

WESTWOOD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Westwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Dean Carlson	President	2003
Don Lord	Vice President	2003
Roxie Ullrich	Board Member	2005
Steve Jewett	Board Member	2005
Sue Mohning	Board Member	2004

<b>Board of Education (After September 2003 Election)</b>		
Steve Jewett	President	2005
Sue Mohning	Vice President	2004
Roxie Ullrich	Board Member	2005
Dennis Gallagher	Board Member	2006
Marty Choquette	Board Member	2006

**School Officials**

Kirk Ahrends	Superintendent	2004
Denise Patterson	District Secretary/ Treasurer and Business Manager	2004
Jim Hanks	Attorney	2004

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Westwood Community School District:

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

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 opinions.

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

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Westwood Community School District adopted 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; 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 Government Auditing Standards, we have also issued our report dated September 29, 2004, on our consideration of the Westwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government 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 4 through 12 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Westwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2004

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

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Westwood 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 increased from \$4,722,347 in fiscal 2003 to \$5,010,692 in fiscal 2004, while General Fund expenditures also increased from \$4,816,455 in fiscal 2003 to \$4,865,888 in fiscal 2004. This resulted in an increase in the District's fund balance from \$227,589 in fiscal 2003 to \$378,378 in fiscal 2004, which was a 66% increase from the prior year.

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

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

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

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

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

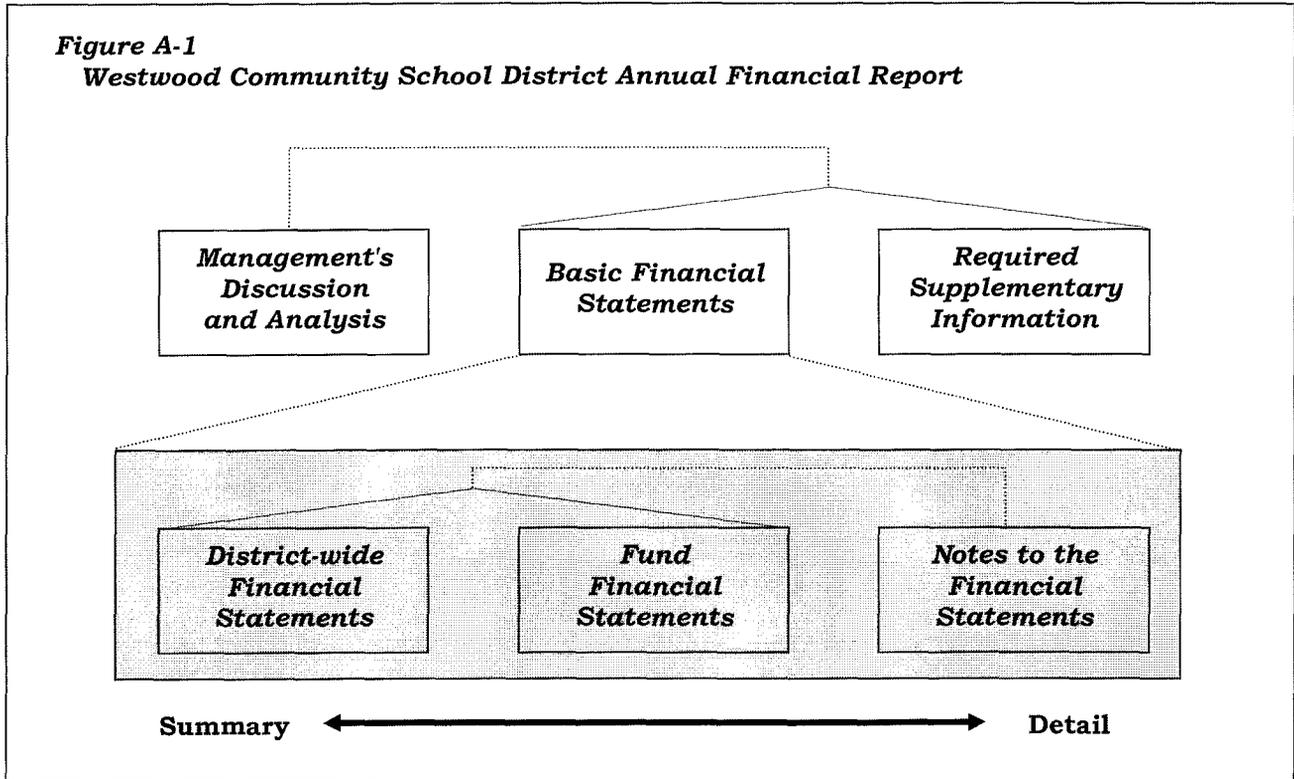


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	District-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 and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and 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

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## 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 established other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Service 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.

