

**WEST HANCOCK COMMUNITY SCHOOL DISTRICT
BRITT, IOWA**

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

YEAR ENDED JUNE 30, 2005

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**West Hancock Community School District
Britt, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Jay Burgardt	President	2006
Debra Trulson	Vice President	2005
David Beech	Board Member	2004
Jo Lang	Board Member	2004
Dan Abels	Board Member	2005
Connie Swanson	Board Member	2006
Paul Verbugge	Board Member	2006

Board of Education (After September 2004 Election)		
Jay Burgardt	President	2006
Debra Trulson	Vice President	2005
Dan Abels	Board Member	2005
Connie Swanson	Board Member	2006
Paul Verbugge	Board Member	2006
Glee Christ	Board Member	2007
Darrin Eckels	Board Member	2007

School Officials

Klint Willard	Superintendent	(Resigned)
Harold Overman	Superintendent	Interim
Mona Buns	District Secretary/Treasurer and Business Manager	2005
Rick Engel	Attorney	Indefinite

Independent Auditor's Report

To the Board of Education of
West Hancock 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 Hancock Community School District, Britt, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2005 on our consideration of West Hancock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 45 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Hancock 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 two years ended June 30, 2004 (none of which is presented herein) and expressed qualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

September 14, 2005

Basic Financial Statements

West Hancock Community School District
Britt, Iowa

Exhibit A

Statement of Net Assets

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents:			
ISCAP	\$ 2,137,016	-	2,137,016
Other	1,477,148	59,708	1,536,856
Receivables:			
Property tax:			
Delinquent	94,043	-	94,043
Succeeding year	2,618,749	-	2,618,749
Accounts	23,494	-	23,494
Accrued interest:			
ISCAP	12,746	-	12,746
Due from other governments	295,612	-	295,612
Inventories	-	8,690	8,690
Capital assets, net of accumulated depreciation	8,190,052	7,777	8,197,829
Total assets	14,848,860	76,175	14,925,035
 Liabilities			
Accounts payable	167,282	-	167,282
Salaries and benefits payable	11,987	-	11,987
Early retirement	5,297	-	5,297
Accrued interest payable	33,163	-	33,163
Deferred revenue - succeeding year property tax	2,618,749	-	2,618,749
ISCAP warrants payable	2,129,000	-	2,129,000
ISCAP accrued interest payable	13,714	-	13,714
ISCAP unamortized premium	21,714	-	21,714
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	230,000	-	230,000
Lease payable	1,542	-	1,542
Notes payable	60,900	-	60,900
Early retirement payable	26,483	-	26,483
Portion due after one year:			
General obligation bonds payable	5,515,000	-	5,515,000
Notes payable	552,155	-	552,155
Early retirement payable	39,704	-	39,704
Total liabilities	11,426,690	-	11,426,690

West Hancock Community School District
Britt, Iowa

Exhibit A

Statement of Net Assets

June 30, 2005

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	1,830,455	7,777	1,838,232
Restricted for:			
Management levy	130,463	-	130,463
Physical plant and equipment levy	169,642	-	169,642
Other special revenue purposes	62,745	-	62,745
Unrestricted	<u>1,228,865</u>	<u>68,398</u>	<u>1,297,263</u>
Total net assets	<u>\$ 3,422,170</u>	<u>76,175</u>	<u>3,498,345</u>

See notes to financial statements.

West Hancock Community School District
 Britt, Iowa
 Statement of Activities
 Year ended June 30, 2005

		Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,106,879	166,326	259,174	-
Special instruction	1,008,817	-	96,357	-
Other instruction	342,178	170,391	-	-
	3,457,874	336,717	355,531	-
Support services:				
Student services	117,808	-	-	-
Instructional staff services	100,670	-	-	-
Administration services	622,555	-	-	-
Operation and maintenance of plant services	617,844	-	-	-
Transportation services	339,730	-	23,968	-
Other support services	120,701	-	-	-
	1,919,308	-	23,968	-
Non-instructional programs	50,296	-	-	-
Other expenditures:				
Facilities acquisition	215,674	-	-	50,000
Long-term debt interest	285,553	-	-	-
AEA flowthrough	193,975	-	193,975	-
Depreciation (unallocated)*	188,307	-	-	-
	883,509	-	193,975	50,000
Total governmental activities	6,310,987	336,717	573,474	50,000
Business type activities:				
Non-instructional programs:				
Food service operations	236,881	141,042	116,061	-
Total	\$ 6,547,868	477,759	689,535	50,000
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Income surtaxes				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(1,681,379)	-	(1,681,379)
(912,460)	-	(912,460)
(171,787)	-	(171,787)
<u>(2,765,626)</u>	<u>-</u>	<u>(2,765,626)</u>
(117,808)	-	(117,808)
(100,670)	-	(100,670)
(622,555)	-	(622,555)
(617,844)	-	(617,844)
(315,762)	-	(315,762)
(120,701)	-	(120,701)
<u>(1,895,340)</u>	<u>-</u>	<u>(1,895,340)</u>
<u>(50,296)</u>	<u>-</u>	<u>(50,296)</u>
(165,674)	-	(165,674)
(285,553)	-	(285,553)
-	-	-
(188,307)	-	(188,307)
<u>(639,534)</u>	<u>-</u>	<u>(639,534)</u>
(5,350,796)	-	(5,350,796)
-	20,222	20,222
<u>(5,350,796)</u>	<u>20,222</u>	<u>(5,330,574)</u>
\$ 2,120,694	-	2,120,694
372,455	-	372,455
78,276	-	78,276
272,617	-	272,617
398,736	-	398,736
2,281,060	-	2,281,060
69,221	508	69,729
204,947	-	204,947
<u>5,798,006</u>	<u>508</u>	<u>5,798,514</u>
447,210	20,730	467,940
2,974,960	55,445	3,030,405
<u>\$ 3,422,170</u>	<u>76,175</u>	<u>3,498,345</u>

West Hancock Community School District
Britt, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments:					
ISCAP	\$ 2,137,016	-	-	-	2,137,016
Other	829,439	19,782	313,192	314,735	1,477,148
Receivables:					
Property tax:					
Delinquent	32,771	6,344	-	54,928	94,043
Succeeding year	1,837,974	381,401	-	399,374	2,618,749
Accounts	2,138	-	21,356	-	23,494
Accrued interest:					
ISCAP	12,746	-	-	-	12,746
Due from other governments	295,612	-	-	-	295,612
Total assets	<u>\$ 5,147,696</u>	<u>407,527</u>	<u>334,548</u>	<u>769,037</u>	<u>6,658,808</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 92,947	-	72,819	1,516	167,282
Salaries and benefits payable	11,987	-	-	-	11,987
Early retirement payable	-	-	-	5,297	5,297
ISCAP warrants payable	2,129,000	-	-	-	2,129,000
ISCAP accrued interest payable	13,714	-	-	-	13,714
ISCAP unamortized premium	21,714	-	-	-	21,714
Deferred revenue:					
Succeeding year property tax	1,837,974	381,401	-	399,374	2,618,749
Other	233,911	-	-	-	233,911
Total liabilities	<u>4,341,247</u>	<u>381,401</u>	<u>72,819</u>	<u>406,187</u>	<u>5,201,654</u>
Fund balances:					
Reserved for debt service	-	26,126	-	-	26,126
Unreserved	806,449	-	261,729	362,850	1,431,028
Total fund balances	<u>806,449</u>	<u>26,126</u>	<u>261,729</u>	<u>362,850</u>	<u>1,457,154</u>
Total liabilities and fund balances	<u>\$ 5,147,696</u>	<u>407,527</u>	<u>334,548</u>	<u>769,037</u>	<u>6,658,808</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (page 22)	\$ 1,457,154
<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 reported as assets in the governmental funds.	8,190,052
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	233,911
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.	(33,163)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,425,784)</u>
Net assets of governmental activities (page 17)	<u><u>\$ 3,422,170</u></u>

See notes to financial statements.

