The change resulted from land improvements made during the year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 260,444	\$ 260,444	\$ -	\$ -	\$ 260,444	\$ 260,444	0.00%
Buildings and improvements	5,564,250	5,707,838	-	-	5,564,250	5,707,838	-2.52%
Improvements, other than buildings	334,193	244,002	22,642	28,484	356,835	272,486	30.96%
Furniture and equipment	<u>208,184</u>	<u>263,768</u>	-	-	<u>208,184</u>	<u>263,768</u>	-21.07%
Totals	<u>\$6,367,071</u>	<u>\$6,476,052</u>	<u>\$22,642</u>	<u>\$28,484</u>	<u>\$6,389,713</u>	<u>\$6,504,536</u>	-1.77%

## Long-Term Debt

At June 30, 2007, the District had \$2,781,738 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 16% from last year. (See Figure A-7) This decrease was due to \$1,036,550 of revenue bonds maturing and \$760,000 of new revenue bonds being issued. The new revenue bonds were issued to help fund school infrastructure costs. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
General obligation bonds	\$2,035,000	\$2,285,000	-10.94%
Revenue anticipation notes	<u>746,738</u>	<u>1,036,550</u>	-27.96%
Totals	<u>\$2,781,738</u>	<u>\$3,321,550</u>	-16.25%

## 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:

- Although the District has experienced stable enrollment for the past few years, the District expects a slight increase in enrollment due to smaller graduating classes and then a decline with several larger graduating classes.
- The District continually evaluates the condition of its vehicle fleet. Due to increased miles on cars, the District will pursue replacing vehicles with funds available in the Physical Plant and Equipment Levy Fund.
- The District negotiates with the Calamus Wheatland Education Association on an annual basis. The negotiated wage and benefit package with health insurance benefits have continued to increase over the past years. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, 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 Marika Pewe, District Secretary/Treasurer and Business Manager, Calamus Wheatland Community School District, 110 East Park Road, PO Box 279, Wheatland, Iowa, 52777.

## Basic Financial Statements

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2007

Exhibit A

<b>Assets</b>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,536,217	\$ 31,091	\$ 1,567,308
Receivables			
Property tax			
Delinquent	31,747	-	31,747
Succeeding year	1,810,619	-	1,810,619
Accounts receivable	87,160	320	87,480
Accrued interest	3,156	-	3,156
Income surtax	108,312	-	108,312
Due from other governments	21,508	-	21,508
Due from other fund	-	1,080	1,080
Inventories	-	2,737	2,737
Non-depreciable capital assets	260,444	-	260,444
Capital assets, net of accumulated depreciation	<u>6,106,627</u>	<u>22,642</u>	<u>6,129,269</u>
<b>Total assets</b>	<u>9,965,790</u>	<u>57,870</u>	<u>10,023,660</u>
<b>Liabilities</b>			
Accounts payable	189,639	110	189,749
Salaries and benefits payable	349,125	13,629	362,754
Accrued interest payable	4,354	-	4,354
Due to other fund	1,080	-	1,080
Deferred revenue			
Succeeding year property tax	1,810,619	-	1,810,619
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	255,000	-	255,000
Portion due after one year			
General obligation bonds payable	1,780,000	-	1,780,000
Revenue notes payable	<u>746,738</u>	<u>-</u>	<u>746,738</u>
<b>Total liabilities</b>	<u>5,136,555</u>	<u>13,739</u>	<u>5,150,294</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,585,333	22,642	3,607,975
Restricted for			
Management levy	1,559	-	1,559
Physical plant and equipment levy	33,135	-	33,135
Other special revenue purposes	39,082	-	39,082
Capital projects	266,788	-	266,788
Unrestricted	<u>903,338</u>	<u>21,489</u>	<u>924,827</u>
<b>Total net assets</b>	<u>\$ 4,829,235</u>	<u>\$ 44,131</u>	<u>\$ 4,873,366</u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2007