3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include the Agency Fund.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other District's.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 6,629,217	48,240	6,677,457
Capital assets	8,964,067	14,565	8,978,632
Total assets	<u>15,593,284</u>	<u>62,805</u>	<u>15,656,089</u>
Long-term obligations	4,200,000	0	4,200,000
Other liabilities	4,288,517	2,267	4,290,784
Total liabilities	<u>8,488,517</u>	<u>2,267</u>	<u>8,490,784</u>
Net assets:			
Invested in capital assets, net of related debt	6,544,532	14,565	6,559,097
Restricted	101,794	0	101,794
Unrestricted	458,441	45,973	504,414
Total net assets	<u>\$ 7,104,767</u>	<u>60,538</u>	<u>7,165,305</u>

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

Figure A-4  
Changes of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 739,484	133,117	872,601
Operating grants and contributions and restricted interest	580,801	125,935	706,736
<b>General revenues:</b>			
Property tax	3,388,399	0	3,388,399
Local option sales and service tax	441,953	0	441,953
Unrestricted state grants	1,827,303	0	1,827,303
Unrestricted investment earnings	19,443	138	19,581
Other	5,985	0	5,985
<b>Total revenues</b>	<b>7,003,368</b>	<b>259,190</b>	<b>7,262,558</b>
<b>Program expenses:</b>			
<b>Governmental activities:</b>			
Instructional	3,608,574	0	3,608,574
Support services	1,603,312	0	1,603,312
Non-instructional programs	704	268,364	269,068
Other expenses	797,983	0	797,983
<b>Total expenses</b>	<b>6,010,573</b>	<b>268,364</b>	<b>6,278,937</b>
<b>Change in net assets before capital contributions</b>	<b>\$ 992,795</b>	<b>(9,174)</b>	<b>983,621</b>

Property tax and unrestricted state grants account for 72% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

### Governmental Activities

Total revenues for all of the Districts' governmental activities were \$7,003,368 and expenses were \$6,010,573.

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
Instruction	\$ 3,608,574	2,484,349
Support services	1,603,312	1,600,777
Non-instructional	704	704
Other expenses	797,983	604,458
<b>Totals</b>	<b>\$ 6,010,573</b>	<b>4,690,288</b>

- The cost of all governmental activities this year was \$6,010,573
- A portion of the cost financed by users of the District's programs was \$739,484

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- The federal and state government subsidized certain programs with operating grants and contributions totaling \$580,801

### **Business-Type Activities**

Revenues for business type activities were \$259,190 and expenses were \$268,364. The District's only business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

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

A strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$2,234,131, an increase of \$92,891 over last years ending fund balances of \$2,141,240.

### **Governmental Fund Highlights**

- The increase in General Fund revenues was attributable to the Westwood Board of Education approving the Instructional Support Levy for fiscal year 2004. This provided an additional \$144,997 for General Fund purposes.
- Special education spending had been brought inline with revenues.
- The Management Fund expenditures were \$238,943 and the revenues were \$115,740 which created a deficit fund balance of \$50,739. Westwood Community School District plans to levy more taxes to bring this fund into a positive balance.

### **Proprietary Fund Highlights**

- The Nutrition Fund invested in new computer hardware and software system that will allow the financial and student breakfast and lunch data to be saved on a back-up cd.
- The Nutrition Fund also invested in a salad bar to increase participation for the staff and grades 7-12.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$351,989 less than budgeted receipts, a variance of 4.72%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, the District had invested \$8,978,632, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual

equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for year was \$342,477.

The original cost of the District's capital assets was \$12,546,638. Governmental funds account for \$12,398,343, with the remainder of \$148,295 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
	2004	2003	2004	2003	2004	2003	2003-04
Land	\$ 76,000	76,000	0	0	76,000	76,000	0.00%
Buildings	8,406,042	8,620,030	0	0	8,406,042	8,620,030	-2.55%
Improvements other than buildings	181,438	213,871	0	0	181,438	213,871	-17.88%
Machinery and equipment	300,587	294,107	14,565	12,474	315,152	306,581	2.72%
Total	\$ 8,964,067	9,204,008	14,565	12,474	8,978,632	9,216,482	-2.65%

### Long-Term Debt

At June 30, 2004, the District had \$4,200,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 19% 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 School District		Total
	2004	2003	Change
General obligation bonds	\$ 825,000	1,310,000	-37.0%
Revenue Bonds	1,470,000	1,720,000	-14.5%
Capital Loan Notes	1,905,000	2,135,000	-10.8%
Early Retirement	0	32,295	-100.0%
Totals	\$ 4,200,000	5,197,295	-19.2%

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## **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:

- Voters in Woodbury County will be voting on the extension of the Local Option Sales & Services Tax in August 2005. We are anticipating that this will pass and will provide additional funding for future Capital Project needs.
- Declining enrollment had had a negative affect on Westwood's budget. We are estimating enrollment to become stable within the next three years and experience growth within the next five years.
- The tax rate will decrease in fiscal years 2006 and 2007 due to the retirement of the general obligation bonds that were issued for our current building.
- The loss of the 100% budget guarantee created \$20,050 in lost revenue for fiscal year 2005.

## **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 Denise Patterson, Business Manager, Westwood Community School District, 1000 Rebel Way, Sloan, Iowa, 51055.