Britt, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,192,041	372,172	272,617	287,533	3,124,363
Tuition	150,372	-	2,897	-	153,269
Other	111,054	-	36,657	205,284	352,995
State sources	2,712,950	283	98,175	221	2,811,629
Federal sources	145,169	-	-	50,000	195,169
Total revenues	<u>5,311,586</u>	<u>372,455</u>	<u>410,346</u>	<u>543,038</u>	<u>6,637,425</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,073,955	-	-	-	2,073,955
Special instruction	1,053,412	-	-	-	1,053,412
Other instruction	174,462	-	-	167,716	342,178
	<u>3,301,829</u>	<u>-</u>	<u>-</u>	<u>167,716</u>	<u>3,469,545</u>
Support services:					
Student services	113,202	-	-	-	113,202
Instructional staff services	100,670	-	-	-	100,670
Administration services	622,136	-	-	-	622,136
Operation and maintenance of plant services	542,285	-	-	156,681	698,966
Transportation services	301,623	-	-	-	301,623
Other support services	150,533	-	-	6,101	156,634
	<u>1,830,449</u>	<u>-</u>	<u>-</u>	<u>162,782</u>	<u>1,993,231</u>
Non-instructional programs	-	-	-	50,296	50,296
Other expenditures:					
Facilities acquisition	-	-	359,030	5,626	364,656
Long-term debt:					
Principal	-	273,535	-	-	273,535
Interest and fiscal charges	-	284,673	-	-	284,673
AEA flowthrough	193,975	-	-	-	193,975
	<u>193,975</u>	<u>558,208</u>	<u>359,030</u>	<u>5,626</u>	<u>1,116,839</u>
Total expenditures	<u>5,326,253</u>	<u>558,208</u>	<u>359,030</u>	<u>386,420</u>	<u>6,629,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,667)</u>	<u>(185,753)</u>	<u>51,316</u>	<u>156,618</u>	<u>7,514</u>
Other financing sources (uses):					
Operating transfers in	-	184,820	-	-	184,820
Operating transfers out	(42,410)	-	(142,410)	-	(184,820)
Sale of equipment	4,321	-	-	-	4,321
Total other financing sources (uses)	<u>(38,089)</u>	<u>184,820</u>	<u>(142,410)</u>	<u>-</u>	<u>4,321</u>
Net change in fund balances	(52,756)	(933)	(91,094)	156,618	11,835
Fund balances beginning of year	<u>859,205</u>	<u>27,059</u>	<u>352,823</u>	<u>206,232</u>	<u>1,445,319</u>
Fund balances end of year	<u>\$ 806,449</u>	<u>26,126</u>	<u>261,729</u>	<u>362,850</u>	<u>1,457,154</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (page 22) \$ 11,835

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of 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:

Expenditures for capital assets	\$ 314,773	
Depreciation expense	<u>(258,146)</u>	56,627

Certain income surtaxes not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 116,451

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

Repaid	277,906
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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. (880)

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>(14,729)</u>
Change in net assets of governmental activities (page 19)	<u><u>\$ 447,210</u></u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 59,708
Inventories	8,690
Capital assets, net of accumulated depreciation	<u>7,777</u>
Total assets	<u>76,175</u>
Liabilities	
Salaries and benefits payable	<u>-</u>
Total liabilities	<u>-</u>
Net Assets	
Invested in capital assets, net of related debt	7,777
Unrestricted	<u>68,398</u>
Total net assets	<u>\$ 76,175</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 141,042</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	124,447
Supplies	107,585
Depreciation	<u>4,849</u>
Total operating expenses	<u>236,881</u>
Operating loss	<u>(95,839)</u>
Non-operating revenues:	
State sources	4,147
Federal sources	111,914
Interest income	<u>508</u>
Total non-operating revenues	<u>116,569</u>
Change in net assets	20,730
Net assets beginning of year	<u>55,445</u>
Net assets end of year	<u><u>\$ 76,175</u></u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

School
Nutrition

Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 141,042
Cash paid to employees for services	(137,545)
Cash paid to suppliers for goods or services	<u>(79,156)</u>
Net cash used by operating activities	<u>(75,659)</u>
Cash flows from non-capital financing activities:	
State grants received	4,147
Federal grants received	<u>99,746</u>
Net cash provided by non-capital financing activities	<u>103,893</u>
Cash flows from investing activities:	
Interest on investments	<u>508</u>
Net increase in cash and cash equivalents	28,742
Cash and cash equivalents beginning of year	<u>30,966</u>
Cash and cash equivalents end of year	<u>\$ 59,708</u>

West Hancock Community School District
Britt, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

School
Nutrition

**Reconciliation of operating loss to net cash used by
operating activities:**

Operating loss	\$ (95,839)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	12,168
Depreciation	4,848
Increase in inventories	3,268
Increase in salaries and benefits payable	<u>(104)</u>
Net cash used by operating activities	<u>\$ (75,659)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$12,168 of federal commodities.

