

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

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

JUNE 30, 2007

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Table of Contents
June 30, 2007

	<u>Page</u>	
Officials	1	
Independent Auditor's Report	2-3	
Management's Discussion and Analysis	4-13	
Basic Financial Statements		<u>Exhibit</u>
Government-wide Financial Statements		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-40
Required Supplementary Information		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		42
Notes to Required Supplementary Information - Budgetary Reporting		43

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

Table of Contents

June 30, 2007

Other Supplementary Information	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds		
Combining Balance Sheet	1	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	47-48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	49
 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 <u>Government Auditing Standards</u>		50-52
 Schedule of Findings		53-56
 Audit Staff		57

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
 Officials
 June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
Allen Twedt	Board President	2008
Alan Mayberry	Board Member	2006
Royce Heitmeier	Board Member	2007
Victoria Christy	Board Member	2007
Ben Luckenbill	Board Member	2008
(After September 2006 Election)		
Allen Twedt	Board President	2008
Royce Heitmeier	Board Member	2007
Victoria Christy	Board Member	2007
Ben Luckenbill	Board Member	2008
Alan Mayberry	Board Member	2009
School Officials		
James Sleister	Superintendent	2007
Tina Diewold	District Secretary/Treasurer	2007
Toby Gordon	Attorney	2007
Schulte, Hahn, Swanson, Engler & Gordon Law Firm		

KAY L. CHAPMAN, CPA PC

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

Independent Auditor's Report

To the Board of Education
West Burlington Independent 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 West Burlington Independent School District, West Burlington, 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 West Burlington Independent 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 March 31, 2008 on my consideration of West Burlington Independent 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 42 through 43 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 West Burlington Independent 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 financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Burlington Independent 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 \$5,096,944 in fiscal 2006 to \$5,478,967 in fiscal 2007, and General Fund expenditures increased from \$5,073,521 in fiscal 2006 to \$5,378,758 in fiscal 2007. The District's General Fund balance increased from \$(501,637) in fiscal 2006 to \$(398,376) in fiscal 2007, a 20 % increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2007.

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 West Burlington Independent School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Burlington Independent School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Burlington Independent School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

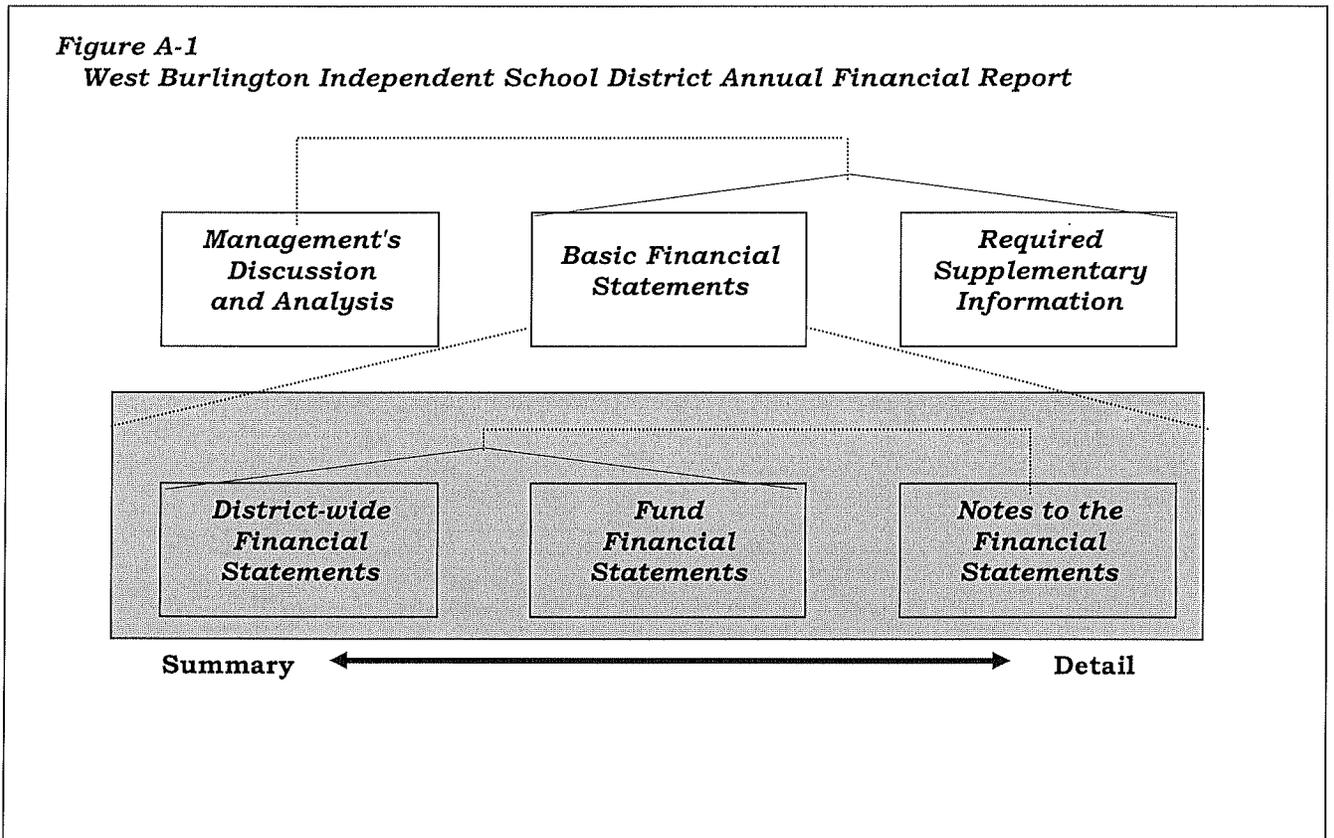


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 two kinds of funds:

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

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

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

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

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.