BASIC FINANCIAL STATEMENTS

WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
ISCAP (Note 4)	\$ 738,904	0	738,904
Other	2,354,485	33,737	2,388,222
Receivables			
Property tax:			
Delinquent	33,711	0	33,711
Succeeding year	3,318,179	0	3,318,179
Income surtax	135,799	0	135,799
Accounts	2,342	0	2,342
Accrued ISCAP interest (Note 4)	1,139	0	1,139
Due from other governments	44,658	0	44,658
Inventories	0	14,503	14,503
Capital assets, net of accumulated depreciation (Note 5)	8,964,067	14,565	8,978,632
<b>TOTAL ASSETS</b>	<b>15,593,284</b>	<b>62,805</b>	<b>15,656,089</b>
<b>LIABILITIES</b>			
Accounts payable	26,639	175	26,814
Salaries and benefits payable	22,006	937	22,943
Retirement payable	125,649	0	125,649
ISCAP warrants payable (Note 4)	742,000	0	742,000
ISCAP accrued interest payable (Note 4)	1,727	0	1,727
ISCAP unamortized premium	1,003	0	1,003
Due to other governments	22,084	0	22,084
Accrued interest payable	29,230	0	29,230
Deferred revenue:			
Succeeding year property tax	3,318,179	0	3,318,179
Other	0	1,155	1,155
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	510,000	0	510,000
Revenue bonds	265,000	0	265,000
Capital loan notes	240,000	0	240,000
Portion due after one year:			
General obligation bonds payable	315,000	0	315,000
Revenue bonds	1,205,000	0	1,205,000
Capital loan notes	1,665,000	0	1,665,000
<b>TOTAL LIABILITIES</b>	<b>8,488,517</b>	<b>2,267</b>	<b>8,490,784</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	6,544,532	14,565	6,559,097
Restricted for:			
Phase III	4,997	0	4,997
Other special revenue purposes	96,797	0	96,797
Unrestricted	458,441	45,973	504,414
<b>TOTAL NET ASSETS</b>	<b>\$ 7,104,767</b>	<b>60,538</b>	<b>7,165,305</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,305,037	612,882	355,548
Special instruction	763,698	125,332	30,463
Other instruction	539,839	0	0
	<u>3,608,574</u>	<u>738,214</u>	<u>386,011</u>
Support services:			
Student services	137,146	0	0
Instructional staff services	97,427	0	0
Administration services	570,496	0	0
Operation and maintenance of plant services	364,950	0	0
Transportation services	433,293	1,270	1,265
	<u>1,603,312</u>	<u>1,270</u>	<u>1,265</u>
Non-instructional programs	704	0	0
Other expenditures:			
Facilities acquisitions	145,996	0	0
Long-term debt interest	212,041	0	0
AEA flowthrough	193,525	0	193,525
Depreciation (unallocated)*	246,421	0	0
	<u>797,983</u>	<u>0</u>	<u>193,525</u>
Total governmental activities	6,010,573	739,484	580,801
Business-Type activities:			
Non-instructional programs:			
Nutrition services	268,364	133,117	125,935
Total business-type activities	<u>268,364</u>	<u>133,117</u>	<u>125,935</u>
Total	<u>\$ 6,278,937</u>	<u>872,601</u>	<u>706,736</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Debt service  
  Capital outlay  
  Local option sales and services  
  Unrestricted state grants  
  Unrestricted investment earnings  
  Other

Total general revenues

Changes in net assets before capital contributions

Capital contributions

Change in net assets

Net assets beginning of year, as restated (Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,336,607)	0	(1,336,607)
(607,903)	0	(607,903)
(539,839)	0	(539,839)
(2,484,349)	0	(2,484,349)
(137,146)	0	(137,146)
(97,427)	0	(97,427)
(570,496)	0	(570,496)
(364,950)	0	(364,950)
(430,758)	0	(430,758)
(1,600,777)	0	(1,600,777)
(704)		(704)
(145,996)	0	(145,996)
(212,041)	0	(212,041)
0	0	0
(246,421)	0	(246,421)
(604,458)	0	(604,458)
(4,690,288)	0	(4,690,288)
0	(9,312)	(9,312)
0	(9,312)	(9,312)
(4,690,288)	(9,312)	(4,699,600)
\$ 2,461,056	0	2,461,056
536,151	0	536,151
391,192	0	391,192
441,953	0	441,953
1,827,303	0	1,827,303
19,443	138	19,581
5,985	0	5,985
5,683,083	138	5,683,221
992,795	(9,174)	983,621
0	9,500	9,500
992,795	326	993,121
6,111,972	60,212	6,172,184
\$ 7,104,767	60,538	7,165,305