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

West Hancock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Britt and Kanawha, Iowa, and the predominate agricultural territory in Hancock and Wright 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, West Hancock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability to 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. West Hancock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hancock and Wright County Assessor's Conference boards.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. 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 and proprietary 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

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 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5-15

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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

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.

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, 2005, disbursements in the other expenditures functional area exceeded the amounts budgeted.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

(2) Cash and Pooled Investments

The District's deposits banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 4,579 =====

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

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 42,410
	Capital Projects	<u>142,410</u>
Total		\$ 184,820 =====

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 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, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premiums</u>
2004-05B	1-28-05	1-27-06	\$ 921,656	12,486	919,000	13,482	5,464
2005-06A	6-30-05	6-30-06	<u>1,215,360</u>	<u>260</u>	<u>1,210,000</u>	<u>232</u>	<u>16,250</u>
Total			\$ 2,137,016 =====	12,746 =====	2,129,000 =====	13,714 =====	21,714 =====

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

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. There was no ISCAP advance activity during the year ended June 30, 2005.

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
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,500	---	---	13,500
Construction in progress	<u>540,787</u>	<u>136,048</u>	<u>676,835</u>	<u>---</u>
Total capital assets not being depreciated	<u>554,287</u>	<u>136,048</u>	<u>676,835</u>	<u>13,500</u>
Capital assets being depreciated:				
Buildings	9,460,707	687,673	---	10,148,380
Improvements other than buildings	157,312	66,831	---	224,143
Furniture and equipment	<u>1,151,453</u>	<u>101,056</u>	<u>---</u>	<u>1,252,509</u>
Total capital assets being depreciated	<u>10,769,472</u>	<u>855,560</u>	<u>---</u>	<u>11,625,032</u>
Less accumulated depreciation for:				
Buildings	2,156,903	187,813	---	2,344,716
Improvements other than buildings	157,312	494	---	157,806
Furniture and equipment	<u>876,119</u>	<u>69,839</u>	<u>---</u>	<u>945,958</u>
Total accumulated depreciation	<u>3,190,334</u>	<u>258,146</u>	<u>---</u>	<u>3,448,480</u>
Total capital assets being depreciated, net	<u>7,579,138</u>	<u>597,414</u>	<u>---</u>	<u>8,176,552</u>
Governmental activities capital assets, net	<u>\$ 8,133,425</u>	<u>733,462</u>	<u>676,835</u>	<u>8,190,052</u>

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 119,648	---	---	119,648
Less accumulated depreciation	<u>107,023</u>	<u>4,848</u>	---	<u>111,871</u>
Business type activities capital assets, net	<u>\$ 12,625</u>	<u>(4,848)</u>	---	<u>7,777</u>
	=====	=====	=====	=====

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 18,195

Special education 3,029

Support services:

Student support 4,606

Administration 419

Operation and maintenance of plant 5,483

Transportation 38,107

Unallocated 188,307

Total depreciation expense – governmental activities \$ 258,146

=====

Business type activities:

Food service operations \$ 4,848

=====

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,960,000	---	215,000	5,745,000	230,000
Notes payable	671,590	---	58,535	613,055	60,902
Capital lease	5,913	---	4,371	1,542	1,542
Early retirement	<u>52,104</u>	<u>34,463</u>	<u>20,380</u>	<u>66,187</u>	<u>26,483</u>
Total	<u>\$ 6,689,607</u>	<u>34,463</u>	<u>298,286</u>	<u>6,425,784</u>	<u>318,927</u>
	=====	=====	=====	=====	=====

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

Early Retirement

The District offers a voluntary early retirement plan to its certified employees.