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b><u>Functions/Programs</u></b>						
<b>Primary Government</b>						
Governmental activities						
Instruction						
Regular instruction	\$ 1,998,639	\$ 505,887	\$ 268,321	\$ (1,224,431)	\$ -	\$ (1,224,431)
Special instruction	573,403	44,549	115,037	(413,817)	-	(413,817)
Other instruction	430,137	-	3,798	(426,339)	-	(426,339)
	<u>3,002,179</u>	<u>550,436</u>	<u>387,156</u>	<u>(2,064,587)</u>	<u>-</u>	<u>(2,064,587)</u>
Support services						
Student	108,825	-	-	(108,825)	-	(108,825)
Instructional staff	107,102	-	-	(107,102)	-	(107,102)
Administration	476,032	-	-	(476,032)	-	(476,032)
Operation and maintenance of plant	380,625	624	-	(380,001)	-	(380,001)
Transportation	278,331	7,268	-	(271,063)	-	(271,063)
	<u>1,350,915</u>	<u>7,892</u>	<u>-</u>	<u>(1,343,023)</u>	<u>-</u>	<u>(1,343,023)</u>
	<u>116,585</u>	<u>-</u>	<u>-</u>	<u>(116,585)</u>	<u>-</u>	<u>(116,585)</u>
Non-instructional programs						
Other expenditures						
Facilities acquisition	44,815	-	-	(44,815)	-	(44,815)
Long-term debt interest	115,688	-	-	(115,688)	-	(115,688)
AEA flowthrough	166,149	-	166,149	-	-	-
Depreciation (unallocated) *	174,241	-	-	(174,241)	-	(174,241)
	<u>500,893</u>	<u>-</u>	<u>166,149</u>	<u>(334,744)</u>	<u>-</u>	<u>(334,744)</u>
	<u>4,970,572</u>	<u>558,328</u>	<u>553,305</u>	<u>(3,858,939)</u>	<u>-</u>	<u>(3,858,939)</u>
Total governmental activities						

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2007

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges	for Services	Interest	Operating Grants, Contributions and Restricted	Capital Grants, Contributions and Restricted	Governmental Business Type
	<u>Expenses</u>	<u>for Services</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Activities</u>
						<u>Activities</u>
						<u>Total</u>
<b><u>Functions/Programs (continued)</u></b>						
<b><u>Primary Government (continued)</u></b>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 233,386	\$ 125,793	\$ 107,389	\$ -	\$ -	\$ (204)
Total	<u>\$ 5,203,958</u>	<u>\$ 684,121</u>	<u>\$ 660,694</u>	<u>\$ -</u>	<u>\$ (204)</u>	<u>\$ (3,859,143)</u>
<b><u>General Revenues</u></b>						
Property tax levied for						
General purposes				1,602,477	-	1,602,477
Debt service				344,575	-	344,575
Capital outlay				88,625	-	88,625
Local option sales and services tax				393,906	-	393,906
Unrestricted state grants				1,965,618	-	1,965,618
Contributions and donations				15,032	-	15,032
Unrestricted investment earnings				43,583	142	43,725
Other				10,453	-	10,453
Total general revenues				<u>4,464,269</u>	<u>142</u>	<u>4,464,411</u>
Change in net assets				605,330	(62)	605,268
Net assets, beginning of year, as restated				4,223,905	44,193	4,268,098
Net assets, end of year				<u>\$ 4,829,235</u>	<u>\$ 44,131</u>	<u>\$ 4,873,366</u>

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

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$1,054,111	\$245,396	\$ -	\$ 70,946	\$1,370,453
Receivables					
Property tax					
Delinquent	22,903	-	6,014	2,830	31,747
Succeeding year	1,296,490	-	339,575	174,554	1,810,619
Accounts receivable	46,576	40,192	-	-	86,768
Accrued interest	3,156	-	-	-	3,156
Income surtax	108,312	-	-	-	108,312
Due from other governments	21,508	-	-	-	21,508
Total assets and other debits	<u>\$2,553,056</u>	<u>\$285,588</u>	<u>\$345,589</u>	<u>\$248,330</u>	<u>\$3,432,563</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 112,621	\$ 18,800	\$ 42,230	\$ -	\$ 173,651
Salaries and benefits payable	349,125	-	-	-	349,125
Due to other fund	1,080	-	-	-	1,080
Deferred revenue					
Succeeding year property tax	1,296,490	-	339,575	174,554	1,810,619
Income surtax	108,312	-	-	-	108,312
Total liabilities	<u>1,867,628</u>	<u>18,800</u>	<u>381,805</u>	<u>174,554</u>	<u>2,442,787</u>
<b>Fund balances</b>					
Reserved for					
Market Factor	1,500	-	-	-	1,500
Phase II	2,457	-	-	-	2,457
Other state programs	2,477	-	-	-	2,477
Unreserved, governmental funds	678,994	266,788	(36,216)	-	909,566
Unreserved, special revenue funds	-	-	-	73,776	73,776
Total fund balances	<u>685,428</u>	<u>266,788</u>	<u>(36,216)</u>	<u>73,776</u>	<u>989,776</u>
Total liabilities and fund balances	<u>\$2,553,056</u>	<u>\$285,588</u>	<u>\$345,589</u>	<u>\$248,330</u>	<u>\$3,432,563</u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2007