WESTWOOD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Capital Projects	Debt Service	Management	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>						
Cash and pooled investments:						
ISCAP(Note 4)	\$ 738,904	0	0	0	0	738,904
Other	372,896	1,253,401	546,514	73,728	107,946	2,354,485
Receivables:						
Property tax:						
Delinquent	22,918	0	5,557	1,182	4,054	33,711
Succeeding year	2,178,218	0	542,490	207,095	390,376	3,318,179
Income surtax	135,799	0	0	0	0	135,799
Accounts	2,342	0	0	0	0	2,342
Accrued ISCAP interest(Note 4)	1,139	0	0	0	0	1,139
Due from other governments	44,658	0	0	0	0	44,658
<b>TOTAL ASSETS</b>	<b>\$ 3,496,874</b>	<b>1,253,401</b>	<b>1,094,561</b>	<b>282,005</b>	<b>502,376</b>	<b>6,629,217</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 15,659	6,697	0	0	4,283	26,639
Salaries and benefits payable	22,006	0	0	0	0	22,006
Retirement payable	0	0	0	125,649	0	125,649
Due to other governments	22,084	0	0	0	0	22,084
ISCAP warrants payable(Note 4)	742,000	0	0	0	0	742,000
ISCAP accrued interest payable(Note 4)	1,727	0	0	0	0	1,727
ISCAP unamortized premium	1,003	0	0	0	0	1,003
Deferred revenue:						
Succeeding year property tax	2,178,218	0	542,490	207,095	390,376	3,318,179
Income surtax	135,799	0	0	0	0	135,799
Total liabilities	3,118,496	6,697	542,490	332,744	394,659	4,395,086
Fund balances:						
Reserved for:						
Phase III	4,997	0	0	0	0	4,997
Unreserved:						
Undesignated	373,381	1,246,704	552,071	(50,739)	107,717	2,229,134
Total fund balances	378,378	1,246,704	552,071	(50,739)	107,717	2,234,131
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,496,874</b>	<b>1,253,401</b>	<b>1,094,561</b>	<b>282,005</b>	<b>502,376</b>	<b>6,629,217</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2004

Total fund balances of governmental funds (page 16)	\$ 2,234,131
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	8,964,067
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.	(29,230)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	135,799
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,200,000)</u>
<b>Net assets of governmental activites (page 13)</b>	<b><u><u>\$ 7,104,767</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Debt Service	Management	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 2,211,208	441,953	536,151	114,049	391,192	3,694,553
Tuition	303,419	0	0	0	0	303,419
Other	87,961	90,930	4,428	1,617	269,907	454,843
State sources	2,234,728	0	346	74	253	2,235,401
Federal sources	173,376	0	0	0	0	173,376
Total revenues	5,010,692	532,883	540,925	115,740	661,352	6,861,592
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular instruction	2,123,293	0	0	176,394	0	2,299,687
Special instruction	795,993	0	0	0	0	795,993
Other instruction	272,295	0	0	0	267,544	539,839
	3,191,581	0	0	176,394	267,544	3,635,519
Support services:						
Student services	135,416	0	0	780	950	137,146
Instructional staff services	97,064	0	0	363	0	97,427
Administration services	550,495	0	0	20,001	0	570,496
Operation and maintenance of plant services	332,049	0	0	20,991	2,565	355,605
Transportation services	365,758	0	0	19,710	69,000	454,468
Central services	0	0	0	0	0	0
	1,480,782	0	0	61,845	72,515	1,615,142
Non-instructional programs	0	0	0	704	0	704
Other expenditures:						
Facilities acquisitions	0	143,595	0	0	2,401	145,996
Long-term debt:						
Principal	0	0	965,000	0	0	965,000
Interest and fiscal charges	0	0	218,792	0	0	218,792
AEA flowthrough	193,525	0	0	0	0	193,525
	193,525	143,595	1,183,792	0	2,401	1,523,313
Total expenditures	4,865,888	143,595	1,183,792	238,943	342,460	6,774,678
Excess(Deficiency) of revenues over(under) expenditures	144,804	389,288	(642,867)	(123,203)	318,892	86,914
Other financing sources (uses):						
Sale of equipment	5,985	0	0	0	0	5,985
Transfers in	0	9,368	612,586	0	950	622,904
Transfers out	0	(293,429)	(9,368)	0	(320,115)	(622,912)
Total other financing sources (uses)	5,985	(284,061)	603,218	0	(319,165)	5,977
Net change in fund balances	150,789	105,227	(39,649)	(123,203)	(273)	92,891
Fund balance beginning of year	227,589	1,141,477	591,720	72,464	107,990	2,141,240
Fund balance end of year	\$ 378,378	1,246,704	552,071	(50,739)	107,717	2,234,131

SEE NOTES TO FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2004

Net change in fund balances - total governmental funds (page 18) \$ 92,891

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

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

Capital outlays	\$ 101,000	
Depreciation expense	<u>(340,941)</u>	(239,941)

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 repayments were as follows:

Repaid	965,000
--------	---------

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.