Eligible employees must be at least age fifty-nine and 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 subject to a maximum of \$15,000 per individual. Early retirement benefits paid during the year ended June 30, 2005 totaled \$15,083.

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	3.25%	\$ 230,000	251,101	481,101
2007	3.25	240,000	243,626	483,626
2008	3.40	250,000	235,826	485,826
2009	3.70	265,000	227,326	492,326
2010	5.125	275,000	217,521	492,521
2011	5.20	290,000	203,428	493,428
2012	5.20	300,000	188,348	488,348
2013	4.05	315,000	172,747	487,747
2014	4.125	330,000	159,990	489,990
2015	4.20	345,000	146,378	491,378
2016	4.30	360,000	131,887	491,887
2017	4.40	380,000	116,408	496,408
2018	4.50	395,000	99,687	494,687

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	4.55	415,000	81,913	496,913
2020	4.60	430,000	63,030	493,030
2021	4.65	450,000	43,250	493,250
2022	4.70	<u>475,000</u>	<u>22,325</u>	<u>497,325</u>
Total		\$ 5,745,000	2,604,791	8,349,791
		=====	=====	=====

Energy Management Improvement Capital Loan Note

Details of the District's June 30, 2005 note payable is as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	4.00%	\$ 60,902	23,917	84,819
2007	4.00	63,361	21,458	84,819
2008	4.00	65,920	18,899	84,819
2009	4.00	68,583	16,236	84,819
2010	4.00	71,354	13,465	84,819
2011	4.00	74,236	10,583	84,819
2012	4.00	77,236	7,583	84,819
2013	4.00	80,356	4,463	84,819
2014	4.00	<u>51,107</u>	<u>1,022</u>	<u>52,129</u>
Total		\$ 613,055	117,626	730,681
		=====	=====	=====

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

Lease-Purchase Agreement

The West Hancock Community School District entered into a lease purchase agreement with Apple Computer Inc. for the purpose of financing computer equipment. The amount financed was \$12,505 for thirty-six months at an interest rate of 3.13%. Payments are monthly in the amount of \$392.

Details of the lease-purchase are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,542 =====	28 =====	1,570 =====

During the year ended June 30, 2005, the District made the payments as scheduled above.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$185,370, \$189,116 and \$187,958, respectively, equal to the required contributions for each year.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2005

(8) Risk Management

West Hancock 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 \$193,975 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

West Hancock Community School District
Britt, Iowa

Budgetary Comparison Schedule 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, 2005

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 3,573,196	141,549
State sources	2,803,459	4,147
Federal sources	<u>148,751</u>	<u>99,746</u>
Total receipts	<u>6,525,406</u>	<u>245,442</u>
 Disbursements:		
Instruction	3,610,371	-
Support services	1,749,304	-
Non-instructional programs	50,296	216,700
Other expenditures	<u>1,046,293</u>	<u>-</u>
Total disbursements	<u>6,456,264</u>	<u>216,700</u>
 Excess (deficiency) of receipts over (under) disbursements	69,142	28,742
 Other financing sources, net	<u>4,329</u>	<u>-</u>
 Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	73,471	28,742
 Balances beginning of year	<u>1,403,677</u>	<u>30,966</u>
 Balances end of year	<u>\$ 1,477,148</u>	<u>59,708</u>

See accompanying independent auditor's report.

<u>Total</u> <u>Actual</u>	<u>Budgeted</u> <u>Amounts</u> <u>Original & Final</u>	<u>Final to</u> <u>Actual</u> <u>Variance</u>
3,714,745	3,662,231	52,514
2,807,606	2,764,867	42,739
248,497	326,000	(77,503)
<u>6,770,848</u>	<u>6,753,098</u>	<u>17,750</u>
3,610,371	3,788,984	178,613
1,749,304	1,960,091	210,787
266,996	307,795	40,799
1,046,293	758,785	(287,508)
<u>6,672,964</u>	<u>6,815,655</u>	<u>142,691</u>
97,884	(62,557)	160,401
<u>4,329</u>	<u>-</u>	<u>4,329</u>
102,213	(62,557)	164,770
<u>1,434,643</u>	<u>2,012,663</u>	<u>(578,020)</u>
<u>1,536,856</u>	<u>1,950,106</u>	<u>(413,250)</u>