Exhibit D

<b>Total fund balances of governmental funds</b>	\$ 989,776
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,367,071
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	108,312
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.	(4,354)
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	150,168
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,781,738)
<b>Net assets of governmental activities</b>	<u><u>\$4,829,235</u></u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
<b>Revenues</b>					
Local sources					
Local tax	\$1,412,446	\$ 393,906	\$ 344,575	\$170,345	\$2,321,272
Tuition	314,521	-	-	-	314,521
Other	60,541	8,957	971	99,670	170,139
Intermediate sources	5,136	-	-	-	5,136
State sources	2,344,727	-	-	-	2,344,727
Federal sources	174,196	-	-	-	174,196
<b>Total revenues</b>	<u>4,311,567</u>	<u>402,863</u>	<u>345,546</u>	<u>270,015</u>	<u>5,329,991</u>
<b>Expenditures</b>					
Current					
Instruction					
Regular	1,966,749	-	-	6,455	1,973,204
Special	573,403	-	-	-	573,403
Other	344,474	-	-	85,663	430,137
	<u>2,884,626</u>	<u>-</u>	<u>-</u>	<u>92,118</u>	<u>2,976,744</u>
Support services					
Student	108,375	-	-	450	108,825
Instructional staff	86,730	-	-	20,372	107,102
Administration	460,828	4,709	-	10,495	476,032
Operation & maintenance of plant	332,984	-	-	45,679	378,663
Transportation	233,649	-	-	12,828	246,477
	<u>1,222,566</u>	<u>4,709</u>	<u>-</u>	<u>89,824</u>	<u>1,317,099</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,706</u>	<u>4,706</u>
Other expenditures					
Facilities acquisition	-	121,737	-	47,589	169,326
Long-term debt					
Principal	-	-	1,299,812	-	1,299,812
Interest and fiscal charges	-	-	119,423	-	119,423
AEA flowthrough	166,149	-	-	-	166,149
	<u>166,149</u>	<u>121,737</u>	<u>1,419,235</u>	<u>47,589</u>	<u>1,754,710</u>
<b>Total expenditures</b>	<u>4,273,341</u>	<u>126,446</u>	<u>1,419,235</u>	<u>234,237</u>	<u>6,053,259</u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 38,226	\$ 276,417	\$(1,073,689)	\$ 35,778	\$ (723,268)
Other financing sources (uses)					
Sale of equipment and materials	3,546	-	-	-	3,546
Proceeds from revenue bonds	-	760,000	-	-	760,000
Interfund operating transfers in	-	-	1,074,259	-	1,074,259
Interfund operating transfers (out)	-	(1,074,259)	-	-	(1,074,259)
Total other financing sources (uses)	<u>3,546</u>	<u>(314,259)</u>	<u>1,074,259</u>	<u>-</u>	<u>763,546</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	41,772	(37,842)	570	35,778	40,278
Fund balance, beginning of year	<u>643,656</u>	<u>304,630</u>	<u>(36,786)</u>	<u>37,998</u>	<u>949,498</u>
Fund balance, end of year	<u>\$ 685,428</u>	<u>\$ 266,788</u>	<u>\$ (36,216)</u>	<u>\$ 73,776</u>	<u>\$ 989,776</u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2007

Exhibit F

**Net change in fund balances - total governmental funds** \$ 40,278

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

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

Expenditures for capital assets	\$ 136,696	
Depreciation expense	<u>(245,677)</u>	(108,981)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 108,312

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 22,174

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

Issued	(760,000)	
Repaid	<u>1,299,812</u>	539,812

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. 3,735

**Change in net assets of governmental activities** \$ 605,330

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Funds  
June 30, 2007

Exhibit G

	<u>Business Type</u> <u>Activity</u>	<u>Governmental</u> <u>Activity</u>
	<u>Nonmajor</u> <u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u>
<b>Assets</b>		
Cash and pooled investments	\$ 31,091	\$165,764
Accounts receivable	320	392
Due from other fund	1,080	-
Inventories	2,737	-
Capital assets, net of accumulated depreciation	22,642	-
Total assets	57,870	166,156
<b>Liabilities</b>		
Accounts payable	110	1,596
Salaries and benefits payable	13,629	-
Incurred but not reported claims	-	14,392
Total liabilities	13,739	15,988
<b>Net Assets</b>		
Invested in capital assets, net of related debt	22,642	-
Unrestricted	21,489	150,168
Total net assets	\$ 44,131	\$150,168