6,751

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

135,799

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

Early retirement	<u>32,295</u>
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Changes in net assets of governmental activities (page 15) \$ 992,795

SEE NOTES TO FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 33,737
Inventories	14,503
Capital assets, net of accumulated depreciation	<u>14,565</u>
Total assets	<u>62,805</u>
LIABILITIES	
Accounts payable	175
Salaries and benefits payable	937
Deferred Revenue	<u>1,155</u>
Total liabilities	<u>2,267</u>
NET ASSETS	
Invested in capital assets, net of related debt	14,565
Unrestricted	<u>45,973</u>
Total net assets	<u>\$ 60,538</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 133,117
TOTAL OPERATING REVENUES	133,117
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	98,882
Benefits	27,519
Services	2,507
Supplies	132,225
Depreciation	1,536
TOTAL OPERATING EXPENSES	262,669
OPERATING LOSS	(129,552)
NON-OPERATING REVENUES (EXPENSES):	
State sources	4,155
Federal sources	121,780
Interest on investments	138
Loss on disposal of assets	(5,695)
TOTAL NON-OPERATING REVENUES (EXPENSES)	120,378
Loss before capital contributions	(9,174)
Capital contributions	9,500
Change in net assets	326
Net assets beginning of year	60,212
Net assets end of year	\$ 60,538

SEE NOTES TO FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 128,929
Cash received from miscellaneous operating activities	1,771
Cash payments to employees for services	(125,663)
Cash payments to suppliers for goods or services	(108,499)
Net cash used in operating activities	(103,462)
Cash flows from non-capital financing activities:	
State grants received	4,155
Federal grants received	98,115
Net cash provided by non-capital financing activities	102,270
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,627)
Net cash used in capital and related financing activities	(3,627)
Cash flows from investing activities:	
Interest on investments	138
Net cash provided by investing activities	138
Net decrease in cash and cash equivalents	(4,681)
Cash and cash equivalents at beginning of year	38,418
Cash and cash equivalents at end of year	\$ 33,737
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (129,552)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	23,665
Depreciation	1,536
Decrease in inventories	2,653
Decrease in accounts payable	(85)
Increase in salaries and benefits payable	738
Decrease in deferred revenue	(2,417)
Net cash used in operating activities	\$ (103,462)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 33,737

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$23,665.

During the year ended June 30, 2004, the District received capital contributions of \$9,500.

SEE NOTES TO FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2004

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 1,878
<b>Total assets</b>	<u>1,878</u>
<b>Liabilities</b>	
Due to other groups	1,878
<b>Total liabilities</b>	<u>\$ 1,878</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**(1) Summary of Significant Accounting Policies**

The Westwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Sloan, Smithland, Hornick, Holly Springs, and Salix, Iowa, and the predominate agricultural territory in Woodbury and Monona Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Woodbury and Monona Counties Assessors' 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 support.

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary fund:

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

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

The Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations

and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using 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, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable - Property tax in the governmental funds are 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 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 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.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other 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 Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$441,633 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

The District had a certificate of deposit at June 30, 2004 with a fair value of \$6,907.

**(3) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	PPEL	319,165
Debt Sinking	LOSST	284,053
Total		<u>\$ 603,218</u>

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

**(4) Iowa School 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. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 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>
2003-04B	1/30/04	1/28/05	\$ 209,416	1,139	208,000	1,727
2004-05A	6/30/04	6/30/05	529,488	0	534,000	0
Total			<u>\$ 738,904</u>	<u>1,139</u>	<u>742,000</u>	<u>1,727</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 addition, the District must make minimum warrant repayments of the 25<sup>th</sup> 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, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ 0	150,000	150,000	0

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

**(5) Capital Assets**

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

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 76,000	0	0	76,000
Total capital assets not being depreciated	76,000	0	0	76,000
Capital assets being depreciated:				
Buildings	10,699,408	0	0	10,699,408
Improvements other than buildings	648,668	0	0	648,668
Machinery and equipment	1,037,902	101,000	164,635	974,267
Total capital assets being depreciated	12,385,978	101,000	164,635	12,322,343
Less accumulated depreciation for:				
Buildings	2,079,378	213,988	0	2,293,366
Improvements other than buildings	434,797	32,433	0	467,230
Machinery and equipment	743,795	94,520	164,635	673,680
Total accumulated depreciation	3,257,970	340,941	164,635	3,434,276
Total capital assets being depreciated, net	9,128,008	(239,941)	0	8,888,067
Governmental activities capital assets, net	\$ 9,204,008	(239,941)	0	8,964,067
<b>Business-type activities:</b>				
Machinery and equipment	\$ 150,900	3,627	6,232	148,295
Less accumulated depreciation	138,426	1,536	6,232	133,730
Business-type activities capital assets, net	\$ 12,474	2,091	0	14,565

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,350
Support services:		
Operation and maintenance of plant		9,345
Transportation		79,825
		<u>94,520</u>
Unallocated depreciation		<u>246,421</u>
Total governmental activities depreciation expense		<u>\$ 340,941</u>
Business-type activities:		
Food services		\$ 1,536
Total business-type activities depreciation expense		<u>\$ 1,536</u>