West Hancock Community School District
Britt, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,525,406	112,019	6,637,425
Expenditures	6,456,264	173,647	6,629,911
Net	69,142	(61,628)	7,514
Other financing sources, net	4,329	(8)	4,321
Beginning fund balances	1,403,677	41,642	1,445,319
Ending fund balances	\$ 1,477,148	(19,994)	1,457,154
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 245,442	12,169	257,611
Expenses	216,700	20,181	236,881
Net	28,742	(8,012)	20,730
Beginning net assets	30,966	24,479	55,445
Ending net assets	\$ 59,708	16,467	76,175

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance

with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

Other Supplementary Information

West Hancock Community School District
Britt, Iowa

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2005

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Playground Equipment Recreation <u>Levy</u>
Assets				
Cash and pooled investments	\$ 132,168	45,954	120,209	16,265
Receivables:				
Property tax:				
Delinquent	3,592	-	50,949	387
Succeeding year	<u>320,000</u>	<u>-</u>	<u>56,499</u>	<u>22,875</u>
Total assets	<u>\$ 455,760</u>	<u>45,954</u>	<u>227,657</u>	<u>39,527</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	1,516	-
Early retirement	5,297	-	-	-
Deferred revenue:				
Succeeding year property tax	<u>320,000</u>	<u>-</u>	<u>56,499</u>	<u>22,875</u>
Total liabilities	<u>325,297</u>	<u>-</u>	<u>58,015</u>	<u>22,875</u>
Fund equity:				
Unreserved fund balances	<u>130,463</u>	<u>45,954</u>	<u>169,642</u>	<u>16,652</u>
Total liabilities and fund equity	<u>\$ 455,760</u>	<u>45,954</u>	<u>227,657</u>	<u>39,527</u>

See accompanying independent auditor's report.

Schedule 1

<u>Riebsamen</u>	
<u>Memorial</u>	<u>Total</u>
139	314,735
-	54,928
<u>-</u>	<u>399,374</u>
<u>139</u>	<u>769,037</u>
-	1,516
-	5,297
<u>-</u>	<u>399,374</u>
<u>-</u>	<u>406,187</u>
<u>139</u>	<u>362,850</u>
<u>139</u>	<u>769,037</u>

West Hancock Community School District
Britt, Iowa

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Playground Equipment/ Recreation <u>Levy</u>
Revenues:				
Local sources:				
Local tax	\$ 209,317	-	55,650	22,566
Other	3,502	170,391	2,686	28,704
State sources	160	-	43	18
Federal sources	-	-	50,000	-
Total revenues	<u>212,979</u>	<u>170,391</u>	<u>108,379</u>	<u>51,288</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	167,716	-	-
Support services:				
Other support services	6,101	-	-	-
Operation and maintenance of plant services	141,568	-	15,113	-
Non-instructional programs	-	-	-	50,296
Other expenditures:				
Facilities acquisition	-	-	5,626	-
Total expenditures	<u>147,669</u>	<u>167,716</u>	<u>20,739</u>	<u>50,296</u>
Excess of revenues over expenditures	65,310	2,675	87,640	992
Fund balances beginning of year	<u>65,153</u>	<u>43,279</u>	<u>82,002</u>	<u>15,660</u>
Fund balances end of year	<u>\$ 130,463</u>	<u>45,954</u>	<u>169,642</u>	<u>16,652</u>

See accompanying independent auditor's report.

Riebsamen	
<u>Memorial</u>	<u>Total</u>
-	287,533
1	205,284
-	221
-	50,000
<u>1</u>	<u>543,038</u>
-	167,716
-	6,101
-	156,681
-	50,296
-	5,626
<u>-</u>	<u>386,420</u>
1	156,618
<u>138</u>	<u>206,232</u>
<u>139</u>	<u>362,850</u>

West Hancock Community School District
Britt, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Athletics	\$ 5,784	37,036	40,118	2,702
Class of 2003	608	-	-	608
Class of 2004	561	126	159	528
Class of 2005	2,172	146	1,563	755
Class of 2006	44	22,023	16,425	5,642
Class of 2007	-	405	26	379
FFA	293	12,722	11,605	1,410
FCCLA	368	288	467	189
SES	233	30	81	182
Student Council	8,099	2,429	2,409	8,119
Vocal Music	889	2,909	2,961	837
Cheerleaders	2,159	15,089	14,741	2,507
Band	1,167	736	1,843	60
Drama	1,211	1,053	1,112	1,152
Pep Club	287	57	292	52
Yearbook	2,647	3,460	3,796	2,311
Girls Basketball	762	1,664	1,460	966
Mat Maids	67	-	-	67
Wrestling	150	350	186	314
Weight Lifting	1,317	8,688	9,040	965
Boys Basketball	921	350	453	818
Interest	3,979	642	1,547	3,074
Student Fees	282	22,231	22,230	283
Spanish Club	1,072	-	-	1,072
Speech	66	25	-	91
Volleyball	1,082	2,918	2,490	1,510
Student Council	927	4,099	4,348	678
Student Projects	146	577	723	-

West Hancock Community School District
Britt, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Softball	1,509	2,407	1,409	2,507
Officials	-	3,305	3,305	-
Magazines/Athletics	1,190	11,171	12,331	30
Junior High Athletics	775	4,719	4,965	529
Cheerleaders	584	306	466	424
Junior High Music	1,421	2,740	1,952	2,209
Interest	507	36	-	543
Renaissance	-	4,399	2,073	2,326
Sunshine Fund	-	1,255	1,140	115
Total	<u>\$ 43,279</u>	<u>170,391</u>	<u>167,716</u>	<u>45,954</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 4

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

For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Local sources:			
Local tax	\$ 3,124,363	3,243,080	3,079,535
Tuition	150,372	217,989	128,435
Other	355,892	400,506	389,153
State sources	2,811,629	2,413,933	2,555,661
Federal sources	195,169	155,909	197,080
Total	\$ 6,637,425	6,431,417	6,349,864
Expenditures:			
Instruction:			
Regular instruction	\$ 2,073,955	2,308,112	2,410,634
Special instruction	1,053,412	870,581	742,269
Other instruction	342,178	539,338	469,570
Support services:			
Student services	113,202	127,996	124,229
Instructional staff services	100,670	73,170	94,956
Administration services	622,136	646,372	620,292
Operation and maintenance of plant services	698,966	701,754	652,553
Transportation services	301,623	239,613	239,604
Central support services	-	17,594	-
Other support services	156,634	25	-
Non-instructional programs	50,296	25,518	41,221
Other expenditures:			
Facilities acquisition	364,656	4,074,016	3,061,916
Long-term debt:			
Principal	273,535	237,422	262,580
Interest and other charges	284,673	279,749	228,491
AEA flowthrough	193,975	207,842	208,842
Total	\$ 6,629,911	10,349,102	9,157,157

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
West Hancock 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 Hancock Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 14, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over

financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Hancock Community School District and other parties to whom West Hancock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

September 14, 2005

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported:

REPORTABLE CONDITIONS:

I-A-05 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 listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

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

Response – We are doing everything we can with the limited number of staff we have.

Conclusion – Response acknowledged.

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005 exceeded the amounts budgeted in the other expenditures function.

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

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2005

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-C-05 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-D-05 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-05 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Elizabeth Treiten, teacher, spouse is owner of Kanawha Reporter	Publications	\$ 2,597
Deb Trulson, Board Member, spouse owns Trulson Auto Parts	Repairs	\$ 2,128

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions with the spouses of a District employee and Board member do not appear to represent conflicts of interest.

II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.

West Hancock Community School District
Britt, Iowa

Schedule of Findings

Year ended June 30, 2005

II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. However, we noted the board minutes were not always published within two weeks as required by Chapter 279.35 of the Code of Iowa. We also noted that the minutes were not always signed by the board secretary and board president.

Recommendation – The District should insure that all minutes are published timely and properly signed.

Response – This was an oversight this year, due to the change in board secretaries. We will publish minutes timely and make sure the minutes are properly signed in the future.

Conclusion – Response accepted.

II-H-05 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2004 was overstated by 7 as the District double counted some students that were tuitioned and open enrolled out.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will do this.

Conclusion – Response accepted.

II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-05 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.