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2007

Exhibit H

	<u>Business Type</u> <u>Activity</u>	<u>Governmental</u> <u>Activity</u>
	<u>Nonmajor</u> <u>Enterprise</u> School <u>Nutrition</u>	Internal <u>Service</u>
Operating revenue		
Local sources		
Charges for service	\$125,793	\$ -
Employee contributions	-	134,053
Total operating revenue	<u>125,793</u>	<u>134,053</u>
Operating expenses		
Non-instructional programs		
Food service operations		
Salaries and benefits	83,749	-
Benefits	35,836	-
Purchased services	1,489	-
Supplies	106,470	-
Depreciation	5,842	-
Insurance operations		
Purchased services	-	111,879
Total operating expenses	<u>233,386</u>	<u>111,879</u>
Operating income (loss)	<u>(107,593)</u>	<u>22,174</u>
Non-operating revenues		
Interest income	142	-
State sources	3,388	-
Federal sources	104,001	-
Total non-operating revenues	<u>107,531</u>	<u>-</u>
Net income	(62)	22,174
Net assets, beginning of year, as adjusted	<u>44,193</u>	<u>127,994</u>
Net assets, end of year	<u>\$ 44,131</u>	<u>\$ 150,168</u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2007

	Business Type <u>Activity</u>	Governmental <u>Activity</u>
	Nonmajor <u>Enterprise</u> School <u>Nutrition</u>	<u>Internal</u> <u>Service</u>
Cash flows from operating activities		
Cash received from sale of services	\$ 123,726	\$ 133,734
Cash payments to employees for services	(119,125)	-
Cash payments to suppliers for goods and services	<u>(97,126)</u>	<u>(96,550)</u>
Net cash provided by (used in) operating activities	<u>(92,525)</u>	<u>37,184</u>
Cash flows from non-capital financing activities		
State grants received	3,388	-
Federal grants received	<u>93,198</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>96,586</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>142</u>	<u>-</u>
Net increase in cash and cash equivalents	4,203	37,184
Cash and cash equivalents, beginning of year	26,888	128,580
Cash and cash equivalents, end of year	<u>\$ 31,091</u>	<u>\$ 165,764</u>

**Reconciliation of operating income (loss) to net cash provided by (used in) operating activities**

Operating income (loss)	\$(107,593)	\$ 36,566
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	5,842	-
Commodities used	10,803	-
Decrease (increase) in accounts receivable	36	(319)
(Increase) in due from other government	(1,080)	-
(Increase) in inventory	(723)	-
(Decrease) in due to other fund	(300)	-
Increase in accounts payable	30	937
Increase in accrued salaries and benefits	<u>460</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (92,525)</u>	<u>\$ 37,184</u>

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

During the year ended June 30, 2007, the District received \$10,803 of federal commodities.

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2007

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
<b>Assets</b>	
Cash and pooled investments	\$ 123,524
Accounts receivable	<u>4,940</u>
Total assets	128,464
<b>Liabilities</b>	
	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u><u>\$ 128,464</u></u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2007

Exhibit K

	<u>Private Purpose Trust Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$ 100
Interest	<u>4,976</u>
Total additions	5,076
 Deductions	
Instruction, regular	
Scholarships	<u>5,054</u>
 Change in net assets	22
Net assets, beginning of year	<u>128,442</u>
 Net assets, end of year	<u><u>\$128,464</u></u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

**Note 1. Summary of Significant Accounting Policies**

The Calamus Wheatland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the Cities of Calamus and Wheatland, Iowa, and the agricultural territory in Clinton and Scott Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Calamus Wheatland 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 Calamus Wheatland 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 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 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 expenditures, including instructional, support and other costs.

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

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

The District reports no major proprietary funds. However, the District reports a nonmajor proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District and one Internal Service Fund, which is utilized for employee flexible benefits.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

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

### C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are 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 and claims and judgments 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 funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

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

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than nine 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. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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

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

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

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

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 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. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2007 was used to calculate the salaries payable.

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

collected within sixty days after year end.

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

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 Balance - 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.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$34,694 of restricted net assets which is restricted by enabling legislation.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

#### **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 996,251

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

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

**Note 3. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major:		
School Nutrition Fund	General Fund	\$ 1,080

A deposit was incorrectly made to the General Fund instead of the School Nutrition Fund for employee benefits. This was corrected in August 2007 by transferring \$1,080 from General Fund to the School Nutrition Fund.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 1,074,259

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Capital Projects Fund to the Debt Service Fund were to move resources from debt issuance to help pay debt expenses.

## Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

<u>Governmental activities</u>	Balance, Beginning of Year	<u>Additions</u>	<u>Deletions</u>	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 260,444	\$ -	\$ -	\$ 260,444
Capital assets being depreciated:				
Buildings and improvements	8,240,777	-	-	8,240,777
Improvements other than buildings	475,061	118,611	-	593,672
Furniture and equipment	1,231,906	18,085	-	1,249,991
Total capital assets being depreciated	<u>9,947,744</u>	<u>136,696</u>	<u>-</u>	<u>10,084,440</u>
Less accumulated depreciation for:				
Buildings and improvements	2,532,939	143,588	-	2,676,527
Improvements other than buildings	231,059	28,420	-	259,479
Furniture and equipment	968,138	73,669	-	1,041,807
Total accumulated depreciation	<u>3,732,136</u>	<u>245,677</u>	<u>-</u>	<u>3,977,813</u>
 Total capital assets being depreciated, net	 <u>6,215,608</u>	 <u>(108,981)</u>	 <u>-</u>	 <u>6,106,627</u>
Governmental activities capital assets, net	<u>\$ 6,476,052</u>	<u>\$(108,981)</u>	<u>\$ -</u>	<u>\$ 6,367,071</u>
 <u>Business type activities</u>				
Furniture and equipment	\$ 89,802	\$ -	\$ -	\$ 89,802
Less accumulated depreciation	<u>(61,318)</u>	<u>(5,842)</u>	<u>-</u>	<u>(67,160)</u>
Business type activities capital assets, net	<u>\$ 28,484</u>	<u>\$ (5,842)</u>	<u>\$ -</u>	<u>\$ 22,642</u>

Depreciation expense was charged to the following functions:

### **Governmental activities**

Instruction	
Regular	\$ 25,435
Support services	
Operation and maintenance of plant	1,962
Transportation	44,039
Unallocated depreciation	<u>174,241</u>

Total governmental activities depreciation expense \$ 245,677

### **Business type activities**

Food service operations	<u>\$ 5,842</u>
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**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 2,285,000	\$ -	\$ (250,000)	\$ 2,035,000	\$ 255,000
Revenue anticipation notes	1,036,550	-	(1,036,550)	-	-
Revenue anticipation bonds	-	760,000	(13,262)	746,738	-
Totals	<u>\$ 3,321,550</u>	<u>\$ 760,000</u>	<u>\$(1,299,812)</u>	<u>\$ 2,781,738</u>	<u>\$ 255,000</u>

Interest costs incurred and charged to expense on all long-term debt was \$115,688 for the year ended June 30, 2007. During the year ended June 30, 2007, the District made principal payments on total long-term debt of \$1,299,812.

General Obligation Bonds

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 3, 2001			
	Interest Rates	Principal	Interest	Total
2008	4.10%	\$ 255,000	\$ 84,575	\$ 339,575
2009	4.10%	265,000	74,080	339,080
2010	4.20%	275,000	63,010	338,010
2011	4.30%	290,000	51,530	341,530
2012	4.40%	300,000	38,915	338,915
2013-2014	4.50%	650,000	36,820	686,820
Totals		<u>\$ 2,035,000</u>	<u>\$ 348,930</u>	<u>\$ 2,383,930</u>

Revenue Anticipation Bonds

The District issued School Infrastructure Local Option Sales and Services Tax Revenue Bonds as follows:

Year Ending June 30,	Bond issue of May 9, 2007			
	Interest Rates	Interest	Principal	Total
2008	3.60%	18,648	-	18,648
2009	3.66%	23,024	261,738	284,762
2010	3.72%	12,676	295,000	307,676
2011	3.83%	3,639	190,000	193,639
Totals		<u>\$ 57,987</u>	<u>\$ 746,738</u>	<u>\$ 804,725</u>

## **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, IA, 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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$153,315, \$146,201 and \$140,356 respectively, equal to the required contributions for each year.

## **Note 8. 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.

## **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 \$166,149 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **Note 10. Deficit Balance**

The District had an unreserved fund deficit of \$36,216 in the Debt Service Fund at June 30, 2007.