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	1,310,000	0	485,000	825,000	510,000
Revenue Bonds	1,720,000	0	250,000	1,470,000	265,000
Capital Loan Notes	2,135,000	0	230,000	1,905,000	240,000
Early Retirement	32,295	0	32,295	0	0
	<u>\$ 5,197,295</u>	<u>0</u>	<u>997,295</u>	<u>4,200,000</u>	<u>1,015,000</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rates	Issue dated May 1, 2001		
		Principal	Interest	Total
2005	5.65	\$ 510,000	32,490	542,490
2006	5.75	315,000	12,600	327,600
Total		<u>\$ 825,000</u>	<u>45,090</u>	<u>870,090</u>

Revenue Bonds

Details of the District's June 30, 2004 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Issue dated November 1, 2002		
		Principal	Interest	Total
2005	4.00	\$ 265,000	63,225	328,225
2006	4.00	280,000	49,600	329,600
2007	4.00	290,000	36,075	326,075
2008	4.13	305,000	22,535	327,535
2009	4.25	320,000	8,000	328,000
2010	4.45	10,000	240	10,240
Total		<u>\$ 1,470,000</u>	<u>179,675</u>	<u>1,649,675</u>

Capital Loan Notes

Details of the District's June 30, 2004 capital loan notes indebtedness are as follows:

Year Ending June 30,	Issue dated November 1, 2002			
	Interest Rates	Principal	Interest	Total
2005	4.00	\$ 240,000	79,666	319,666
2006	4.00	250,000	70,066	320,066
2007	4.00	260,000	60,066	320,066
2008	4.13	270,000	49,666	319,666
2009	4.25	280,000	38,528	318,528
2010	4.35	295,000	26,628	321,628
2011	4.45	310,000	13,796	323,796
Total		\$ 1,905,000	338,416	2,243,416

Early Retirement

The District offers a voluntary early retirement plan for all of its full-time employees. Eligible employees must be between the ages of fifty-five and sixty-five on or before June 30 of the year in which the employee wishes to retire. Employees must have completed at least a total of ten years of service as a full-time employee of 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 will be a lump sum amount of 100 percent of their final year regular salary minus any extended contract, overtime or extra duty pay. An additional five percent of their final year regular salary minus any extended contract, overtime, or extra duty pay for every year for 11 through 20 years of service in the District. Twenty years experience will be the maximum amount of years considered for this plan. Early retirement benefits paid during the year ended June 30, 2004, totaled \$32,295.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual 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 \$180,937, \$190,123, \$184,985, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Westwood Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E

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

Each members' contributions to the ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General and Management Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$292,309.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, and assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly at June 30, 2004 no liability has been recorded in the District's financial statements. As of June 30, 2004 settled claims have not exceeded the risk pool or reinsurance company coverage.

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

Westwood 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.

**(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 \$193,525 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.

**(10) Accounting Change and Restatements**

Governmental Accounting Standards Board(GASB) Interpretation

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

Governmental Accounting Standards Board (GASB) 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, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during 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 split the District's programs between business-type and governmental activities. The beginning net asset amount 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.

Beginning capital assets for governmental activities of \$13,725,315 were restated to \$12,461,978. The restatement primarily removed assets below the District's capitalizations threshold.

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

	Fund				Other Nonmajor Governmental Funds	Total
	General	Capital Projects	Debt Service	Management		
Net assets, June 30, 2003, as previously reported	\$ 227,589	1,141,477	591,720	72,464	107,990	2,141,240
GASB Interpretation 6 adjustments	0	0	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 227,589</u>	<u>1,141,477</u>	<u>591,720</u>	<u>72,464</u>	<u>107,990</u>	<u>2,141,240</u>
GASB 34 adjustments:						
Capital assets, net of accumulated depreciation of \$3,257,970						9,204,008
Long-term liabilities:						
Bonds and notes					5,165,000	
Early retirement					<u>32,295</u>	(5,197,295)
Accrued interest payable						<u>(35,981)</u>
Net assets, July 1, 2003, as restated						<u>\$ 6,111,972</u>

REQUIRED SUPPLEMENTAL INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 4,468,862	130,838
State sources	2,225,391	4,155
Federal sources	157,438	121,780
Total revenues	<u>6,851,691</u>	<u>256,773</u>
Disbursements:		
Instruction	3,606,631	0
Support services	1,612,893	0
Non-instructional programs	704	261,454
Other expenditures	1,517,161	0
Total expenditures	<u>6,737,389</u>	<u>261,454</u>
Excess(deficiency) of receipts over(under) disbursements	114,302	(4,681)
Other financing sources, net	<u>5,985</u>	0
Excess(deficiency) of receipts over(under) disbursements	120,287	(4,681)
Balance beginning of year	<u>2,234,198</u>	38,418
Balance end of year	<u>\$ 2,354,485</u>	<u>33,737</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,599,700	4,832,700	4,832,700	(233,000)
2,229,546	2,367,753	2,367,753	(138,207)
279,218	260,000	260,000	19,218
<u>7,108,464</u>	<u>7,460,453</u>	<u>7,460,453</u>	<u>(351,989)</u>
3,606,631	4,774,500	4,774,500	1,167,869
1,612,893	2,019,159	2,019,159	406,266
262,158	427,500	427,500	165,342
1,517,161	3,163,215	3,163,215	1,646,054
<u>6,998,843</u>	<u>10,384,374</u>	<u>10,384,374</u>	<u>3,385,531</u>
109,621	(2,923,921)	(2,923,921)	3,033,542
5,985	1,500	1,500	4,485
115,606	(2,922,421)	(2,922,421)	3,038,027
2,272,616	3,102,695	3,102,695	(830,079)
<u>2,388,222</u>	<u>180,274</u>	<u>180,274</u>	<u>2,207,948</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,851,691	9,901	6,861,592
Expenditures	6,737,389	37,289	6,774,678
Net	114,302	(27,388)	86,914
Other financing sources, net	5,985	(8)	5,977
Beginning fund balances	2,234,198	(92,958)	2,141,240
Ending fund balances	\$ 2,354,485	(120,354)	2,234,131

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 256,773	2,417	259,190
Expenditures	261,454	6,910	268,364
Net	(4,681)	(4,493)	(9,174)
Other financing sources, net	0	9,500	9,500
Beginning fund balances	38,418	21,794	60,212
Ending fund balances	\$ 33,737	26,801	60,538

WESTWOOD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2004

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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTAL INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 69,031	7,746	31,169	107,946
Receivables:				
Property tax:				
Current year delinquent	0	4,054	0	4,054
Succeeding year	0	390,376	0	390,376
<b>TOTAL ASSETS</b>	<b>\$ 69,031</b>	<b>402,176</b>	<b>31,169</b>	<b>502,376</b>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$ 3,403	880	0	4,283
Deferred revenue:				
Succeeding year property tax	0	390,376	0	390,376
<b>Total Liabilities</b>	<b>3,403</b>	<b>391,256</b>	<b>0</b>	<b>394,659</b>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	65,628	10,920	31,169	107,717
<b>Total fund balances</b>	<b>65,628</b>	<b>10,920</b>	<b>31,169</b>	<b>107,717</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 69,031</b>	<b>402,176</b>	<b>31,169</b>	<b>502,376</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2004

	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 0	391,192	0	391,192
Other	268,698	388	821	269,907
State sources	0	253	0	253
<b>TOTAL REVENUES</b>	<b>268,698</b>	<b>391,833</b>	<b>821</b>	<b>661,352</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Other instruction	267,544	0	0	267,544
Support services:				
Student support services	0	0	950	950
Operation and maintenance of plant services	0	2,565	0	2,565
Student transportation	0	69,000	0	69,000
Other expenditures:				
Facilities acquisitions	0	2,401	0	2,401
<b>TOTAL EXPENDITURES</b>	<b>267,544</b>	<b>73,966</b>	<b>950</b>	<b>342,460</b>
<b>EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES</b>	<b>1,154</b>	<b>317,867</b>	<b>(129)</b>	<b>318,892</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	0	0	950	950
Transfers out	0	(319,165)	(950)	(320,115)
Total other financing sources (uses)	0	(319,165)	0	(319,165)
<b>EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES</b>	<b>1,154</b>	<b>(1,298)</b>	<b>(129)</b>	<b>(273)</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>64,474</b>	<b>12,218</b>	<b>31,298</b>	<b>107,990</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 65,628</b>	<b>10,920</b>	<b>31,169</b>	<b>107,717</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Student Activity	\$ 2,476	1,513	3,104	885
Concession Stand	317	20,168	21,396	(911)
Elementary Band	59	1,159	1,145	73
Elem. Student Affairs	2,213	2,614	2,485	2,342
Elem. Student Council	2,477	1,008	1,505	1,980
Westwood PTO	178	0	0	178
JH Student Council	200	3	0	203
Plays	882	0	577	305
Musical	238	3,966	4,204	0
Madrigal	829	0	350	479
Music Boosters	1,826	3,753	4,660	919
Vocal Music	0	8,394	8,803	(409)
Rebelaires	125	12,342	12,142	325
Show Choir Invitational	3,500	35,251	33,183	5,568
Chorale	1,463	47,755	49,218	0
Instrumental Music	612	3,378	3,654	336
Jazz Band	130	0	0	130
Cross Country	0	499	499	0
Boy's Basketball	4,293	3,674	3,722	4,245
Football	2,075	7,144	4,032	5,187
Boy's Soccer	0	1,101	859	242
Baseball	0	8,339	7,559	780
Boy's Track	35	1,112	1,147	0
Boy's Golf	313	283	221	375
Wrestling	2,527	4,993	5,514	2,006
Girl's Basketball	1,382	2,927	1,743	2,566
Volleyball	3,492	4,726	3,920	4,298
Girl's Soccer	0	3,755	3,438	317
Softball	(126)	4,150	4,304	(280)
Girl's Track	0	1,281	1,200	81
Girl's Golf	70	125	142	53
Industrial Tech. Club	1,091	0	231	860
Student Affairs	5,704	8,605	8,139	6,170
Annual	2,138	7,085	3,318	5,905
HS Special Olympics	374	0	0	374
Science-Math Club	4,798	1,580	6,324	54
National Honor Society	1,369	4,613	4,790	1,192
Future Problem Solving	154	1,033	0	1,187
Weight Room	452	229	454	227
FFA	786	8,291	9,077	0
FFA Trust	4,556	36	700	3,892
FHA	216	1,105	1,075	246
Business Education Club	1,640	0	697	943
Athletic Boosters	5,042	14,263	13,902	5,403
Season Passes	19	5,989	5,546	462
Class of 2002	374	0	0	374
Class of 2004	67	2,006	2,048	25
Class of 2005	0	4,832	4,018	814
HS Student Council	187	4,190	4,275	102
Cheerleaders	0	120	120	0
Wrestling Cheerleading	0	85	85	0
Drill Team	0	11,747	10,179	1,568
After Prom Party	3,921	7,476	7,840	3,557
Total	\$ 64,474	268,698	267,544	65,628

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,694,553	3,012,354	2,915,228	2,577,771
Tuition	303,419	266,687	235,554	236,243
Other	454,843	854,811	922,823	831,141
State sources	2,235,401	2,206,482	2,236,908	2,352,427
Federal sources	173,376	148,096	102,886	126,014
<b>Total</b>	<b>\$ 6,861,592</b>	<b>6,488,430</b>	<b>6,413,399</b>	<b>6,123,596</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 2,299,687	2,100,000	2,169,526	2,048,108
Special instruction	795,993	843,859	752,425	710,427
Other instruction	539,839	605,042	580,664	527,797
Support services:				
Student services	137,146	131,550	132,044	121,937
Instructional staff services	97,427	89,112	111,433	87,555
Administration services	570,496	543,775	522,739	489,317
Operation and maintenance of plant services	355,605	340,318	278,145	366,904
Transportation services	454,468	403,213	419,117	480,201
Central services	0	0	5,324	0
Non-instructional programs	704	599	480	365
Other expenditures:				
Facilities acquisitions	145,996	1,139,743	3,592,363	84,258
Long-term debt:				
Principal	965,000	935,000	685,000	417,443
Interest and other charges	218,792	256,814	254,926	142,536
AEA flow-through	193,525	206,578	208,929	213,094
<b>Total</b>	<b>\$ 6,774,678</b>	<b>7,595,603</b>	<b>9,713,115</b>	<b>5,689,942</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the  
Westwood Community School District:

We have audited the financial statements of Westwood Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 29, 2004. We conducted our audit in accordance with U.S. 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 Westwood Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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 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. Prior year statutory comments have all been resolved.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Westwood 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 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

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reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

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

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson" with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2004

WESTWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

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

REPORTABLE CONDITIONS:

- I-A-04 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. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its 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.

- I-B-04 Checks Outstanding – We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation – The District should adopt a policy which would allow for the write off of outstanding checks after a reasonable length of time. The District should report the unclaimed property to the Great Iowa Treasure Hunt.

Response – We will comply.

Conclusion – Response accepted.

- I-C-04 Authorized Check Signatures – We noted during the audit that check signers were not authorized by the board to sign Activity Fund checks. We also noted that a Nutrition Fund check had only one signature.

Recommendation – The Board President and Board Secretary are required to sign all checks written by the District in compliance with Chapter 291.1 and 291.8 of the Code of Iowa. However, the Board President may designate an individual to sign warrants. The District should review procedures, and adopt necessary changes to ensure two authorized signatures on each check.

Response - We will seek approval with the Board to authorize other signers of the checks written in the Student Activity Fund to be in compliance with the Code of Iowa. We will review our procedures on check signatures.

Conclusion - Response accepted.

- I-D-04 Student Activity Account – We noted during the audit that the Student Activity Fund had a balance in the Class of 2002 account.

Recommendation – This account is an inactive account as the Class of 2002 has graduated and therefore is no longer a legitimate fund. This balance may be transferred to another student activity account in accordance with the Uniform Accounting Procedural Manual.

Response – We will close out this account.

Conclusion – Response accepted.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

- II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 did not exceed the certified budget amounts.
- II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 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-E-04 Business Transactions - No business transactions between the District and District officials were noted.
- II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion- Response accepted.

- II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-04 Financial Condition - The District had a deficit unreserved fund balance of \$50,739 in the Management Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will monitor this fund and investigate any available options to eliminate this deficit.

Conclusion - Response accepted.

II-L-04 Board Policies – We noted during our audit that the board policies in place did not appear to be reviewed in accordance with Chapter 281 of the Code of Iowa.

Recommendation – According to Chapter 281 of the Code of Iowa, policies should be reviewed at least every five years to ensure relevance to current practices and compliance with the Iowa Code, administrative rules and decisions, and court decisions.

Response – We will review our board policies in order to comply with the Code of Iowa.

Conclusion – Response accepted.