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
	Activities		Activities		School District		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>Change</u> <u>2006-</u> <u>2007</u>
Current and other assets	\$ 4,729,675	\$ 2,322,439	\$ 44,064	\$ 45,579	\$ 4,773,739	\$ 2,368,018	101.59%
Capital assets	<u>6,529,287</u>	<u>6,698,436</u>	<u>18,148</u>	<u>6,290</u>	<u>6,547,435</u>	<u>6,704,726</u>	-2.35%
Total assets	<u>11,258,962</u>	<u>9,020,875</u>	<u>62,212</u>	<u>51,869</u>	<u>11,321,174</u>	<u>9,072,744</u>	24.78%
Long-term obligations	3,195,929	3,789,362	-	-	3,195,929	3,789,362	-15.66%
Other liabilities	<u>4,789,294</u>	<u>2,494,220</u>	<u>16,097</u>	<u>15,307</u>	<u>4,805,391</u>	<u>2,509,527</u>	91.49%
Total liabilities	<u>7,985,223</u>	<u>6,283,582</u>	<u>16,097</u>	<u>15,307</u>	<u>8,001,320</u>	<u>6,298,889</u>	27.03%
Net assets							
Invested in capital assets, net of related debt	3,468,186	3,063,436	18,148	6,290	3,486,334	3,069,726	13.57%
Restricted	302,381	318,644	-	-	302,381	318,644	-5.10%
Unrestricted	<u>(496,828)</u>	<u>(644,787)</u>	<u>27,967</u>	<u>30,272</u>	<u>(468,861)</u>	<u>(614,515)</u>	23.70%
Total net assets	<u>\$ 3,273,739</u>	<u>\$ 2,737,293</u>	<u>\$ 46,115</u>	<u>\$ 36,562</u>	<u>\$ 3,319,854</u>	<u>\$ 2,773,855</u>	19.68%

The District's combined net assets increased by approximately 20%, or \$545,999, 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 \$16,263, or approximately 5% from the prior year. The decrease was primarily a result of an increase in expenditures in PPEL.

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 \$145,654, or approximately 24%. This increase in unrestricted net assets was a result of the District receiving more open enrollment revenue than anticipated.

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 2006-2007
	2007	2006	2007	2006	2007	2006	
Revenues							
Program revenues							
Charges for service and sales	\$ 1,654,635	\$ 1,458,115	\$ 124,542	\$ 116,222	\$ 1,779,177	\$ 1,574,337	13.01%
Operating grants	562,804	524,318	138,760	119,499	701,564	643,817	8.97%
General revenues							
Property tax	1,977,428	1,846,277	-	-	1,977,428	1,846,277	7.10%
Sales and services tax	435,746	402,607	-	-	435,746	402,607	8.23%
Unrestricted state grants	1,985,879	1,931,096	-	-	1,985,879	1,931,096	2.84%
Contributions and donations	6,826	5,982	-	-	6,826	5,982	14.11%
Unrestricted investment earnings	75,300	148,556	126	135	75,426	148,691	-49.27%
Other	11,736	4,747	-	-	11,736	4,747	147.23%
Total revenues	<u>6,710,354</u>	<u>6,321,698</u>	<u>263,428</u>	<u>235,856</u>	<u>6,973,782</u>	<u>6,557,554</u>	6.35%
Program expenses							
Governmental activities							
Instruction	3,827,029	3,731,570	-	-	3,827,029	3,731,570	2.56%
Support services	1,778,697	1,543,304	-	-	1,778,697	1,543,304	15.25%
Non-instructional programs	-	-	253,875	236,026	253,875	236,026	7.56%
Other expenses	568,182	640,638	-	-	568,182	640,638	-11.31%
Total expenses	<u>6,173,908</u>	<u>5,915,512</u>	<u>253,875</u>	<u>236,026</u>	<u>6,427,783</u>	<u>6,151,538</u>	4.49%
Change in net assets	<u>\$ 536,446</u>	<u>\$ 406,186</u>	<u>\$ 9,553</u>	<u>\$ (170)</u>	<u>\$ 545,999</u>	<u>\$ 406,016</u>	34.48%

In fiscal 2007, property tax and unrestricted state grants account for 59% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$6,973,782 of which \$6,710,354 was for governmental activities and \$263,428 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6% increase in revenues and a 4% increase in expenses. Property tax increased \$131,151 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 \$6,710,354 and expenses were \$6,173,908. The District's revenue increased more than the expenditures due to an increase in property taxes, which helped fund the expenditures.

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		
	<u>2007</u>	<u>2006</u>	<u>Change 2006- 2007</u>	<u>2007</u>	<u>2006</u>	<u>Change 2006- 2007</u>
Instruction	\$ 3,827,029	\$ 3,731,570	2.6%	\$ 1,771,695	\$ 1,905,907	-7.0%
Support services	1,778,697	1,543,304	15.3%	1,767,300	1,529,829	15.5%
Other expenses	<u>568,182</u>	<u>640,638</u>	-11.3%	<u>417,474</u>	<u>497,343</u>	-16.1%
Total expenses	<u>\$ 6,173,908</u>	<u>\$ 5,915,512</u>	4.4%	<u>\$ 3,956,469</u>	<u>\$ 3,933,079</u>	0.6%

- The cost financed by users of the District's programs was \$1,645,635.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$562,804.
- The net cost of governmental activities was financed with \$2,413,174 in property and other taxes and \$1,985,879 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$263,428 representing an 11% increase over the prior year and expenses were \$253,875, a 7% increase over the prior year. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Burlington Independent 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 \$(38,980), well above last year's ending fund balances of \$(146,707). This was due to decreasing the expenses to fall under the available revenues.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of decreasing the expenses to fall under the available revenues.
- The General Fund balance increased from \$(501,637) to \$(398,376), due in part to a slight increase in property taxes and open enrollment, as well as keeping the expenditures under the available resources.

- The Debt Service Fund balance decreased from \$32,895 to \$29,663 due to an increase in expenditures and a decrease in revenues.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$36,562 at June 30, 2006 to \$46,115 at June 30, 2007, representing an increase of approximately 26%.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Burlington Independent School District amended its annual budget one time by \$423,285 to reflect additional expenditures associated with increased tuition, salaries, benefits, labor and general expenses.

The District's revenues were \$252,440 more than budgeted revenues, a variance of approximately 3%. The most significant variance resulted from the District receiving more in open enrollment revenue than originally anticipated.

Total expenditures were \$9,876 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the Support Services functional area, due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget appropriately.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$6,547,435, 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 \$333,945.

The original cost of the District's capital assets was \$11,586,884. Governmental funds account for \$11,547,284, with the remainder of \$39,600 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Land	\$ 117,000	\$ 117,000	\$ -	\$ -	\$ 117,000	\$ 117,000	0.00%
Buildings and improvements	5,844,521	5,995,287	-	-	5,844,521	5,995,287	-2.51%
Improvements, other than buildings	144,969	145,288	-	-	144,969	145,288	-0.22%
Furniture and equipment	<u>422,797</u>	<u>440,861</u>	<u>18,148</u>	<u>6,290</u>	<u>440,945</u>	<u>447,151</u>	-1.39%
Totals	<u>\$6,529,287</u>	<u>\$6,698,436</u>	<u>\$18,148</u>	<u>\$6,290</u>	<u>\$6,547,435</u>	<u>\$6,704,726</u>	-2.35%

Long-Term Debt

At June 30, 2007, the District had \$3,195,929 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 16% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
General obligation bonds	\$ 2,495,000	\$ 2,775,000	-10.09%
Revenue bonds	515,000	760,000	-32.24%
Bank loan	51,101	100,000	-48.90%
Early retirement	<u>134,828</u>	<u>154,362</u>	-12.65%
Total	<u>\$ 3,195,929</u>	<u>\$ 3,789,362</u>	-15.66%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The boiler replacement/asbestos removal at the high school turned out to be more extensive than originally planned. Because the elementary also had some boiler concerns, and because there were changes to the original plans for the high school,

along with trying to correct some major design flaws and problems, some of those expenses will fall in the 2007-2008 fiscal year.

- Because of the number of West Burlington special education students open enrolled or tuitioned out, the district will see a significant increase in the special education expenses in 2007-2008.
- Due to declining enrollment of resident students for the 2007-2008 school year along with decrease in the taxable valuation, the District will see the impact of receiving less incoming dollars for the 2007-2008 school year.
- The District has evaluated the condition of the maintenance vehicle and determined that a new one will be needed. In 2007-2008, the District plans to purchase a new truck, along with an additional van due to the increased need for transporting special education students to various other school.

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 Tina Diewold, District Secretary/Treasurer and Business Manager, West Burlington Independent School District, 211 Ramsey, West Burlington, Iowa, 52655.

Basic Financial Statements

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

Assets	Governmental Activities	Business Type Activities	Total
Cash and cash equivalents			
ISCAP	\$ 1,984,073	\$ -	\$ 1,984,073
Other	679,934	40,002	719,936
Receivables			
Property tax			
Delinquent	9,926	-	9,926
Succeeding year	1,891,588	-	1,891,588
Accounts receivable	8,788	395	9,183
Accrued interest			
ISCAP	13,090	-	13,090
Other	1,221	-	1,221
Due from other governments	141,055	-	141,055
Inventories	-	3,667	3,667
Non-depreciable capital assets	117,000	-	117,000
Capital assets, net of accumulated depreciation	6,412,287	18,148	6,430,435
Total assets	<u>11,258,962</u>	<u>62,212</u>	<u>11,321,174</u>
Liabilities			
Accounts payable	211,893	640	212,533
Salaries and benefits payable	650,913	15,457	666,370
Accrued interest payable	20,639	-	20,639
Deferred revenue			
Succeeding year property tax	1,891,588	-	1,891,588
ISCAP warrants payable	1,988,000	-	1,988,000
ISCAP accrued interest payable	14,908	-	14,908
ISCAP unamortized premium	11,353	-	11,353
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	290,000	-	290,000
Revenue bonds payable	255,000	-	255,000
Notes payable	51,101	-	51,101
Early retirement payable	30,076	-	30,076
Portion due after one year			
General obligation bonds payable	2,205,000	-	2,205,000
Revenue bonds payable	260,000	-	260,000
Early retirement payable	104,752	-	104,752
Total liabilities	<u>7,985,223</u>	<u>16,097</u>	<u>8,001,320</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	Governmental Activities	Business Type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 3,468,186	\$ 18,148	\$ 3,486,334
Restricted for			
Physical plant and equipment levy	4,883	-	4,883
Debt service	9,024	-	9,024
Other special revenue purposes	71,916	-	71,916
Capital projects	216,558	-	216,558
Unrestricted	(496,828)	27,967	(468,861)
Total net assets	\$ 3,273,739	\$ 46,115	\$ 3,319,854

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

<u>Functions/Programs</u> <u>Primary Government</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Governmental activities	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Primary Government Activities
Instruction	<u>Expenses</u>	<u>Interest</u>	<u>Interest</u>	Business Type Activities	Total
Regular instruction	\$ 2,267,216	\$ 1,495,119	\$ 239,805	\$ (532,292)	\$ (532,292)
Special instruction	759,787	151,814	137,403	(470,570)	(470,570)
Other instruction	800,026	-	31,193	(768,833)	(768,833)
	<u>3,827,029</u>	<u>1,646,933</u>	<u>408,401</u>	<u>(1,771,695)</u>	<u>(1,771,695)</u>
Support services					
Student	168,675	-	-	(168,675)	(168,675)
Instructional staff	327,633	-	-	(327,633)	(327,633)
Administration	606,736	-	-	(606,736)	(606,736)
Operation and maintenance of plant	590,573	4,842	-	(585,731)	(585,731)
Transportation	85,080	2,860	3,695	(78,525)	(78,525)
	<u>1,778,697</u>	<u>7,702</u>	<u>3,695</u>	<u>(1,767,300)</u>	<u>(1,767,300)</u>
Other expenditures					
Facilities acquisition	83,456	-	-	(83,456)	(83,456)
Long-term debt interest	128,453	-	-	(128,453)	(128,453)
AEA flowthrough	150,708	-	150,708	-	-
Depreciation (unallocated) *	205,565	-	-	(205,565)	(205,565)
	<u>568,182</u>	<u>-</u>	<u>150,708</u>	<u>(417,474)</u>	<u>(417,474)</u>
Total governmental activities	<u>6,173,908</u>	<u>1,654,635</u>	<u>562,804</u>	<u>(3,956,469)</u>	<u>(3,956,469)</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT 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	Primary Government		
	Expenses	Interest	Interest	Governmental Activities	Business Type Activities	Total
<u>Functions/Programs (continued)</u>						
Primary Government (continued)						
Business type activities						
Non-instructional programs						
Food service operations	\$ 253,875	\$ 138,760	\$ -		\$ 9,427	\$ 9,427
Total primary government	<u>\$ 6,427,783</u>	<u>\$ 1,779,177</u>	<u>\$ -</u>	(3,956,469)	<u>9,427</u>	<u>(3,947,042)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes				1,528,421	-	1,528,421
Debt service				313,870	-	313,870
Capital outlay				135,137	-	135,137
Local option sales and services tax				435,746	-	435,746
Unrestricted state grants				1,985,879	-	1,985,879
Contributions and donations				6,826	-	6,826
Unrestricted investment earnings				75,300	126	75,426
Other				11,736	-	11,736
Total general revenues				<u>4,492,915</u>	<u>126</u>	<u>4,493,041</u>
Change in net assets				536,446	9,553	545,999
Net assets, beginning of year				2,737,293	36,562	2,773,855
Net assets, end of year				<u>\$ 3,273,739</u>	<u>\$ 46,115</u>	<u>\$ 3,319,854</u>

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

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments				
ISCAP	\$1,984,073	\$ -	\$ -	\$1,984,073
Other	336,095	28,185	315,654	679,934
Receivables				
Property tax				
Delinquent	7,106	1,478	1,342	9,926
Succeeding year	1,350,080	301,155	240,353	1,891,588
Accounts receivable	6,000	-	2,788	8,788
Accrued interest				
ISCAP	13,090	-	-	13,090
Other	531	-	690	1,221
Due from other governments	77,123	-	63,932	141,055
Total assets	<u>\$3,774,098</u>	<u>\$330,818</u>	<u>\$ 624,759</u>	<u>\$4,729,675</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 157,220	\$ -	\$ 54,673	\$ 211,893
Salaries and benefits payable	650,913	-	-	650,913
ISCAP warrants payable	1,988,000	-	-	1,988,000
ISCAP accrued interest payable	14,908	-	-	14,908
ISCAP unamortized premium	11,353	-	-	11,353
Deferred revenue				
Succeeding year property tax	1,350,080	301,155	240,353	1,891,588
Total liabilities	<u>4,172,474</u>	<u>301,155</u>	<u>295,026</u>	<u>4,768,655</u>
Fund balances				
Reserved for				
Debt service	-	29,663	-	29,663
Unreserved, governmental funds	(398,376)	-	216,558	(181,818)
Unreserved, special revenue funds	-	-	113,175	113,175
Total fund balances	<u>(398,376)</u>	<u>29,663</u>	<u>329,733</u>	<u>(38,980)</u>
Total liabilities and fund balances	<u>\$3,774,098</u>	<u>\$330,818</u>	<u>\$ 624,759</u>	<u>\$4,729,675</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Exhibit D

Total fund balances of governmental funds	\$ (38,980)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,529,287
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.	(20,639)
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.	<u>(3,195,929)</u>
Net assets of governmental activities	<u>\$3,273,739</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT 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>	Debt <u>Service</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$1,389,771	\$ 313,760	\$ 708,644	\$2,412,175
Tuition	1,418,905	-	-	1,418,905
Other	120,841	149	205,549	326,539
State sources	2,366,746	110	123	2,366,979
Federal sources	182,704	-	-	182,704
Total revenues	<u>5,478,967</u>	<u>314,019</u>	<u>914,316</u>	<u>6,707,302</u>
Expenditures				
Current				
Instruction				
Regular	2,222,084	-	51,578	2,273,662
Special	759,787	-	-	759,787
Other	622,343	-	177,683	800,026
	<u>3,604,214</u>	<u>-</u>	<u>229,261</u>	<u>3,833,475</u>
Support services				
Student	168,435	-	-	168,435
Instructional staff	271,466	-	51,318	322,784
Administration	591,385	-	8,173	599,558
Operation and maintenance of plant	528,585	-	57,272	585,857
Transportation	63,965	-	4,232	68,197
	<u>1,623,836</u>	<u>-</u>	<u>120,995</u>	<u>1,744,831</u>
Other expenditures				
Facilities acquisition	-	-	166,826	166,826
Long-term debt				
Principal	-	573,899	-	573,899
Interest and fiscal charges	-	132,888	-	132,888
AEA flowthrough	150,708	-	-	150,708
	<u>150,708</u>	<u>706,787</u>	<u>166,826</u>	<u>1,024,321</u>
Total expenditures	<u>5,378,758</u>	<u>706,787</u>	<u>517,082</u>	<u>6,602,627</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT 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>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 100,209	\$(392,768)	\$ 397,234	\$ 104,675
Other financing sources (uses)				
Sale of equipment and materials	3,052	-	-	3,052
Interfund operating transfers in	-	389,536	-	389,536
Interfund operating transfers (out)	-	-	(389,536)	(389,536)
Total other financing sources (uses)	<u>3,052</u>	<u>389,536</u>	<u>(389,536)</u>	<u>3,052</u>
Net change in fund balances	103,261	(3,232)	7,698	107,727
Fund balance, beginning of year	<u>(501,637)</u>	<u>32,895</u>	<u>322,035</u>	<u>(146,707)</u>
Fund balance, end of year	<u>\$ (398,376)</u>	<u>\$ 29,663</u>	<u>\$ 329,733</u>	<u>\$ (38,980)</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT 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 \$107,727

**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	\$161,496	
Depreciation expense	<u>(330,645)</u>	(169,149)

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. 573,899

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

Early retirement	19,534
------------------	--------

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. 4,435

Change in net assets of governmental activities \$536,446

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2007

Exhibit G

	<u>Nonmajor Enterprise School Nutrition</u>
Assets	
Cash and pooled investments	\$ 40,002
Accounts receivable	395
Inventories	3,667
Capital assets, net of accumulated depreciation	<u>18,148</u>
Total assets	<u>62,212</u>
 Liabilities	
Accounts payable	640
Salaries and benefits payable	<u>15,457</u>
Total liabilities	<u>16,097</u>
 Net Assets	
Invested in capital assets, net of related debt	18,148
Unrestricted	<u>27,967</u>
Total net assets	<u><u>\$ 46,115</u></u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

Exhibit H

	<u>Nonmajor Enterprise School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$124,542</u>
 Operating expenses	
Support services	
Operation and maintenance of plant	
Purchased services	1,564
Non-instructional programs	
Food service operations	
Salaries and benefits	91,293
Benefits	32,216
Purchased services	8,283
Supplies	116,236
Miscellaneous	983
Depreciation	<u>3,300</u>
Total operating expenses	<u>253,875</u>
 Operating loss	 <u>(129,333)</u>
 Non-operating revenues	
Interest income	126
State sources	6,411
Federal sources	<u>132,349</u>
Total non-operating revenues	<u>138,886</u>
 Net income	 9,553
Net assets, beginning of year	<u>36,562</u>
 Net assets, end of year	 <u><u>\$ 46,115</u></u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

Exhibit I

	Nonmajor Enterprise <u>School</u> <u>Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 125,083
Cash payments to employees for services	(123,272)
Cash payments to suppliers for goods and services	<u>(118,405)</u>
Net cash used in operating activities	<u>(116,594)</u>
Cash flows from non-capital financing activities	
State grants received	6,411
Federal grants received	<u>124,785</u>
Net cash provided by non-capital financing activities	<u>131,196</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(15,158)</u>
Cash flows from investing activities	
Interest on investments	<u>126</u>
Net decrease in cash and cash equivalents	(430)
Cash and cash equivalents, beginning of year	<u>40,432</u>
Cash and cash equivalents, end of year	<u><u>\$ 40,002</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$(129,333)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	3,300
Commodities used	7,564
Decrease in accounts receivable	541
Decrease in inventory	544
Increase in accounts payable	553
Increase in accrued salaries and benefits	<u>237</u>
Net cash used in operating activities	<u><u>\$(116,594)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2007, the District received \$7,564 of federal commodities.

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	\$300
Liabilities	<u>-</u>
Net assets	
Reserved for scholarships	<u>\$ 300</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2007

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	\$ -
Deductions	<u>-</u>
Change in net assets	-
Net assets, beginning of year	<u>300</u>
Net assets, end of year	<u>\$ 300</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

Note 1. Summary of Significant Accounting Policies

The West Burlington Independent 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 City of West Burlington, Iowa, and the agricultural territory in Des Moines County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Burlington Independent 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 West Burlington Independent School District has no component units, which meet the Governmental Accounting Standards Board criteria.

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 District reports no major proprietary funds. However, the District reports one nonmajor proprietary fund, the School Nutrition enterprise fund, which is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when 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, early retirement termination benefits 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 fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than twelve 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	\$1,000
Buildings	\$1,000
Improvements other than buildings	\$1,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$1,000

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 & Improvements	7-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

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

Early Retirement Termination Benefit - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2007. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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 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.

Designated Fund Balance - The District has designated a portion of its fund balance for specific programs.

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 no net assets 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 exceeded the amount budgeted in the Support Services function.

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:

	Amortized Cost
Diversified Portfolio	<u>\$ 207,292</u>

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

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

Note 3. 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 Fund	Non-major governmental funds	\$ 389,536

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 Physical Plant and Equipment Levy Fund and Capital Projects Fund to Debt Service Fund were for principal and interest payments on long-term debt.

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2006-07B	1/26/07	1/25/08	\$ 807,934	\$ 12,738	\$ 810,000	\$ 14,618	\$ 2,612
2007-08A	6/27/07	6/27/08	<u>1,176,139</u>	<u>352</u>	<u>1,178,000</u>	<u>290</u>	<u>8,741</u>
			<u>\$ 1,984,073</u>	<u>\$ 13,090</u>	<u>\$ 1,988,000</u>	<u>\$ 14,908</u>	<u>\$ 11,353</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately

following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

<u>Series</u>	<u>Balance, Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance, End of Year</u>
2006-07A	\$ -	\$ 838,832	\$ 838,832	\$ -
2006-07B	-	500,000	500,000	-
Total	<u>\$ -</u>	<u>\$ 1,338,832</u>	<u>\$ 1,338,832</u>	<u>\$ -</u>

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

Note 5. Capital Assets

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

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 117,000	\$ -	\$ -	\$ 117,000
Capital assets being depreciated:				
Buildings and improvements	9,129,713	27,596	-	9,157,309
Improvements other than buildings	410,953	18,515	-	429,468
Furniture and equipment	1,728,122	115,385	-	1,843,507
Total capital assets being depreciated	11,268,788	161,496	-	11,430,284
Less accumulated depreciation for:				
Buildings and improvements	3,134,426	178,362	-	3,312,788
Improvements other than buildings	265,665	18,834	-	284,499
Furniture and equipment	1,287,261	133,449	-	1,420,710
Total accumulated depreciation	4,687,352	330,645	-	5,017,997
Total capital assets being depreciated, net	6,581,436	(169,149)	-	6,412,287
Governmental activities capital assets, net	<u>\$ 6,698,436</u>	<u>\$ (169,149)</u>	<u>\$ -</u>	<u>\$ 6,529,287</u>

Business type activities

Furniture and equipment	\$ 24,442	\$ 15,158	\$ -	\$ 39,600
Less accumulated depreciation	<u>18,152</u>	<u>3,300</u>	<u>-</u>	<u>21,452</u>
Business type activities capital assets, net	<u>\$ 6,290</u>	<u>\$ 11,858</u>	<u>\$ -</u>	<u>\$ 18,148</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 20,664
Support services	
Student support	240
Instructional staff services	74,299
Administration	7,178
Operation and maintenance of plant	5,816
Transportation	16,883
Unallocated depreciation	<u>205,565</u>
Total governmental activities depreciation expense	<u>\$ 330,645</u>

Business type activities

Food services	<u>\$ 3,300</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 refunded bonds	\$ 2,775,000	\$ -	\$ (280,000)	\$ 2,495,000	\$ 290,000
Revenue bonds	760,000	-	(245,000)	515,000	255,000
Bank loan	100,000	-	(48,899)	51,101	51,101
Early retirement	<u>154,362</u>	<u>31,232</u>	<u>(50,766)</u>	<u>134,828</u>	<u>30,076</u>
Totals	<u>\$ 3,789,362</u>	<u>\$ 31,232</u>	<u>\$ (624,665)</u>	<u>\$ 3,195,929</u>	<u>\$ 626,177</u>

Interest costs incurred and charged to expense on all long-term debt was \$132,088 for the year ended June 30, 2007.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of April 1, 2005			
	Interest %	Principal	Interest	Total
2008	3.5%	\$ 290,000	\$ 96,850	\$ 386,850
2009	3.5%	300,000	86,700	386,700
2010	4.0%	310,000	76,200	386,200
2011	4.0%	325,000	63,800	388,800
2012	4.0%	335,000	50,800	385,800
2013-2015	4.0%	<u>935,000</u>	<u>69,600</u>	<u>1,004,600</u>
Totals		<u>\$ 2,495,000</u>	<u>\$ 443,950</u>	<u>\$ 2,938,950</u>

On April 1, 2005, the District issued general obligation bonds of \$2,775,000. This was a crossover refunding of the bond issue of February 1, 1996. Proceeds from the 2006 issue were used to pay the balance of the 1996 issue, which were called for payment on May 1, 2006.

Revenue Bonds Payable

On June 1, 2003, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds were used to construct an addition to the elementary building. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The bonds were for \$1,460,000 and are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and services tax revenues will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2007 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 1, 2003			
	Interest Rates	Principal	Interest	Total
2008	2.75%	\$ 255,000	\$ 14,812	\$ 269,812
2009	3.00%	<u>260,000</u>	<u>7,800</u>	<u>267,800</u>
Totals		<u>\$ 515,000</u>	<u>\$ 22,612</u>	<u>\$ 537,612</u>

Bank Loan

On February 24, 2006, the District entered into a loan with Farmers & Merchants Bank & Trust in Burlington, Iowa for partial financing of the boiler project at the high school. The loan matures on February 24, 2008, bears interest at 4.5% and requires two annual payments of \$53,399 beginning on February 24, 2007.

Early Retirement Termination Benefit

Sick leave days accrue at 10-15 days per year (depending upon an employee's status) to a maximum of 105 days. Upon retirement, after attaining age 59 with 10 years of service to the District and upon Board approval, an employee may receive a severance benefit based on a percentage of accumulated sick leave days, payable at the employee's per diem salary on the last day of employment, according to the following schedule:

<u># Years of Service</u>	<u>%</u>
10-14	20
15-19	30
20-24	40
25 or more	50

Individuals who elect early retirement but have not reached their 65th birthday are eligible to have the District continue to pay their insurance benefits through the month of their 65th birthday. Seven individuals are currently receiving this benefit. Early retirement expenditures for the year ended June 30, 2007 totaled \$50,766.

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 \$187,357, \$181,863 and \$173,495 and, 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 \$150,708 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. 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.

Note 11. Deficit Fund Balances

The District had a negative unrestricted, unreserved fund balance of \$398,376 in the General Fund at June 30, 2007.

Required Supplementary Information

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2007

	Governmental Funds		Proprietary Fund	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Actual	Original	Final	Variance
Revenues							
Local sources	\$4,157,619	\$124,668	\$4,282,287	\$4,105,387	\$4,105,387	\$176,900	
Intermediate sources	-	-	-	1,000	1,000	(1,000)	
State sources	2,366,979	6,411	2,373,390	2,297,628	2,297,628	75,762	
Federal sources	182,704	132,349	315,053	314,275	314,275	778	
Total revenues	<u>6,707,302</u>	<u>263,428</u>	<u>6,970,730</u>	<u>6,718,290</u>	<u>6,718,290</u>	<u>252,440</u>	
Expenditures							
Instruction	3,833,475	-	3,833,475	3,659,641	3,835,423	1,948	
Support services	1,744,831	1,564	1,746,395	1,529,835	1,630,955	(115,440)	
Non-instructional programs	-	252,311	252,311	260,000	300,000	47,689	
Other expenditures	1,024,321	-	1,024,321	993,617	1,100,000	75,679	
Total expenditures	<u>6,602,627</u>	<u>253,875</u>	<u>6,856,502</u>	<u>6,443,093</u>	<u>6,866,378</u>	<u>9,876</u>	
Excess (deficiency) of revenues over (under) expenditures	104,675	9,553	114,228	275,197	(148,088)	262,316	
Net other financing sources	<u>3,052</u>	-	<u>3,052</u>	-	-	<u>3,052</u>	
Net change in fund balance	107,727	9,553	117,280	275,197	(148,088)	265,368	
Balance, beginning of year	(146,707)	36,562	(110,145)	(216,261)	(216,261)	106,116	
Balance, end of year	<u>\$ (38,980)</u>	<u>\$ 46,115</u>	<u>\$ 7,135</u>	<u>\$ 58,936</u>	<u>\$ (364,349)</u>	<u>\$371,484</u>	

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT 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 Private Purpose Trust. 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 \$423,285.

During the year ended June 30, 2007, District expenditures exceeded the amount budgeted in the Support Services function.

Other Supplementary Information

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

Schedule 1

	Special Revenue				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	
Assets					
Cash and pooled investments	\$ 35,671	\$70,235	\$ 5,151	\$204,597	\$315,654
Receivables					
Property tax					
Delinquent	705	-	637	-	1,342
Succeeding year	108,780	-	131,573	-	240,353
Accounts receivable	-	2,788	-	-	2,788
Accrued interest receivable	-	-	4	686	690
Due from other governments	-	-	-	63,932	63,932
Total assets	<u>\$145,156</u>	<u>\$73,023</u>	<u>\$137,365</u>	<u>\$269,215</u>	<u>\$624,759</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 1,107	\$ 909	\$ 52,657	\$ 54,673
Deferred revenue					
Succeeding year property tax	108,780	-	131,573	-	240,353
Total liabilities	108,780	1,107	132,482	52,657	295,026
Fund balances					
Unreserved fund balances	36,376	71,916	4,883	216,558	329,733
Total liabilities and fund balances	<u>\$145,156</u>	<u>\$73,023</u>	<u>\$137,365</u>	<u>\$269,215</u>	<u>\$624,759</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

Schedule 2

Revenues	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	
Local sources					
Local taxes	\$137,808	\$ -	\$135,090	\$435,746	\$708,644
Other	9,773	175,385	6,044	14,347	205,549
State sources	76	-	47	-	123
Total revenues	147,657	175,385	141,181	450,093	914,316
Expenditures					
Current					
Instruction					
Regular	51,578	-	-	-	51,578
Other	-	177,683	-	-	177,683
Total instruction	51,578	177,683	-	-	229,261
Support services					
Instructional staff	4,243	-	47,075	-	51,318
Administration	5,962	2,211	-	-	8,173
Operation and maintenance of plant	56,478	-	794	-	57,272
Transportation	4,232	-	-	-	4,232
Total support services	70,915	2,211	47,869	-	120,995
Other expenditures					
Facilities acquisition	-	-	47,050	119,776	166,826
Total expenditures	122,493	179,894	94,919	119,776	517,082
Excess (deficiency) of revenues over (under) expenditures	25,164	(4,509)	46,262	330,317	397,234
Other financing uses					
Interfund operating transfers out	-	-	(53,399)	(336,137)	(389,536)
Net change in fund balances	25,164	(4,509)	(7,137)	(5,820)	7,698
Fund balances, beginning of year	11,212	76,425	12,020	222,378	322,035
Fund balances, end of year	\$ 36,376	\$71,916	\$ 4,883	\$216,558	\$329,733

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2007

Schedule 3

Account	Balance, Beginning <u>of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
Athletics	\$ 6,122	\$ 96,735	\$ 91,508	\$ 11,349
Art club	764	2,047	2,164	647
Elementary store	87	-	-	87
Future Homemakers of America	562	1,229	1,162	629
Octagon	263	-	-	263
Recycle club	16	-	-	16
National Honor Society	(159)	-	93	(252)
Pep club	5,968	7,351	10,924	2,395
Alternative activities	1,296	-	-	1,296
SADD	1,417	-	265	1,152
High school science club	1,215	-	-	1,215
Middle school science club	205	-	-	205
Spanish club	1,079	331	549	861
Speech	349	-	-	349
Post prom	1,412	9,102	10,659	(145)
Student council	1,932	6,725	5,000	3,657
Middle school student council	426	-	-	426
Nature club	136	-	-	136
River Watchers	403	-	-	403
Academic club	68	-	-	68
Class of:				
1999	113	-	-	113
2000	(227)	-	-	(227)
2001	46	-	-	46
2002	181	-	-	181
2003	126	-	-	126
2004	481	-	-	481
2005	(284)	-	-	(284)
2006	(2)	-	144	(146)
2007	2,917	410	2,653	674
2008	1,527	3,771	3,573	1,725
2009	1,157	4,268	1,675	3,750
2010	660	426	-	1,086
2011	324	312	-	636
2012	-	294	-	294