## **Note 11. Self-funded Health Insurance**

The District utilizes a partial self-funded/partial fully funded plan. This is a combination of a low self-funded single of \$300/\$600 and family \$600/\$900 and a high fully funded plan through Wellmark of single \$2,000/\$4,000 and family \$4,000/\$8,000. Payments to Wellmark are

made for its premium and deposits into the Internal Service Fund are made monthly for the self-funded portion. The self-fund plan (Internal Service Fund) deposits and the independent administrator funds/pays for the claim exposure between the two or \$3,400 for single and \$7,100 for family. After the total exposure has been maximized, the fully-funded carrier pays 100%. The District estimates that 25% of those covered will reach full maximum exposure.

At June 30, 2007, the District had accumulated an excess of \$156,018 in its Internal Service Fund to cover employee health care claims. Also, the District continues to fund this plan by depositing premiums into the account on a monthly basis. The District's deposits into this fund have exceeded claims paid from the fund during the years ended June 30, 2007, 2006, 2005, 2004 and 2002. However, the claims exceeded the deposit amounts for the year ended June 30, 2003. All submitted claims had been paid or accrued at June 30, 2007. The District does not expect claims to exceed monies available in the fund during the year ending June 30, 2008. The District is contingently liable for any claims in excess of funds available at June 30, 2007.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual loss on claims arising prior to year-end. Claims liabilities are reported in the financial statements in other current liabilities. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$ 659	\$ 3,728
Current year claims and changes in estimates	112,816	75,731
Claim payments	<u>(97,487)</u>	<u>(78,800)</u>
Unpaid claims, end of year	<u>\$ 15,988</u>	<u>\$ 659</u>

**Note 12. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Insurance Plan - As discussed in Note 11, the District is contingently liable for any unreported claim or assessment in excess of their balance in the Internal Service Insurance Fund.

**Note 13. Restatement of Beginning Balances**

The beginning net assets for the governmental activities in the Statement of Activities was decreased by \$37,437 and the beginning net assets for the business type activities in the Statement of Activities and the beginning fund balance for the School Nutrition Fund were increased by \$28,484 because net capital assets were incorrectly reported in the governmental activities rather than in the business type activities and School Nutrition Fund in prior years. Also, the useful lives of the school nutrition fund equipment was changed from 15 years to 12 years, as required by the State of Iowa.

Required Supplementary Information

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual  
 All Governmental Funds and Enterprise Fund  
 Required Supplementary Information  
 For the Year Ended June 30, 2007

	Governmental Funds		Enterprise Fund	Total		Budgeted Amounts		Final to Actual
	Actual		Actual	Actual	Final	Original	Final	Variance
<b>Revenues</b>								
Local sources	\$2,805,932		\$125,935	\$2,931,867	\$2,929,666	\$2,929,666	\$2,929,666	\$ 2,201
Intermediate sources	5,136		-	5,136	-	-	-	5,136
State sources	2,344,727		3,388	2,348,115	2,305,413	2,305,413	2,305,413	42,702
Federal sources	174,196		104,001	278,197	225,700	225,700	225,700	52,497
Total revenues	<u>5,329,991</u>		<u>233,324</u>	<u>5,563,315</u>	<u>5,460,779</u>	<u>5,460,779</u>	<u>5,460,779</u>	<u>102,536</u>
<b>Expenditures</b>								
Instruction	2,976,744		-	2,976,744	3,001,559	3,001,559	3,001,559	24,815
Support services	1,317,099		-	1,317,099	1,326,943	1,326,943	1,326,943	9,844
Non-instructional programs	4,706		233,386	238,092	215,000	215,000	234,706	(3,386)
Other expenditures	1,754,710		-	1,754,710	1,084,321	1,084,321	1,768,500	13,790
Total expenditures	<u>6,053,259</u>		<u>233,386</u>	<u>6,286,645</u>	<u>6,331,708</u>	<u>6,331,708</u>	<u>6,331,708</u>	<u>45,063</u>
Excess (deficiency) of revenues over (under) expenditures	(723,268)		(62)	(723,330)	(870,929)	(167,044)	(870,929)	147,599
Other financing sources, net	<u>763,546</u>		-	<u>763,546</u>	-	-	-	<u>763,546</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	40,278		(62)	40,216	(870,929)	(167,044)	(870,929)	911,145
Balance, beginning of year, as restated	949,498		44,193	993,691	923,591	923,591	923,591	70,100
Balance, end of year	<u>\$ 989,776</u>		<u>\$ 44,131</u>	<u>\$1,033,907</u>	<u>\$ 52,662</u>	<u>\$ 756,547</u>	<u>\$ 52,662</u>	<u>\$ 981,245</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2007

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 and Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$703,885.

During the year ended June 30, 2007, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

## Other Supplementary Information

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2007

Schedule 1

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 195	\$39,082	\$ 31,669	\$ 70,946
Receivables				
Property tax				
Delinquent	1,364	-	1,466	2,830
Succeeding year	<u>86,000</u>	<u>-</u>	<u>88,554</u>	<u>174,554</u>
Total assets	<u>\$87,559</u>	<u>\$39,082</u>	<u>\$121,689</u>	<u>\$248,330</u>
 <b>Liabilities and Fund Balances</b>				
Liabilities				
Deferred revenue				
Succeeding year property tax	\$86,000	\$ -	\$ 88,554	\$174,554
 Fund balances				
Unreserved	<u>1,559</u>	<u>39,082</u>	<u>33,135</u>	<u>73,776</u>
Total liabilities and fund balances	<u>\$87,559</u>	<u>\$39,082</u>	<u>\$121,689</u>	<u>\$248,330</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT Schedule 2  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2007

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues				
Local sources				
Local taxes	\$ 81,719	\$ -	\$ 88,626	\$170,345
Other	<u>6,992</u>	<u>91,300</u>	<u>1,378</u>	<u>99,670</u>
Total revenues	<u>88,711</u>	<u>91,300</u>	<u>90,004</u>	<u>270,015</u>
 Expenditures				
Current				
Instruction				
Regular	6,455	-	-	6,455
Other	<u>-</u>	<u>85,663</u>	<u>-</u>	<u>85,663</u>
Total instruction	<u>6,455</u>	<u>85,663</u>	<u>-</u>	<u>92,118</u>
Support services				
Student	450	-	-	450
Instructional staff	4,697	-	15,675	20,372
Administration	7,469	-	3,026	10,495
Operation and maintenance of plant	45,679	-	-	45,679
Transportation	<u>12,828</u>	<u>-</u>	<u>-</u>	<u>12,828</u>
Total support services	<u>71,123</u>	<u>-</u>	<u>18,701</u>	<u>89,824</u>
Non-instructional programs	<u>4,706</u>	<u>-</u>	<u>-</u>	<u>4,706</u>
Other expenditures				
Facilities acquisition	<u>-</u>	<u>-</u>	<u>47,589</u>	<u>47,589</u>
Total expenditures	<u>82,284</u>	<u>85,663</u>	<u>66,290</u>	<u>234,237</u>
 Excess of revenues over expenditures	6,427	5,637	23,714	35,778
Fund balances, beginning of year	<u>(4,868)</u>	<u>33,445</u>	<u>9,421</u>	<u>37,998</u>
Fund balances, end of year	<u>\$ 1,559</u>	<u>\$ 39,082</u>	<u>\$ 33,135</u>	<u>\$ 73,776</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2007

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	\$ 2,115	\$ 24,251	\$ 23,737	\$ 2,629
Student insurance accounts	1,652	1,078	1,779	951
Annual	1,129	8,300	6,787	2,642
Key cards	2,091	1,055	955	2,191
Class of:				
2006	785	13	-	798
2007	3,381	103	3,024	460
2008	-	8,056	4,690	3,366
2009	93	416	153	356
2010	-	629	73	556
Cheerleading	172	416	441	147
Dance	1,483	3,521	3,921	1,083
FFA	5,581	7,426	5,633	7,374
Vocal	694	277	609	362
Student council	1,525	10,195	9,585	2,135
Junior high student council	9	1,027	781	255
Instrumental fund	90	203	222	71
Interest	490	215	490	215
Science club	369	6	-	375
School play	5,216	2,318	1,591	5,943
Special Olympics	73	1	-	74
Pop fund	1,742	6,057	5,554	2,245
National Honor Society	952	307	392	867
Softball	-	1,531	1,209	322
Volleyball	-	650	242	408
Home ec	-	113	113	-
Teacher pop	38	898	758	178
Elementary				
Student activity	460	1,924	2,256	128
Pop fund	308	1,641	1,533	416
ETCEP	626	-	-	626
Student pictures	1,016	791	641	1,166
Instrumental music	144	912	1,120	(64)
School	7	246	198	55
Make a Difference fund	14	-	-	14
Library	1,190	6,724	7,176	738
Totals	<u>\$ 33,445</u>	<u>\$ 91,300</u>	<u>\$ 85,663</u>	<u>\$ 39,082</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
 Schedule of Revenues by Source and Expenditures by Function  
 All Governmental Fund Types  
 For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues				
Local sources				
Local tax	\$2,321,272	\$2,117,886	\$2,014,423	\$2,038,426
Tuition	314,521	317,218	276,019	250,049
Other	170,139	341,488	398,192	123,979
Intermediate sources	5,136	-	-	-
State sources	2,344,727	2,273,228	2,158,956	1,963,060
Federal sources	174,196	155,574	213,646	236,177
Total revenues	<u>\$5,329,991</u>	<u>\$5,205,394</u>	<u>\$5,061,236</u>	<u>\$4,611,691</u>
Expenditures				
Current				
Instruction				
Regular	\$1,973,204	\$1,978,516	\$1,772,214	\$1,790,837
Special	573,403	576,385	615,896	605,885
Other	430,137	247,369	351,369	263,015
Support services				
Student	108,825	106,530	93,683	99,484
Instructional staff	107,102	126,750	53,884	35,084
Administration	476,032	429,509	399,564	372,900
Operation and maintenance of plant	378,663	375,712	335,311	315,677
Transportation	246,477	237,834	280,472	207,068
Non-instructional programs	4,706	583	50,375	92,853
Other expenditures				
Facilities acquisition	169,326	167,412	1,906,047	190,868
Long-term debt				
Principal	1,299,812	483,450	230,000	220,000
Interest and other charges	119,423	135,722	129,529	122,776
AEA flowthrough	166,149	154,375	149,154	147,588
Total expenditures	<u>\$6,053,259</u>	<u>\$5,020,147</u>	<u>\$6,367,498</u>	<u>\$4,464,035</u>

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

210 Cedar Street  
Muscatine, Iowa 52761  
563-264-1385

## 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  
Calamus Wheatland Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Calamus Wheatland Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated December 11, 2007. I conducted my 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 my audit, I considered Calamus Wheatland Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Calamus Wheatland Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Calamus Wheatland Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Calamus Wheatland Community School District's ability to initiate, authorize, record process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Calamus Wheatland Community School

District's financial statements that is more than inconsequential will not be prevented or detected by Calamus Wheatland Community School District's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Calamus Wheatland Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items I-A and I-B are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calamus Wheatland Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I 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, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

Calamus Wheatland Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions in the District's responses, I did not audit Calamus Wheatland Community School District's responses and, accordingly, I express no opinion on them.

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

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Calamus Wheatland Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script that reads "Kay L. Chapman, CPA PC".

Kay L. Chapman, CPA PC  
December 11, 2007

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2007

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

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same person performs the following duties: 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 I 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 - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires the business manager or district management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. The business manager is able to perform the duties required in the normal course of business and to prepare the CAR in accordance with the Department of Education requirements. However, the business manager presently lacks the qualifications and training to appropriately prepare the annual financial statements and footnote disclosures in compliance with GAAP. This is a common situation in small entities where accounting personnel typically do not have four-year accounting degrees and do not receive annual training in order to stay current on new accounting and reporting standards and requirements.

Recommendation - The business manager should consider obtaining GAAP knowledge through reading relevant accounting literature and/or attending professional education

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2007

courses to help her significantly improve in her ability to prepare reliable GAAP financial statements, including footnote disclosures.

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We will investigate alternatives to our controls, but believe that it would not be an efficient use of District funds to get the necessary training for the business manager to comply with this recommendation.

Conclusion - Response accepted..

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

1. Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the non-instructional programs functional area.

Recommendation - The certified budget was amended; however, not to a sufficient amount to cover expenditures. The District should ensure that the budget is sufficiently amended in future years.

Response - We did not account for depreciation expense in the School Nutrition Fund when we prepared the budget amendment. We will be aware of this in the future and properly account for depreciation when preparing our budget and any necessary amendments.

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. 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.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2007

6. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board. I also noted no minutes and bills that had not been published in compliance with the Code of Iowa.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.
10. Financial Condition - The District had an unreserved fund deficit in the Debt Service Fund of \$36,216 at June 30, 2007.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.

Response - We will review the situation and implement changes, as needed.

Conclusion - Response accepted.

11. Images of Checks - The District does not receive cancelled checks from the bank. The bank provides images of the district checks. However, the bank did not provide images of the backs of the checks on a monthly basis until December 2006. From July through November 2006 the District did not maintain images of the backs of the checks.

Recommendation - Chapter 554D.114 of the Code of Iowa requires districts to retain cancelled checks or electronic records of the information contained on the front and back of each check. The District should ensure that it receives images of both the front and back of each check from the bank in order to comply with the Code of Iowa.

Response - We began receiving the images of front and back of checks from the bank in July 2007.

Conclusion - Response accepted.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2007

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant