WEST SIOUX COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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West Sioux Community School District

OFFICIALS

NAME	TITLE	TERM EXPIRES
	Board of Education (Before September 2003 Election)	
Paul Eilts	President	2003
Dean Blom	Vice President	2005
Armando Ortiz	Board Member	2004
Jerry Klemme	Board Member	2003
Tim McKenney	Board Member	2005
	Board of Education (After September 2003 Election)	
Dean Blom	President	2005
Armando Ortiz	Vice President	2004
Tim McKenney	Board Member	2005
Brian Parks	Board Member	2006
Doug Smit	Board Member	2006
	School Officials	
Paul C. Olson	Superintendent	2004
Paula Bartunek	Treasurer and Business Manager	2004
Charlene Lill	District Secretary	2004
James Pickner	Attorney	2004

Dan Heard, CPA
David O. Halse, CPA
Kyle Ebel, CPA
Aleene Williams, CPA

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Certified Public Accountants
710 SOUTH UNION STREET, P.O. BOX 108
ROCK RAPIDS, IOWA 51246

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Sioux Community School District, Hawarden, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents.. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Sioux Community School District at June 30, 2004, and the respective changes in financial positions and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 11 to the financial statements, during the year ended June 30, 2004, West Sioux Community School District adopted Governmental Accounting Standard Board Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement Number 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Governmental Auditing Standards, we have also our reports dated November 4, 2004 on our consideration of the West Sioux Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise West Sioux Community School District's basis financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general-purpose financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Wells Heard Halse & Co.

November 4, 2004

Management Discussion and Analysis

West Sioux Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 Financial Highlights

- General Fund revenues decreased from $5,756,377 in fiscal year 2003 to $5,663,686 in fiscal year 2004, while General Fund expenditures decreased from $5,427,226 in fiscal year 2003 to $5,411,456 in fiscal 2004. The District's General Fund balance increased from $394,154 in fiscal 2003 to $646,384, a 64% increase.

- The decrease in General Fund revenues was attributable to a decrease in state revenue in fiscal 2004. The decrease in expenditures was due primarily to a decrease in number of teachers. One reason the General Fund balance increased is because the expenditures where carefully monitored during the year keeping in mind the decrease in State Foundation Aid in October 2003 of $75,637.

- A decline in interest rates resulted in interest earnings in the General Fund alone to decrease from $ 25,440 in fiscal year 2003 to $24,406 in fiscal year 2004.

- In an effort to mitigate the effects of declining enrollment, a reduction of 3.0 full time equivalent teaching staff was implemented for 2004-2005. Enrollment declines and increased numbers of open enrolled out pupils continue to plague the district and create financial burdens.

- A successful election was held August 12, 2003 to adopt the local option sales and services tax (SILO) which became effective January 1, 2004. Future revenues collected from SILO will reduce the annual debt service levy for taxpayers residing in the district.

Using this Annual Report

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Sioux Community School District as a whole and present an overall view of the District's finances.

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

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

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

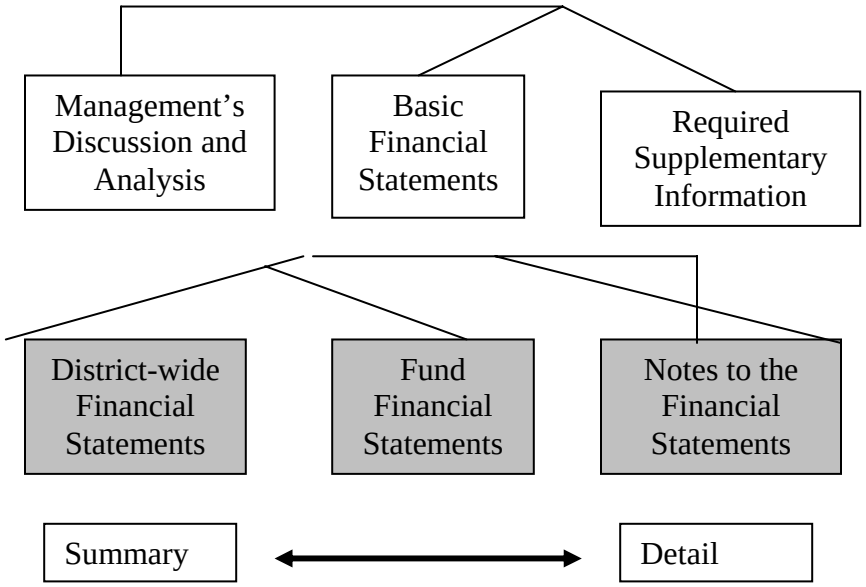

Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
		Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	
Scope	Entire district	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenues, expenditures, and changes in fund net assets • Statement of cash flows	
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total Activities June 30,		Total Change June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	$ 5,389	$ 5,430	$ 20	$ 33	$ 5,409	$ 5,463	(0.99%)
Capital assets	6,470	6,668	107	127	6,577	6,795	(3.21%)
Total assets	11,859	12,098	127	160	11,986	12,258	(2.22%)
Long-term Liabilities	5,777	6,111	-	-	5,777	6,111	(5.47%)
Other Liabilities	4,382	4,890	67	79	4,449	4,969	(10.46%)
Total Liabilities	10,159	11,001	67	79	10,226	11,080	(7.71%)
Net Assets							
Invested in capital assets, net of related debt	803	557	145	148	948	705	34.47%
Restricted	269	146	-	-	269	146	84.25%
Unrestriscted	629	394	60	(68)	689	326	111.35%
Total net assets	$ 1,701	$ 1,097	$ 205	$ 80	$ 1,906	$ 1,177	61.94%

The District's combined net assets increased by over 49 percent or approximately $604,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restrict net assets increased approximately $123,000 or 84.3% over the prior year. The increase was primarily a result of receipts from the local option sales and services taxes.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – increased approximately $218,000 or 66.8 percent. This increase in unrestricted net assets was a result of reducing expenses over the past year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental	Business-type Activities	Total School District
Revenue			
Program revenue:			
Charges for service	$ 608	$ 127	$ 735
Operating grants, contributions and restricted interest	804	157	961
Capital grants, contributions and restricted interest	4	-	4
General revenues:			
Property tax	2,771	-	2,771
Local option sales and service tax	127	-	127
Untrestricted state grants	2,589	-	2,589
Other	37	-	37
Total revenues	6,940	284	7,224
Program expenses:			
Governmental activities:			
Instruction	3,948	-	3,948
Support service	1,856	-	1,856
Non-instructional programs	2	301	303
Other epenses	507	-	507
Total expenses	6,313	301	6,614
Change in net assets	$ 627	$ (17)	$ 610

Property tax and unrestricted state grants account for 74.2 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87.8 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were $6,939,800 and expenses were $6,312,098. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

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

	Total Cost of Services	Net Cost of Services
Instruction	$ 3,948	$ 2,850
Support services	1,856	1,784
Non-instructional programs	2	2
Other expenses	507	260
Totals	$ 6,313	$ 4,896

- The cost financed by users of the District's programs was $607,603.
- Federal and state governments subsidized certain programs with grants and contributions totaling $808,077.
- The net cost of governmental activities was financed with $2,898,456 in property and other taxes and $2,588,923 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $284,457 and expenses were $301,738. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District increased meal prices. The increase is to reduce the deficit fund balance. Additional measures have been taken to reduce expenses.

INDIVIDUL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of $996,958, well above last year's ending fund balances of $540,358. The primary reason for the increase in combined fund balances in fiscal 2004 is due to reducing staff and cost cutting measures taken during the year and the SILO funds received the last few months of the year.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Decreases in student enrollments resulted in a decrease in revenues. However, the decrease in revenues was more than offset by the District's decrease in General Fund expenditures.

- The General Fund balance increased from $394,154 to $646,384, due in part to the carefully monitored spending during the last year.

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from $29,701 in fiscal 2003 to $43,121 in fiscal 2004. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.

- The Capital Projects Fund balance increased due to the Local Option Sales Tax revenue collected during 2004. The District ended fiscal 2003 with a $0 balance and ended fiscal 2004 ended with a balance of $127,023. The fund will be use to make bond payments.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from $80,307 at June 30, 2003 to $59,520 at June 30, 2004, representing decrease of approximately 26%. For fiscal 2004, the food costs increased resulting in the decrease in net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were $253,140 more than budgeted receipts, with a variance of 3.7%. The most significant variance resulted from the District receiving several federal grants for the various programs.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested $6.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.97% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was $234,237.

The original cost of the District's capital assets was $10.8 million. Governmental funds account for $10.6 million, with the remainder of $0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities June 30, 2004	Governmental Activities June 30, 2003	Business type Activities June 30, 2004	Business type Activities June 30, 2003	Total School District June 30, 2004	Total School District June 30, 2003	Total Change June 30, 2003-2004
Land	$ 51	$ 51	$ -	$ -	$ 51	$ 51	0.00%
Construction in progress	-	-	-	-	-	-	0.00%
Buildings	8,887	8,887	-	-	8,887	8,887	0.00%
Improvements other than buildings	157	157	-	-	157	157	0.00%
Furniture and Equipment	1,469	1,434	195	198	1,664	1,632	1.96%
Totals	$ 10,564	$ 10,529	$ 195	$ 198	$ 10,759	$ 10,727	0.30%

Long-Term Debt

At June 30, 2004, the District had $5,776,724 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 5.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District had total outstanding bonded indebtedness at June 30, 2004 of $5,535,000.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total School District June 30, 2004	Total School District June 30, 2003	Total Change June 30, 2003-2004
General Obligation Bonds	$ 5,340	$ 5,610	(4.81%)
Notes Payable	195	240	(18.75%)
Early Retirement	110	101	8.91%
Capital Lease	131	160	(18.13%)
	$ 5,776	$ 6,111	(5.48%)

Economic Factors Bearing on the District's Future

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

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of

the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.

- District enrollment declined in fiscal year 2003-2004 by 34 students to a budget enrollment of 668. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2003-2004 school year, West Sioux students who open enroll out to other districts increased by 2 students, from 67 to 69. Because West Sioux is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report of need additional financial information, contact Paula Bartunek, Board Secretary/Business Manager at the West Sioux Community School District, 1300 Avenue P, Hawarden, IA 51023 or 712-551-1461.

BASIC FINANCIAL STATEMENTS

West Sioux Community School District
Statement of Net Assets
June 30, 2004

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash Equivalents:			
ISCAP	$ 1,071,120	$ -	$ 1,071,120
Other	1,476,087	13,050	1,489,137
Receivables:			
Property tax:			
Delinquent	40,785	-	40,785
Succeeding year	2,602,546	-	2,602,546
Accounts	114,466	-	114,466
Accrued interest:			
ISCAP	1,369	-	1,369
Due from other governments	82,657	-	82,657
Inventories	-	7,132	7,132
Capital assets, net of accumulated depreciation	6,469,927	106,699	6,576,626
Total assets	11,858,957	126,881	11,985,838
Liabilites			
Accounts payable	148,532	1,561	150,093
Salaries and benefits payable	540,141	65,800	605,941
Accrued interest payable	23,223	-	23,223
Deferred revenue - succeeding year property tax	2,602,546	-	2,602,546
ISCAP warrents payable	1,065,000	-	1,065,000
ISCAP accrued interest payable	2,076	-	2,076
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	280,000	-	280,000
Note payable	45,000	-	45,000
Capital Lease	29,960	-	29,960
Early retirement	33,777	-	33,777
Portion due after one year:			
General obligation bonds payable	5,060,000	-	5,060,000
Capital Lease	101,500	-	101,500
Note payable	150,000	-	150,000
Early retirement	76,485	-	76,485
Total liabilities	$ 10,158,240	$ 67,361	$ 10,225,601
Net assets			
Invested in capital assets, net of related debt	$ 803,467	$ 144,709	$ 948,176
Restricted for:			
Management levy	4,513	-	4,513
Physical plant and equipment levy	43,121	-	43,121
Capital projects	127,023	-	127,023
Other special revenue purposes	94,060	-	94,060
Unrestricted	628,533	59,520	688,053
Total net assets	$ 1,700,717	$ 204,229	$ 1,904,946

See notes to financial statements.

West Sioux Community School District
Statement of Activities
June 30, 2004

Exhibit B

		Program Revenues		
	Expenses	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs				
Governmental activbities:				
Instruction:				
Regular instruction	$ 2,389,853	$ 184,664	$ 270,477	$ 3,591
Special instruction	918,168	41,931	248,793	-
Other instruction	639,521	336,853	11,282	-
	3,947,542	563,448	530,552	3,591
Support services:				
Student services	134,220	-	749	-
Instructional staff services	334,945	-	-	-
Administration Services	527,389	-	4,230	-
Operation and maintenace of plant services	617,250	38,875	-	-
Transportation services	241,916	5,280	22,164	-
	1,855,720	44,155	27,143	-
Non-instructional programs	2,241	-	-	-
Other expenditures:				
Long-term debt interest	259,803	-	-	-
AEA flowthrough	246,791	-	246,791	-
Depreciation (unallocated)*	-	-	-	-
	506,594	-	246,791	-
Total governmentatl activities	6,312,097	607,603	804,486	3,591
Business type activities:				
Non-instructional programs:				
Food service operations	301,738	127,316	157,141	-
Total	$ 6,613,835	$ 734,919	$ 961,627	$ 3,591
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$ (1,931,121)	$ -	$ (1,931,121)
(627,444)	-	(627,444)
(291,386)	-	(291,386)
(2,849,951)	-	(2,849,951)
(133,471)	-	(133,471)
(334,945)	-	(334,945)
(523,159)	-	(523,159)
(578,375)	-	(578,375)
(214,472)	-	(214,472)
(1,784,422)	-	(1,784,422)
(2,241)	-	(2,241)
(259,803)	-	(259,803)
-	-	-
-	-	-
(259,803)	-	(259,803)
(4,896,417)	-	(4,896,417)
-	(17,281)	(17,281)
(4,896,417)	(17,281)	(4,913,698)
2,260,796	-	2,260,796
510,669	-	510,669
126,991	-	126,991
2,588,923	-	2,588,923
22,643	-	22,643
14,098	-	14,098
5,524,120	-	5,524,120
627,703	(17,281)	610,422
1,073,014	76,801	1,149,815
$ 1,700,717	$ 59,520	$ 1,760,237

See notes to financial statements.

West Sioux Community School District
Balance Sheet - Governmental Funds
June 30, 2004

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
ISCAP	$ 1,071,120	$ -	$ -	$ -	$ 1,071,120
Other	1,093,665	3,374	127,023	252,025	1,476,087
Receivables:					
Property tax:					
Delinquent	28,504	7,698	-	4,583	40,785
Succeeding year	1,872,023	448,750	-	281,773	2,602,546
Accounts	114,466	-	-	-	114,466
Accrued interest:					
ISCAP	1,369	-	-	-	1,369
Due from other funds	5,700	-	-	-	5,700
Due from other governments	82,657	-	-	-	82,657
Total assets	4,269,504	459,822	127,023	538,381	5,394,730
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	143,880	-	-	4,652	148,532
Salaries and benefits payable	540,141	-	-	-	540,141
Due to other funds	-	5,700	-	-	5,700
ISCAP warrents payable	1,065,000	-	-	-	1,065,000
ISCAP accrued interest payable	2,076	-	-	-	2,076
Early retirement	-	-	-	33,777	33,777
Deferred revenue:					
Succeeding year property tax	1,872,023	448,750	-	281,773	2,602,546
Total liabilities	3,623,120	454,450	-	320,202	4,397,772
Fund balances:					
Reserved for debt service	-	5,372	-	-	5,372
Unreserved	646,384	-	127,023	218,179	991,586
Total fund balances	646,384	5,372	127,023	218,179	996,958
Total liabilities and fund balances	$ 4,269,504	$ 459,822	$ 127,023	$ 538,381	$ 5,394,730

See notes to financial statements.

West Sioux Community School District
Reconciliation of Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2004

Exhibit D

Total fund balances of governmental funds (page 22)	$	996,958
Amounts reported for governmental activities in the Statements of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,469,927
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		-
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(23,223)
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.		(5,742,945)
Net assets of governmental activities (page 19)	$	1,700,717

See notes to financial statements.

West Sioux Community School District

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances

Governemental Funds

June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	$ 1,961,060	$ 510,668	$ 126,991	$ 299,736	$ 2,898,455
Tuition	161,039	-	-	-	161,039
Other	151,787	149	32	338,538	490,506
Intermediate sources	-	-	-	-	-
State sources	3,071,038	-	-	-	3,071,038
Federal sources	318,762	-	-	-	318,762
Total Revenues	5,663,686	510,817	127,023	638,274	6,939,800
Expenditures:					
Current:					
Insturction:					
Regular instruction	2,207,852	-	-	-	2,207,852
Special instruction	918,168	-	-	-	918,168
Other instruction	317,686	-	-	321,835	639,521
	3,443,706	-	-	321,835	3,765,541
Support services:					
Student services	134,220	-	-	-	134,220
Instructional staff services	314,336	-	-	-	314,336
Administration Services	526,789	-	-	-	526,789
Operation and maintenace of plant services	539,013	-	-	100,074	639,087
Transportation services	204,360	-	-	-	204,360
	1,718,718	-	-	100,074	1,818,792
Non-instructional programs	2,241	-	-	-	2,241
Other expenditures:					
Facilities acquisition	-	-	-	45,258	45,258
Long-term debt interest	-	260,767	-	-	260,767
AEA flowthrough	246,791	-	-	-	246,791
	246,791	260,767	-	45,258	552,816
Total expenditures	5,411,456	260,767	-	467,167	6,139,390
Excess (deficiency) of revenues over (under) expenditures	252,230	250,050	127,023	171,107	800,410
Other financing sources (uses):					
Operating transfers in	-	94,444	-	-	94,444
Operating transfers out	-	-	-	(94,444)	(94,444)
General obligation bonds	-	(343,810)	-	-	(343,810)
Total other financing sources (uses)	-	(249,366)	-	(94,444)	(343,810)
Net Change in fund balances	252,230	684	127,023	76,663	456,600
Fund balances beginning of year, as restated (note 11)	394,154	4,688	-	141,516	540,358
Fund balances end of year	$ 646,384	$ 5,372	$ 127,023	$ 218,179	$ 996,958

See notes to financial statements.

West Sioux Community School District
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Net Assets
Year ended June 30, 2004

Exhibit F

Net change in fund balance - total governmental funds (page 22)			$	456,600
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 Statemetn of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:				
Expendiutes for capital assets	$	45,258		
Depreciation expense		(243,237)		(197,979)
Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.				-
Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:				
Issued		-		
Repaid		343,210		343,210
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.				964
Some expenses reported in the Statement of Activiites do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds, as follows:				
Early retirement		24,908		
Compensated absences				24,908
Change in net assets of governmental activities (page 19)			$	627,703

See notes to financial statements.

West Sioux Community School District
Statement of Net Assets - Proprietary Fund
June 30, 2004

Exhibit G

	School Nutrition
Assets	
Cash and cash equivalents	$ 13,050
Accounts receivable	
Inventories	7,132
Capital assets, net of accumulated depreciation	106,699
Total assets	126,881
Liabilities	
Accounts payable	1,561
Salaries and benefits payable	
Interfund payable	65,800
Total Liabilites	67,361
Net Assets	
Invested in capital assets, net of related debt	144,709
Unrestricted	59,520
Total net assets	$ 204,229

See notes to financial statements.

West Sioux Community School District
Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Fund
June 30, 2004

Exhibit H

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 127,316
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	98,568
Benefits	27,379
Purchased services	286
Supplies	158,846
Depreciation	16,659
Total operating expenses	301,738
Operating loss	(174,422)
Non-operating revenues:	
State sources	4,096
Federal sources	152,842
Interest Income	203
Total non-operating revenues	157,141
Change in net assets	(17,281)
Net assets beginning of year	76,801
Net assets end of year	$ 59,520

See notes to financial statements.

West Sioux Community School District
Statement of Cash Flows - Proprietary Fund
Year ended June 30, 2004

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 126,255
Cash paid to employees for services	(122,287)
Cash paid to supplies for goods or services	(140,592)
Net cash used by operating activities	(136,624)
Cash flows from non-capital financing activities:	
State grants received	4,096
Federal grants received	120,958
Net cash provided by non-capital financing activities	125,054
Cash flows from capital and related financing activities:	
Sale of capital assets	
Acquisition of capital assets	(6,778)
Net cash used by capital and related financing activities	(6,778)
Cash flows from investing activities:	
Interest on Investments	203
Net decreas in cash and cash equivalents	(18,145)
Cash and cash equivalents beginning of year	31,195
Cash and cash equivalents end of year	$ 13,050
Reconciliation of operating loss to net cash used by operating activities	
Operating Loss	$ (174,422)
Adjustments to reconcile operating loss to net cash used by operating activities	
Commodities used	28,760
Depreciation	16,659
Increase (Decrease) in inventories	2,308
Increase (Decrease) in Family Accounts	1,061
(Decrease) in accounts payable	(14,650)
Increase (Decrease) in salaries and benefits payable	3,660
Net cash used by operating activities	$ (136,624)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received $31,883 of federal commodities.

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The West Sioux Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Hawarden and Ireton, Iowa and the predominately agricultural territory in Sioux and Plymouth County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds,

notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the

District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over the following estimated useful lives:

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

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

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the instruction and support services functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	$ 65,800
	Debt Service	5,700
		$ 71,500

The School Nutrition Fund is repaying the General Fund for payroll for School Nutrition that is paid out of the General Fund. The Debt Service Fund is repaying General Fund for money advanced for debt payment.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from:	Amount
Debt Service	Physical Plant and Equipment Levy	$ 94,444
		$ 94,444

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/2004	1/28/2005	$ 250,000	$ 1,369	$ 251,703	$ 2,076
2004-05A	6/30/2004	6/30/2005	815,000	-	819,417	
Total			$ 1,065,000	$ 1,369	$ 1,071,120	$ 2,076

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No advances from ISCAP where made during the current year.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	2.603%
2004-05A	2.000%	1.392%

6) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 51,375	$ -	$ -	$ 51,375
Construction in progress	-			-
Total capital assets not being depreciated	51,375	-	-	51,375
Capital assets being depreciated:				
Buildings	8,886,764			8,886,764
Improvements other than buildings	156,720			156,720
Furniture and equipment	1,433,955	45,258	10,260	1,468,953
Total capital assets being depreciated	10,477,439	45,258	10,260	10,512,437
Less accumulated depreciation for:				
Buildings	3,021,890	169,483		3,191,373
Improvements other than buildings	139,418	-		139,418
Furniture and equipment	699,600	73,754	10,260	763,094
Total accumulated depreciation	3,860,908	243,237	10,260	4,093,885
Total capital assets being depreciated, net	6,616,531	(197,979)	-	6,418,552
Governmental activities capital assets, net	$ 6,667,906	$ (197,979)	$ -	$ 6,469,927

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	$ 198,087	$ -	$ 3,506	$ 194,581
less accumulated depreciation	71,222	16,659		87,881
Business type activities capital assets, net	$ 126,865	$ (16,659)	$ 3,506	$ 106,700

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	$ 182,001
Support services:	
Instructional staff	20,609
Administration	-
Operation and maintenance of plant	3,071
Transportation	37,556
Total depreciation expense - governmental activities	$ 243,237
Business type activities:	
Food service operations	$ 16,659

(7) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	5,610,000		270,000	5,340,000	280,000
Capital Leases	159,672		28,210	131,462	29,960
Notes Payable	240,000		45,000	195,000	45,000
Early Retirement	101,393	42,058	33,189	110,262	33,777
Compensated Absences				-	
Total	6,111,065	42,058	376,399	5,776,724	388,737

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the base salary for a beginning teacher for the current year. Early retirement benefits paid during the year ended June 30, 2004 totaled $42,058. The benefits can be applied to cover the cost of health insurance premiums.

Details of the District's June 30, 2004, general obligation bonded indebtedness are as follows:

Year Ending June 30,	Capital Loan Notes - Dec. 1, 1997			Capital Lease July 12, 2000		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2005	4.750%	$45,000	$9,488	3.055%	$29,960	$7,581
2006	4.800%	50,000	7,350	3.055%	31,819	5,723
2007	4.900%	50,000	4,950	3.055%	33,792	3,749
2008	5.000%	50,000	2,500	3.055%	35,889	1,653
Total		$195,000	$24,288		$131,460	$18,706

Year Ending June 30,	General Obligation School Bond, Series 1998 A			Bond Totals		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2005	4.000%	$280,000	$229,033	$354,960	$246,102	$601,062
2006	4.000%	290,000	217,833	371,819	230,906	602,725
2007	4.050%	305,000	206,233	388,792	214,932	603,724
2008	4.100%	320,000	193,880	405,889	198,033	603,922
2009	4.150%	335,000	180,760	335,000	180,760	515,760
2010	4.200%	350,000	166,858	350,000	166,858	516,858
2011	4.250%	365,000	152,158	365,000	152,158	517,158
2012	4.300%	380,000	136,645	380,000	136,645	516,645
2013	4.300%	400,000	120,305	400,000	120,305	520,305
2014	4.350%	420,000	103,105	420,000	103,105	523,105
2015	4.400%	440,000	84,835	440,000	84,835	524,835
2016	4.500%	460,000	65,475	460,000	65,475	525,475
2017	4.500%	485,000	44,775	485,000	44,775	529,775
2018	4.500%	510,000	22,950	510,000	22,950	532,950
Total		$5,340,000	$1,924,845	$5,666,460	$1,967,839	$7,634,299

During the year ended June 30, 2004, the District made principal and interest payments totaling $603,977 under the agreements.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were $173,639, $176,098 and $173,907 respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $246,791 for the year ended June 30, 2004, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				
	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Net assets June 30, 2003, as previously reported	$ 394,154	$ 4,688	$ -	$ 141,516	$ 540,358
GASB Interpretation 6 adjustments					-
Net Assets July 1, 2003, as restated for governmental funds	394,154	4,688	-	141,516	540,358
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of $3,860,908					6,667,906
Long-term Liabilities:					
Bonds and notes				5,850,000	
Early retirement				101,393	
Capital lease				159,670	
Compensated absences				-	(6,111,063)
Accrued interest payable					(24,187)
Net assets July 1, 2003 as restated					$ 1,073,014

	School Nutrution
Net assets June 30, 2003, as previously reported	$ (67,908)
GASB Interpretation 6 adjustments	15,221
Net Assets July 1, 2003, as restated for enterprise funds	(52,687)
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of $ 71,222	126,865
Deferred Revenue	2,623
Net assets July 1, 2003 as restated	$ 76,801

Required Supplementary Information

West Sioux Communtiy School District
Budgetary Comparison Scheudle of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local Sources	$ 3,468,883	$ 124,922
Intermediate sources	-	-
State sources	3,080,354	4,096
Federal sources	318,762	120,958
Total receipts	6,867,999	249,976
Disbursements:		
Instruction	3,682,584	-
Support services	1,819,220	-
Non-instructional programs	2,241	268,121
Other expenditures	554,627	-
Total disbursements	6,058,672	268,121
Deficiency of receipts under disbursements	809,327	(18,145)
Other financing sources, net	(343,810)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	465,517	(18,145)
Balances beginning of year	1,010,570	31,195
Balances end of year	$ 1,476,087	$ 13,050

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
$ 3,593,805	$ 3,521,821	$ 3,521,821	$ 71,984
-	-	-	-
3,084,450	3,092,242	3,092,242	(7,792)
439,720	250,772	250,772	188,948
7,117,975	6,864,835	6,864,835	253,140
3,682,584	3,305,172	3,305,172	377,412
1,819,220	2,072,639	2,072,639	(253,419)
270,362	616,000	616,000	(345,638)
554,627	815,227	815,227	(260,600)
6,326,793	6,809,038	6,809,038	(482,245)
791,182	55,797	55,797	735,385
-	56,603	56,603	(56,603)
791,182	112,400	112,400	678,782
	201,616	201,616	(201,616)
$ 791,182	$ 314,016	$ 314,016	$ 477,166

See accompanying independent auditor's report.

West Sioux Community School District
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
Year ended June 30, 2004

	Government Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 6,867,999	$ 71,801	$ 6,939,800
Expenditures	6,058,672	80,718	6,139,390
Net	809,327	(8,917)	800,410
Other financing sources, net	(343,810)	-	(343,810)
Beginning fund balaces	1,010,570	(470,212)	540,358
Ending fund balances	$ 1,476,087	$ (479,129)	$ 996,958

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 249,976	$ 34,481	$ 284,457
Expenditures	268,121	33,617	301,738
Net	(18,145)	864	(17,281)
Beginning fund balaces	31,195	45,606	76,801
Ending fund balances	$ 13,050	$ 46,470	$ 59,520

See accompanying independent auditor's report.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2004, disbursements in the instruction functions exceeded the amounts budgeted.

West Sioux Community School District

Other Supplementary Information

West Sioux Community School District

Schedule 1

Combining Balance Sheet - Nonmajor Special Revenue Funds

June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and cash Equivalents:				
Other	$ 112,453	$ 98,712	$ 40,860	$ 252,025
Receivables:				
Property tax:				
Delinquent	2,322	-	2,261	4,583
Succeeding year	150,000	-	131,773	281,773
Total assets	264,775	98,712	174,894	538,381
Liabilites and Fund Equity				
Liabilities:				
Accounts payable	-	4,652	-	4,652
Early retirement	33,777	-	-	33,777
Deferred revenue - succeeding year				
Property tax	150,000	-	131,773	281,773
Total liabilities	183,777	4,652	131,773	320,202
Fund equity:				
Unreserved fund balances	80,998	94,060	43,121	218,179
Total liabilities and fund equity	$ 264,775	$ 98,712	$ 174,894	$ 538,381

See accompanying independent auditor’s report.

West Sioux Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes
in Fund Balances -Nonmajor Special Revenue Funds
Year ended June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	$ 149,778	$ -	$ 149,958	$ 299,736
Other	1,667	333,707	3,164	338,538
State sources	-	-	-	-
Total revenues	151,445	333,707	153,122	638,274
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	-	-
Special instruction	-	-	-	-
Other instruction	-	321,835	-	321,835
Support services:				
Administration Services	-	-	-	-
Operation and maintenace	-	-	-	-
of plant services	100,074	-	-	100,074
Other expenditures:				
Facilities acquisition	-	-	45,258	45,258
Total expenditures	100,074	321,835	45,258	467,167
Excess (deficiency) of revenues over (under) expenditures	51,371	11,872	107,864	171,107
Other financing sources (uses):				
Operating transfers out	-	-	(94,444)	(94,444)
Total other financing sources (uses)	-	-	(94,444)	(94,444)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	51,371	11,872	13,420	76,663
Fund balances beginning of year, as restated	29,627	82,188	29,701	141,516
Fund balances end of year	$ 80,998	$ 94,060	$ 43,121	$ 218,179

See accompanying independent auditor's report.

West Sioux Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

	Balance Beginning of Year	Revenues and Interfund Transfers	Expend-itures	Balance End of Year
HIGH SCHOOL				
Adult education	$ 28	$ 24	$ 24	$ 28
Clearing Account	-	41,666	41,666	-
Annual	878	4,817	3,782	1,913
Newspaper-Falcon Banner	823	2,798	3,370	251
Drama Club	4,740	1,771	1,995	4,516
Dance Team	1,421	7,117	6,564	1,974
Materials for Resale	3,827	9,395	11,893	1,329
Stage Lighting Project	786	-	786	-
Concession Stand Grant	(4,383)	3,200	(1,183)	-
Vocal Music Group	1,196	1,424	797	1,823
Band	134	4,694	4,684	144
High School Athletics	15,513	56,868	56,395	15,986
Concession Supplies	465	23,334	20,343	3,456
Future Farmers of America	1,642	11,419	10,900	2,161
Library Club	963	1,458	1,457	964
Student Council	3,732	11,863	11,380	4,215
Letterpersons' Club	591	120	17	694
Cheerleaders	1,746	3,434	3,911	1,269
HS Student Newspaper	109	1,498	1,513	94
Class of 2003	432	-	432	-
Class of 2004	76	490	266	300
Class of 2005	1,608	2,396	4,004	-
Class of 2006	765	840	15	1,590
Class of 2007	-	870	27	843
Remembrance	311	118	338	91
High School Art Club	189	-	1	188
National Honor Society	627	3,080	3,022	685
Volleyball Fundraiser	1,788	240	309	1,719
Softball Fundraiser	157	3,445	3,204	398
Boys Basketball Fundraiser	1,117	4,537	5,268	386
High School Miscellaneous Accounts	3,488	7,640	8,310	2,818
Football Fundraiser	2,831	17,390	19,563	658
Boys Baseball Fundraiser	686	3,099	948	2,837
Girls Basketball Fundraiser	2,041	3,548	2,350	3,239
Cross Country Fundraiser	2,319	2,276	2,192	2,403
District Activities Fee	1,630	2,582	3,064	1,148
Wrestling Fundraiser	1,158	152	776	534
Track Fundraiser	473	40	127	386
FCA	-	1,832	1,388	444
Speech	-	943	512	431
Quiz Bowl	-	1,344	742	602
High School Interest	623	516	-	1,139
Aviation Grant	56	-	-	56
Washington, D.C. Trips	2,656	43,197	43,527	2,326
TOTAL HIGH SCHOOL	59,242	287,475	280,679	66,038

West Sioux Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

	Balance Beginning of Year	Revenues and Interfund Transfers	Expend-itures	Balance End of Year
IRETON ELEMENTARY:				
Revolving	1,464	1,254	693	2,025
Kindergarten Milk	1,522	1,355	1,274	1,603
Pictures	1,433	252	-	1,685
Book Rent	27	-	-	27
Book Fairs	377	550	178	749
Book Fines	35	85	-	120
Pop Fund	167	-	32	135
TOTAL IRETON ELEM.	5,025	3,496	2,177	6,344
HAWARDEN ELEMENTARY:				
Miscellaneous	878	1,155	1,186	847
Pop	1,695	1,064	963	1,796
Picture	1,524	455	26	1,953
Book Fair	343	3,286	3,375	254
Library Fines	82	23	14	91
Assignment Notebooks	165	188	222	131
Interest	195	17	-	212
Computer Camp	1,230	214	1,153	291
Donations for School Supplies	-	734	32	702
Birthday Book Club	146	-	1	145
Box Tops for Education	226	253	175	304
TOTAL HAWARDEN ELEM.	6,484	7,389	7,147	6,726
MIDDLE SCHOOL:				
General	1,212	5,086	5,143	1,155
Pop	1,550	3,662	2,715	2,497
Magazines	6,412	11,763	13,384	4,791
Candy Sales	42	5,730	3,380	2,392
Pictures	432	843	954	321
Athletics	(214)	5,673	3,326	2,133
Computer Disc Resale	562	-	562	-
Interest	212	87	222	77
Assignment Notebooks	(105)	771	634	32
Band/Vocal Music	566	260	826	-
Student Participations	56	1,472	-	1,528
History Fair Account	712	-	686	26
TOTAL MIDDLE SCHOOL	$ 11,437	$ 35,347	$ 31,832	$ 14,952
GRAND TOTAL	$ 82,188	$ 333,707	$ 321,835	$ 94,060

See accompanying independent auditor's report.

West Sioux Community School District

Schedule 4

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	$ 2,898,455	$ 2,688,077	$ 2,486,427	$ 2,414,733
Tuition	161,039	160,197	156,949	160,606
Other	618,025	699,862	529,093	758,361
Intermediate sources	-	-	-	-
State sources	3,075,134	3,287,857	3,049,471	3,079,285
Federal sources	471,604	379,332	348,655	272,113
Total	7,224,257	7,215,325	6,570,595	6,685,098
Expenditures:				
Insturction:				
Regular instruction	2,207,852	2,267,697	2,134,159	2,170,983
Special instruction	918,168	973,038	918,615	810,804
Other instruction	639,521	285,337	285,002	282,288
Support services:				
Student services	134,220	202,592	124,842	166,060
Instructional staff services	314,336	281,388	284,659	282,177
Administration Services	526,789	516,386	551,957	620,887
Operation and maintenace of plant services	639,087	588,676	779,423	486,820
Transportation services	204,360	180,019	178,310	191,078
Central support services	-	5,634	2,271	
Non-instructional programs	303,979	688,723	590,025	497,982
Other expenditures:				
Facilities acquisition	45,258	78,086	104,820	1,599,674
Long-term debt interest	260,767	564,275	565,515	567,215
AEA flowthrough	246,791	249,233	241,228	248,187
Total	$ 6,441,128	$ 6,881,084	$ 6,760,826	$ 7,924,155

See accompanying independent auditor’s report.

West Sioux Community School District

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Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

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

We have audited the financial statements of the West Sioux Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 4, 2004. We conducted our audit in accordance with generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the West Sioux Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items II-B-04.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-04-A is a material weakness. Prior year reportable conditions have all been resolved except for item I-04-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Sioux Community School District and other parties to whom West Sioux Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the West Sioux Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wells Heard Halse & Co.

November 4, 2004

West Sioux Community School District
Schedule of Findings
Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

REPORTABLE CONDITIONS:

I-04-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that the same person did all cash receipts and disbursements and bookkeeping and deposit functions.

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

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

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-04-A Official Depository – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-04-B Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the instruction area.

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

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

Conclusion – Response accepted.

II-04-C Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-04-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-04-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.

II-04-F Board Minutes - No transactions requiring Board approval, which had not been approved by the Board, were noted.

II-04-G Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Districts' investment policy were noted.

II-04-H Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

Recommendation – The Certified Annual Report should have been filed by September 15, 2004.

Response – With the GASB 34 implementation we wanted the Certified Annual Report correct, which took more time to prepare to be able to file by September 15, 2004. With the implementation complete we will be able in the future to file in a timelier manner.

Conclusion – Response accepted

II-04-I Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-04-J Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ruth Ortiz Wife of Board Member	Interpreter - Spanish Language	$ 2,366
Janet Smit Wife of Board Member	Custodian and Activity bus driver	16,451
Reinking Insurance Inc. Spouse of an Employee	Insurance	149,911
Gregg Vreeman Spouse of a Teacher	Siouxland Propane	25,122

In accordance with an Attorney General's opinion date November 9, 1976, the transactions with Siouxland Propane Co. and Reinking Insurance do not appear to represent a conflict of interest since the transactions were competitively bid as provided by Chapter 279.7A of the Code of Iowa. Smit was an employee of the District prior to Husband's election to the Board. Ortis is used as an interpreter only when needed by the District.

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

Response - We will do this.

Conclusion - Response accepted.