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT 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	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
Pop machines	\$ 7,585	\$ 4,502	\$ 3,223	\$ 8,864
Fundraising - Carter	583	-	448	135
Fundraising - Lau	1,775	1,084	1,354	1,505
Fundraising - Nelson	790	-	741	49
Fundraising - Anderson	50	-	-	50
Home ec resale	242	649	660	231
Music resale	(1,812)	-	-	(1,812)
Yearbook	5,552	15,192	19,891	853
Drama	3,825	2,432	1,790	4,467
Interest	9,361	1,944	5,567	5,738
Cheerleaders	1,294	2,366	2,847	813
Middle school cheerleaders	1,144	-	683	461
High school students	3,309	753	542	3,520
Student activities	1,695	8,434	8,317	1,812
Character counts	2,020	2,260	2,573	1,707
Middle school students	3,715	433	282	3,866
Special needs	59	-	-	59
Elementary students	4,658	2,335	607	6,386
Totals	<u>\$ 76,425</u>	<u>\$ 175,385</u>	<u>\$ 179,894</u>	<u>\$ 71,916</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT 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	\$2,412,175	\$2,244,519	\$2,197,021	\$2,097,154
Tuition	1,418,905	1,297,548	1,275,143	1,171,786
Other	326,539	347,559	295,197	285,819
Intermediate sources	-	-	4,500	-
State sources	2,366,979	2,271,340	2,063,795	2,017,561
Federal sources	182,704	160,616	175,141	161,160
Total revenues	<u>\$6,707,302</u>	<u>\$6,321,582</u>	<u>\$6,010,797</u>	<u>\$5,733,480</u>
Expenditures				
Instruction				
Regular	\$2,273,662	\$2,768,537	\$2,438,568	\$2,233,610
Special	759,787	522,793	676,180	580,581
Other	800,026	396,889	514,212	495,443
Support services				
Student	168,435	157,763	154,606	150,831
Instructional staff	322,784	255,231	146,940	135,503
Administration	599,558	543,696	492,185	473,194
Operation and maintenance of plant	585,857	540,321	525,017	486,376
Transportation	68,197	100,591	89,423	22,790
Central support services	-	-	-	25
Other expenditures				
Facilities acquisition	166,826	225,816	435,007	1,330,074
Long-term debt				
Principal	573,899	3,240,000	635,780	612,927
Interest and other charges	132,888	292,279	242,611	218,889
AEA flowthrough	150,708	143,295	132,340	136,265
Total expenditures	<u>\$6,602,627</u>	<u>\$9,187,211</u>	<u>\$6,482,869</u>	<u>\$6,876,508</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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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
West Burlington Independent 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 West Burlington Independent 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 March 31, 2008. 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 West Burlington Independent 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 West Burlington Independent School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of West Burlington Independent 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 West Burlington Independent 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 West Burlington Independent School District's

financial statements that is more than inconsequential will not be prevented or detected by West Burlington Independent School District's internal control. I consider the deficiencies in internal control described in Part I 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 West Burlington Independent 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 A, B and C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Burlington Independent 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.

West Burlington Independent 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 West Burlington Independent 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 West Burlington Independent School District and other parties to whom West Burlington Independent School District may report. 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 West Burlington Independent 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.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 31, 2008

WEST BURLINGTON INDEPENDENT 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 individual performs the following duties: as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although 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.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

Schedule of Findings

For the Year Ended June 30, 2007

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

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The CAR contained incorrect amounts for ISCAP investments and interest expense and one of the School Nutrition Fund state payments received was recorded in the wrong account.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide some oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

- D. Use of District's Federal Identification Number - It was noted during the audit that the WBEA, WB Little League and Memorial organizations are using the District's federal identification number on their bank accounts.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Recommendation - Organizations that are not part of the school district should not use the District's federal identification number. The District should contact the organizations and insist that they discontinue using the District's federal identification number. If the organizations continue to use the District's federal identification number, the organizations' funds and records should be incorporated into the District's accounting system as agency funds.

Response - We will talk to the organizations about getting their own federal identification numbers and insist that they discontinue using the District's.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the amended amount budgeted in the Support Services functional area.

Recommendation - The District should have amended the budget in sufficient amounts before expenditures were allowed to exceed the budget.

Response - We will be more attentive of this in the future and amend the budget in sufficient amounts, as necessary.

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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

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; however I noted a few significant errors in the amounts reported. The District reported incorrect amounts for ISCAP investments and interest expense.

Recommendation - The District should ensure that it properly account for these items on future CARs and correct the beginning balance for the General Fund on the CAR for the year ending June 30, 2008.

Response - We will make the necessary corrections on our CAR for the year ending June 30, 2008.

Conclusion - Response accepted.

10. Deficit Balance - The District's General Fund had an unrestricted fund balance deficit of \$398,376 at June 30, 2007.

Recommendation - The District should investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate this deficit.

Conclusion - Response accepted.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Audit Staff
June 30, 2007

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant