

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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West Central Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Jeff Davis	President (Resigned)	2004
Nathan Smith	Vice President	2005
Cory Waddell	Board Member (Appointed President)	2005
Calvin Anderson	Board Member (Resigned)	2004
Jeff Baker	Board Member (Appointed)	2004
Barbara Kalbach	Board Member	2004
Wally Moore	Board Member	2006
Bob Airhart	Board Member	2006
Harry Light	Board Member (Appointed)	2004

Board of Education (After September 2004 Election)		
Cory Waddell	President	2005
Nathan Smith	Vice President (Resigned)	2005
Harry Light	Board Member (Appointed vice-president)	2007
Wally Moore	Board Member (Resigned)	2006
Bob Airhart	Board Member	2006
Deanna Harwood	Board Member	2007
Jeff Baker	Board Member	2007
Doug Wiles	Board Member (Appointed)	2005
Bob Schemmel	Board Member (Appointed)	2005

School Officials		
David Rogers	Superintendent	2005
Lisa Waddell	District Secretary/Treasurer and Business Manager	2005
Rick Engel	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Central Valley 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 Central Valley Community School District, Stuart, 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 Central Valley 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 October 27, 2005 on our consideration of West Central Valley 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 13 and 35 through 37 are not required parts of the basic financial statements, but are supplementary

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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 Central Valley 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, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

October 27, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Central Valley 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,711,508 in fiscal 2004 to \$7,245,792 in fiscal 2005, while General Fund expenditures increased from \$7,340,349 in fiscal 2004 to \$7,632,946 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$996,237 in fiscal 2004 to a balance of \$524,540 in fiscal 2005, a 47% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. Expenditures are still greater than revenues allowing the fund balance to decrease substantially.
- An increase in local option sales and service tax allowed the Capital Projects fund balance to increase from a balance of \$79,863 to \$432,253 at year-end.
- The School Nutrition Fund had an increase in salaries and benefits during the year, which resulted in a decrease in fund balance from \$134,540 to \$133,804.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Central Valley Community School District as a whole and present an overall view of the District's finances.

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

Notes to the 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 funds.

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

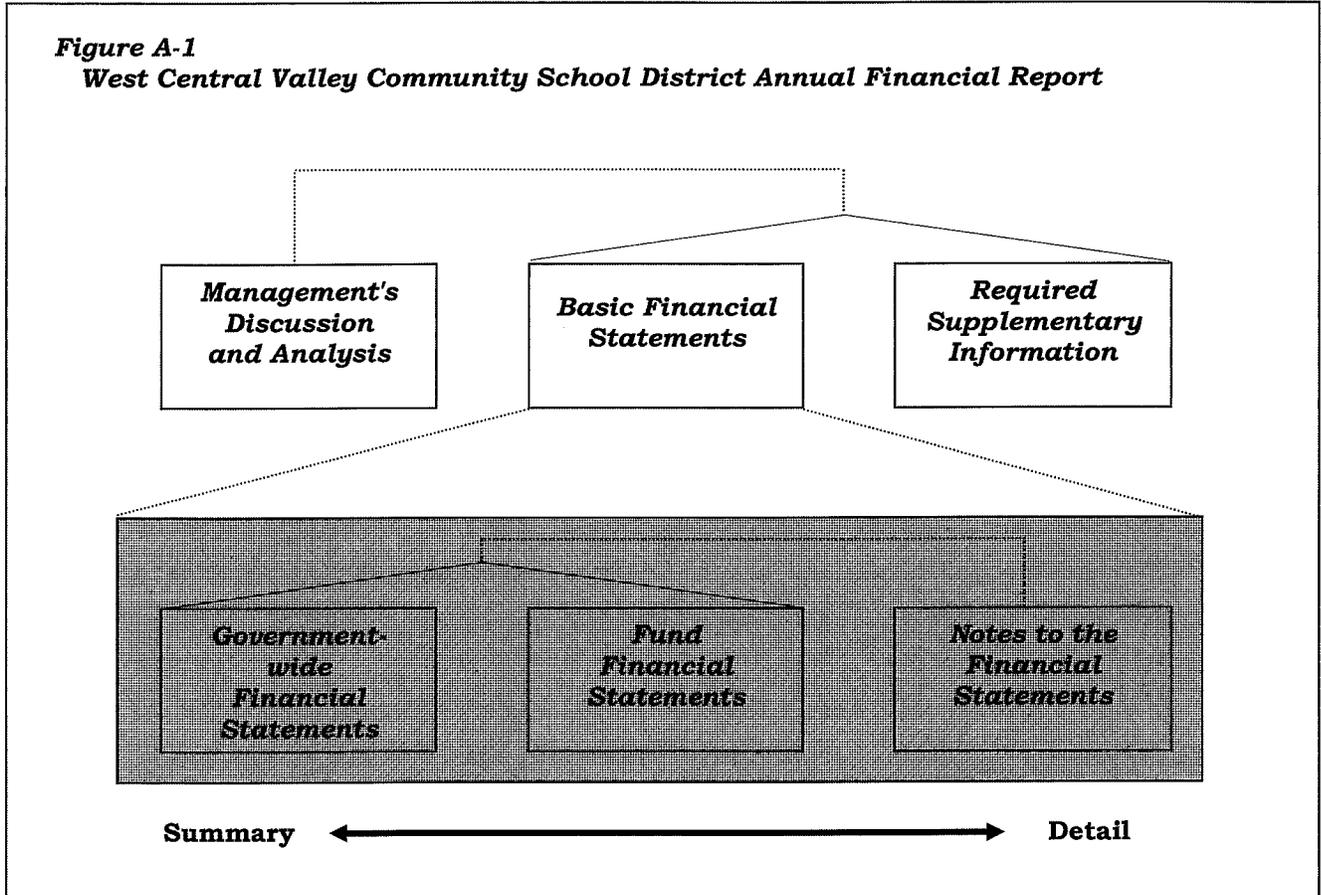


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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

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 position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition, the Greenhouse and Pop Fund.

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that 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 include the statement of fiduciary net assets and the 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, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 5,171,866	4,635,931	\$ 124,246	114,362	\$ 5,296,112	4,750,293	11.49%
Capital assets	1,166,500	1,133,198	65,706	72,425	1,232,206	1,205,623	2.20%
Total assets	<u>6,338,366</u>	<u>5,769,129</u>	<u>189,952</u>	<u>186,787</u>	<u>6,528,318</u>	<u>5,955,916</u>	<u>9.61%</u>
Long-term obligations	160,088	232,165	0	0	160,088	232,165	-31.05%
Other liabilities	3,830,667	3,227,898	26,243	22,139	3,856,910	3,250,037	18.67%
Total liabilities	<u>3,990,755</u>	<u>3,460,063</u>	<u>26,243</u>	<u>22,139</u>	<u>4,016,998</u>	<u>3,482,202</u>	<u>15.36%</u>
Net assets:							
Invested in capital assets, net of related debt	1,166,500	1,133,198	65,706	72,425	1,232,206	1,205,623	2.20%
Restricted	691,246	295,636	0	0	691,246	295,636	133.82%
Unrestricted	489,865	880,232	98,003	92,223	587,868	972,455	-39.55%
Total net assets	<u>\$ 2,347,611</u>	<u>2,309,066</u>	<u>\$ 163,709</u>	<u>164,648</u>	<u>\$ 2,511,320</u>	<u>2,473,714</u>	<u>1.52%</u>

The District's combined net assets increased by 1.52% over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 134% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 40% over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 340,581	305,952	\$ 173,180	176,680	513,761	482,632	6.45%
Operating grants and contributions and restricted interest	878,043	766,286	162,062	163,902	1,040,105	930,188	11.82%
General revenues:							
Property tax	2,832,939	2,861,525	0	0	2,832,939	2,861,525	-1.00%
Local option sales and service tax	352,390	79,863	0	0	352,390	79,863	0.00%
Unrestricted state grants	3,555,314	3,123,008	0	0	3,555,314	3,123,008	13.84%
Other	32,863	53,571	83	748	32,946	54,319	-39.35%
Total revenues	7,992,130	7,190,205	335,325	341,330	8,327,455	7,531,535	10.57%
Program expenses:							
Governmental activities:							
Instructional	5,076,141	4,804,694	0	0	5,076,141	4,804,694	5.65%
Support services	2,463,973	2,292,789	0	0	2,463,973	2,292,789	7.47%
Non-instructional programs	92,911	54,917	336,264	326,294	429,175	381,211	12.58%
Other expenses	320,560	460,850	0	0	320,560	460,850	-30.44%
Total expenses	7,953,585	7,613,250	336,264	326,294	8,289,849	7,939,544	4.41%
Excess(deficiency) of revenues over(under) expenses before capital contributions	38,545	(423,045)	(939)	15,036	37,606	(408,009)	-109.22%
Capital contributions	0	0	0	39,138	0	39,138	-100.00%
Change in net assets	38,545	(423,045)	(939)	54,174	37,606	(368,871)	-110.19%
Net assets beginning of year	2,309,066	2,732,111	164,648	110,474	2,473,714	2,842,585	-12.98%
Net assets end of year	\$ 2,347,611	2,309,066	\$ 163,709	164,648	2,511,320	2,473,714	1.52%

Property tax, local option sales and service tax and unrestricted state grants account for 81% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,992,130 and expenses were \$7,953,585.

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	\$ 5,076,141	4,135,192
Support services	2,463,973	2,461,143
Non-instructional	92,911	92,911
Other expenses	320,560	45,715
Totals	<u>\$ 7,953,585</u>	<u>6,734,961</u>

- The cost financed by users of the District's programs was \$340,581.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$878,043.
- The net cost of governmental activities was financed with \$2,832,939 in property tax, \$352,390 in local option sales and service tax, \$3,555,314 in unrestricted state grants, and \$32,863 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$335,325 and expenses were \$336,264. The District's business-type activities include the School Nutrition, Greenhouse and Pop Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,313,339, compared to last year's ending fund balances of \$1,380,038. However, the primary reason for the decrease was the increase in expenditures in the General Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. The increases in expenditures were too much for the District to offset, despite the increase in total revenues. Increases in revenues were due to the increases in state revenues received during the year. Expenditures increased in all functional program areas. Part of this is due to the increase in salaries and benefits paid out to employees. Another is the normal increases in prices of utilities, gas and other everyday expenditures. The decrease in fund balance from \$996,237 to \$524,540 was due to the fact that expenditures still exceed revenues.
- Revenues in the Management Fund increased by approximately \$30,000, while expenditures increased approximately \$23,000. In spite of the increases, total expenditures still exceeded total revenues, resulting in a change in fund balance from \$193,600 in 2004, to \$136,879 in 2005. Part of the increase in expenditures is due to the increase in insurance from one year to the next. In 2004, the District paid \$117,721 in insurance premiums compared to \$137,470 in 2005.
- Both revenues and expenditures increased in the Activity Fund. This resulted in an increase in the fund balance from \$36,553, to \$37,195.

-
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$73,785 to \$182,472, due to the District only spending \$456 during the year.
 - During the year, the District collected more in local option sales and service tax allowing the Capital Projects fund balance to increase \$352,390 during the current year to an ending fund balance of \$432,253 at year-end.

Proprietary Fund Highlights

The District has three proprietary funds, which were noted earlier. The School Nutrition Fund net assets decreased from \$134,540 at June 30, 2004 to \$133,804 at June 30, 2005. Total expenditures for this fund increased due to increase in salaries and benefits paid out during the year. The Greenhouse fund balance increased \$679 due to controlled spending during the year. The Pop fund balance decreased \$882 due to no collection of revenues during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Central Valley Community School District changed from a cash basis to a GAAP basis for budgeting purposes.

The District's revenues were \$1,074,674 less than budgeted revenues, a variance of 11.4%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.16% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$157,861.

The original cost of the District's capital assets was \$5,483,261. Governmental funds account for \$5,347,550 with the remainder of \$135,711 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$413,842 at June 30, 2004 compared to \$461,905 at June 30, 2005. This increase is due to purchases made during the year.

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Land	\$ 136,941	136,941	0	0	136,941	136,941
Buildings	633,360	654,840	0	0	633,360	654,840	-3.39%
Machinery and equipment	396,199	341,417	65,706	72,425	461,905	413,842	10.41%
Total	<u>\$ 1,166,500</u>	<u>1,133,198</u>	<u>\$ 65,706</u>	<u>72,425</u>	<u>\$ 1,232,206</u>	<u>1,205,623</u>	<u>2.16%</u>

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$160,088 in a bus loan and early retirement. This represents a decrease of 31% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

During June 2004, the District obtained financing for two buses. At June 30, 2005 there is \$62,000 left to be paid from the General Fund.

The District also had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$98,088 at June 30, 2005.

	Total School District		Total Change
	2005	2004	
Bus loan	\$ 62,000	144,000	-56.9%
Early retirement	98,088	88,165	11.3%
Totals	<u>\$ 160,088</u>	<u>232,165</u>	<u>-31.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced stable enrollment for a few years, the District had an increase of 2% for the 2004-05 school year. It is expected to slightly increase in the future.
- The District is receiving local option sales tax revenue from 2 of the 3 counties they are in. The third, Guthrie County, is voting on the issue in the 2005-06 school year, which if passed, could bring more revenue to the District.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period, which began in fiscal year 2005.
- Low allowable growth over several years and enrollment stability is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued increases in insurance and health premiums, along with price increases for utilities, gas and other everyday expenditures is allows a concern for the District as they try to control spending in the individual funds.

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 Lisa Waddell, Business Manager, West Central Valley Community School District, P.O. Box 81, Stuart, Iowa, 50250.

BASIC FINANCIAL STATEMENTS

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,874,060	109,592	1,983,652
Receivables:			
Property tax:			
Delinquent	84,531	0	84,531
Succeeding year	2,943,620	0	2,943,620
Income surtax	27,860	0	27,860
Accounts	845	477	1,322
Due from other governments	240,950	0	240,950
Inventories	0	14,177	14,177
Capital assets, net of accumulated depreciation(Note 4)	1,166,500	65,706	1,232,206
TOTAL ASSETS	6,338,366	189,952	6,528,318
LIABILITIES			
Accounts payable	135,770	592	136,362
Salaries and benefits payable	751,277	23,385	774,662
Deferred revenue:			
Succeeding year property tax	2,943,620	0	2,943,620
Other	0	2,266	2,266
Long-term liabilities(Note 5):			
Portion due within one year:			
Early retirement	54,569	0	54,569
Portion due after one year:			
Bus loan	62,000	0	62,000
Early retirement	43,519	0	43,519
TOTAL LIABILITIES	3,990,755	26,243	4,016,998
NET ASSETS			
Investment in capital assets, net of related debt	1,166,500	65,706	1,232,206
Restricted for:			
Salary improvement program	535	0	535
Physical plant & equipment levy	182,472	0	182,472
Management levy	38,791	0	38,791
Capital projects	432,253	0	432,253
Other special revenue purposes	37,195	0	37,195
Unrestricted	489,865	98,003	587,868
TOTAL NET ASSETS	\$ 2,347,611	163,709	2,511,320

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,257,919	123,119	551,151
Special instruction	1,105,268	0	49,880
Other instruction	712,954	216,799	0
	<u>5,076,141</u>	<u>339,918</u>	<u>601,031</u>
Support services:			
Student services	105,987	0	0
Instructional staff services	179,647	0	0
Administration services	832,537	0	0
Operation and maintenance of plant services	875,213	0	0
Transportation services	470,589	663	2,167
	<u>2,463,973</u>	<u>663</u>	<u>2,167</u>
Non-instructional:			
Food service	92,911	0	0
Other expenditures:			
Long-term debt interest	5,045	0	0
AEA flowthrough	274,845	0	274,845
Depreciation(unallocated)*	40,670	0	0
	<u>320,560</u>	<u>0</u>	<u>274,845</u>
Total governmental activities	7,953,585	340,581	878,043
Business-Type activities:			
Non-instructional programs:			
Nutrition services	333,163	170,282	162,062
Greenhouse	2,219	2,898	0
Pop	882	0	0
Total business-type activities	<u>336,264</u>	<u>173,180</u>	<u>162,062</u>
Total	<u>\$ 8,289,849</u>	<u>513,761</u>	<u>1,040,105</u>

General Revenues:

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

Total general revenues

Changes in net assets

Net assets beginning of year

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.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,583,649)	0	(2,583,649)
(1,055,388)	0	(1,055,388)
(496,155)	0	(496,155)
<u>(4,135,192)</u>	<u>0</u>	<u>(4,135,192)</u>
(105,987)	0	(105,987)
(179,647)	0	(179,647)
(832,537)	0	(832,537)
(875,213)	0	(875,213)
(467,759)	0	(467,759)
<u>(2,461,143)</u>	<u>0</u>	<u>(2,461,143)</u>
(92,911)	0	(92,911)
(5,045)	0	(5,045)
0	0	0
(40,670)	0	(40,670)
<u>(45,715)</u>	<u>0</u>	<u>(45,715)</u>
(6,734,961)	0	(6,734,961)
0	(819)	(819)
0	679	679
0	(882)	(882)
<u>0</u>	<u>(1,022)</u>	<u>(1,022)</u>
<u>(6,734,961)</u>	<u>(1,022)</u>	<u>(6,735,983)</u>
\$ 2,725,698	0	2,725,698
107,241	0	107,241
352,390	0	352,390
3,555,314	0	3,555,314
32,863	83	32,946
<u>6,773,506</u>	<u>83</u>	<u>6,773,589</u>
38,545	(939)	37,606
<u>2,309,066</u>	<u>164,648</u>	<u>2,473,714</u>
<u>\$ 2,347,611</u>	<u>163,709</u>	<u>2,511,320</u>

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,176,525	343,851	353,684	1,874,060
Receivables:				
Property tax				
Delinquent	77,548	0	6,983	84,531
Succeeding year	2,703,534	0	240,086	2,943,620
Income surtax	27,860	0	0	27,860
Accounts	550	0	295	845
Due from other governments	152,548	88,402	0	240,950
TOTAL ASSETS	\$ 4,138,565	432,253	601,048	5,171,866
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 131,354	0	4,416	135,770
Salaries and benefits payable	751,277	0	0	751,277
Deferred revenue:				
Succeeding year property tax	2,703,534	0	240,086	2,943,620
Income surtax	27,860	0	0	27,860
Total liabilities	3,614,025	0	244,502	3,858,527
Fund balances:				
Reserved for:				
Salary improvement program	535	0	0	535
Unreserved:				
General	524,005	0	0	524,005
Capital projects	0	432,253	0	432,253
Management levy	0	0	136,879	136,879
Physical plant and equipment levy	0	0	182,472	182,472
Other special revenue	0	0	37,195	37,195
Total fund balances	524,540	432,253	356,546	1,313,339
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,138,565	432,253	601,048	5,171,866

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 17)	\$ 1,313,339
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,166,500
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	27,860
Long-term liabilities, including bonds payable, bus lease payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(160,088)</u>
Net assets of governmental activities (page 14)	<u>\$ 2,347,611</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,603,154	0	229,920	2,833,074
LOST	0	352,390	0	352,390
Tuition	123,119	0	0	123,119
Other	86,321	0	164,004	250,325
State sources	4,155,742	0	159	4,155,901
Federal sources	277,456	0	0	277,456
Total revenues	<u>7,245,792</u>	<u>352,390</u>	<u>394,083</u>	<u>7,992,265</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,124,512	0	118,207	3,242,719
Special instruction	1,103,568	0	0	1,103,568
Other instruction	563,978	0	154,021	717,999
	<u>4,792,058</u>	<u>0</u>	<u>272,228</u>	<u>5,064,286</u>
Support services:				
Student services	105,987	0	0	105,987
Instructional staff services	221,747	0	0	221,747
Administration services	862,812	0	3,116	865,928
Operation and maintenance of plant services	817,358	0	45,900	863,258
Transportation services	454,463	0	19,775	474,238
	<u>2,462,367</u>	<u>0</u>	<u>68,791</u>	<u>2,531,158</u>
Non-instructional:				
Food service	103,676	0	0	103,676
Other expenditures:				
Facilities acquisitions	0	0	456	456
Long-term debt:				
Principal	0	0	82,000	82,000
Interest and fiscal charges	0	0	5,045	5,045
AEA flowthrough	274,845	0	0	274,845
	<u>274,845</u>	<u>0</u>	<u>87,501</u>	<u>362,346</u>
Total expenditures	<u>7,632,946</u>	<u>0</u>	<u>428,520</u>	<u>8,061,466</u>
Excess(deficiency) of revenues over(under) expenditures	(387,154)	352,390	(34,437)	(69,201)
Other financing sources(uses):				
Transfers in	0	0	87,045	87,045
Transfers out	(87,045)	0	0	(87,045)
Compensation for loss of capital assets	52	0	0	52
Sale of equipment	2,450	0	0	2,450
Total other financing sources(uses)	<u>(84,543)</u>	<u>0</u>	<u>87,045</u>	<u>2,502</u>
Net change in fund balances	(471,697)	352,390	52,608	(66,699)
Fund balance beginning of year	996,237	79,863	303,938	1,380,038
Fund balance end of year	<u>\$ 524,540</u>	<u>432,253</u>	<u>356,546</u>	<u>1,313,339</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 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 19)	\$	(66,699)
 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 amount of capital outlays and depreciation expense during the year are as follows:		
Capital outlays	\$ 184,444	
Depreciation expense	<u>(151,142)</u>	33,302
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(135)
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
		82,000
 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 fund.		
Early retirement		<u>(9,923)</u>
Changes in net assets of governmental activities (page 16)	\$	<u>38,545</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition	Green House	Pop Fund	Total
ASSETS				
Cash and cash equivalents	\$ 79,606	3,044	26,942	109,592
Accounts receivable	477	0	0	477
Inventories	14,177	0	0	14,177
Capital assets, net of accumulated depreciation(Note 4)	65,706	0	0	65,706
TOTAL ASSETS	159,966	3,044	26,942	189,952
LIABILITIES				
Accounts payable	511	0	81	592
Salaries and benefits payable	23,385	0	0	23,385
Deferred revenues: Other	2,266	0	0	2,266
TOTAL LIABILITES	26,162	0	81	26,243
NET ASSETS				
Investment in capital assets	65,706	0	0	65,706
Unrestricted	68,098	3,044	26,861	98,003
TOTAL NET ASSETS	\$ 133,804	3,044	26,861	163,709

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition	Green House	Pop Fund	Total
OPERATING REVENUE:				
Local sources:				
Other local sources:				
Sale of lunches and breakfasts:				
Students	\$ 152,409	0	0	152,409
Adults	5,960	0	0	5,960
A la carte	9,440	0	0	9,440
Miscellaneous	2,473	2,898	0	5,371
TOTAL OPERATING REVENUES	<u>170,282</u>	<u>2,898</u>	<u>0</u>	<u>173,180</u>
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	127,387	0	0	127,387
Benefits	18,063	0	0	18,063
Services	6,507	0	0	6,507
Supplies	174,276	2,219	882	177,377
Depreciation	6,719	0	0	6,719
Other	211	0	0	211
TOTAL OPERATING EXPENSES	<u>333,163</u>	<u>2,219</u>	<u>882</u>	<u>336,264</u>
OPERATING INCOME (LOSS)	<u>(162,881)</u>	<u>679</u>	<u>(882)</u>	<u>(163,084)</u>
NON-OPERATING REVENUES:				
Interest income	83	0	0	83
State sources	4,909	0	0	4,909
Federal sources	157,153	0	0	157,153
TOTAL NON-OPERATING REVENUES	<u>162,145</u>	<u>0</u>	<u>0</u>	<u>162,145</u>
Change in net assets	(736)	679	(882)	(939)
Net assets at beginning of year	<u>134,540</u>	<u>2,365</u>	<u>27,743</u>	<u>164,648</u>
Net assets end of year	<u>\$ 133,804</u>	<u>3,044</u>	<u>26,861</u>	<u>163,709</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition	Green house	Pop Fund	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 183,690	0	0	183,690
Cash received from miscellaneous operating activities	2,473	2,898	0	5,371
Cash payments to employees for services	(142,586)	0	0	(142,586)
Cash payments to suppliers for goods or services	(162,450)	(2,219)	(859)	(164,669)
Net cash provided by(used in) operating activities	<u>(118,873)</u>	<u>679</u>	<u>(859)</u>	<u>(118,194)</u>
Cash flows from non-capital financing activities:				
State grants received	4,909	0	0	4,909
Federal grants received	139,007	0	0	139,007
Net cash provided by non-capital financing activities	<u>143,916</u>	<u>0</u>	<u>0</u>	<u>143,916</u>
Cash flows from investing activities:				
Interest on investments	83	0	0	83
Net cash provided by investing activities	<u>83</u>	<u>0</u>	<u>0</u>	<u>83</u>
Net increase(decrease) in cash and cash equivalents	25,126	679	(859)	25,805
Cash and cash equivalents at beginning of year	54,480	2,365	27,801	56,845
Cash and cash equivalents at end of year	<u>\$ 79,606</u>	<u>3,044</u>	<u>26,942</u>	<u>82,650</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (162,881)	679	(882)	(162,202)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	18,146	0	0	18,146
Depreciation	6,719	0	0	6,719
Increase in inventories	(113)	0	0	(113)
Decrease in accounts receivable	15,175	0	0	15,175
Increase in accounts payable	511	0	23	511
Increase in salaries and benefits payable	2,864	0	0	2,864
Increase in deferred revenue	706	0	0	706
Net cash provided by(used in) operating activities	<u>\$ (118,873)</u>	<u>679</u>	<u>(859)</u>	<u>(118,194)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE
SHEET:

Current assets:

Cash and pooled investments	\$ 79,606	3,044	26,942	82,650
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NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$18,146.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	<u>Private-purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 196,169
LIABILITIES	<u>0</u>
NET ASSETS	
Unreserved	22,655
Reserved for scholarships	<u>173,514</u>
TOTAL NET ASSETS	<u>\$ 196,169</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2005

	Private-purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Interest income	\$ 8,882
DEDUCTIONS:	
Instructional:	
Other:	
Scholarship awarded	10,304
Change in net assets	(1,422)
Net assets beginning of year	197,591
Net assets end of year	\$ 196,169

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The West Central Valley 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 Cities of Stuart, Menlo, Dexter and Redfield, Iowa, and the predominate agricultural territory in Adair, Dallas and Guthrie 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 Central Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Central Valley 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 Adair, Dallas and Guthrie County 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 Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

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 on net assets and changes in net assets. The District's fiduciary fund is as follows:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, 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 funds are 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, 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.

Capital Assets - Capital assets, which include property, machinery, 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	\$ 500
Buildings	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for 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. During the year ended June 30, 2005, expenditures in the non-instructional functional program area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or 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.

There were no investments at June 30, 2005.

(3) **Transfers**

The detail of 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	<u>\$ 87,045</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 136,941	0	0	136,941
Total capital assets not being depreciated	<u>136,941</u>	<u>0</u>	<u>0</u>	<u>136,941</u>
Capital assets being depreciated:				
Buildings	3,527,435	19,190	0	3,546,625
Machinery and equipment	1,629,230	165,254	130,500	1,663,984
Total capital assets being depreciated	<u>5,156,665</u>	<u>184,444</u>	<u>130,500</u>	<u>5,210,609</u>
Less accumulated depreciation for:				
Buildings	2,872,595	40,670	0	2,913,265
Machinery and equipment	1,287,813	110,472	130,500	1,267,785
Total accumulated depreciation	<u>4,160,408</u>	<u>151,142</u>	<u>130,500</u>	<u>4,181,050</u>
Total capital assets being depreciated, net	<u>996,257</u>	<u>33,302</u>	<u>0</u>	<u>1,029,559</u>
Governmental activities capital assets, net	<u>\$ 1,133,198</u>	<u>33,302</u>	<u>0</u>	<u>1,166,500</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 165,093	0	29,382	135,711
Less accumulated depreciation	92,668	6,719	29,382	70,005
Business-type activities capital assets, net	<u>\$ 72,425</u>	<u>(6,719)</u>	<u>0</u>	<u>65,706</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 14,617
Special		1,700
Other		2,261
Support services:		
Instructional staff services		24,871
Administration services		1,645
Operation and maintenance of plant services		336
Transportation		65,042
		<u>110,472</u>
Unallocated depreciation		<u>40,670</u>
Total governmental activities depreciation expense		<u>\$ 151,142</u>
Business-type activities:		
Food services		<u>\$ 6,719</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Bus loan	\$ 144,000	0	82,000	62,000	0
Early retirement	88,165	58,200	48,277	98,088	54,569
Total	\$ 232,165	58,200	130,277	160,088	54,569

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of service, ten of which must be continuous years, to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee is equal to subtracting the current base pay from the current salary. Early retirement expenditures for the year ended June 30, 2005 totaled \$48,277.

Bus Loan Payable

During the year ended June 30, 2004, the District obtained financing for two new buses. The following is a schedule as of June 30, 2005 of payments to be made from the General Fund under the agreement in effect.

Year Ending June 30,	Principal	Interest	Total
2006	\$ 0	3,605	3,605
2007	62,000	1,085	63,085
Total	\$ 62,000	4,690	66,690

(6) 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 covered payroll for the years ended June 30, 2005, 2004, 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$250,397, \$244,273, and \$231,494 respectively, equal to the required contributions for each year.

(7) Risk Management

West Central Valley 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.

(8) 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 \$274,845 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.

(9) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, expenditure in the non-instructional functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
Revenues:			
Local sources	\$ 3,558,908	173,263	3,732,171
Intermediate sources	0	0	0
State sources	4,155,901	4,909	4,160,810
Federal sources	277,456	157,153	434,609
Total revenues	<u>7,992,265</u>	<u>335,325</u>	<u>8,327,590</u>
Expenditures:			
Instruction	5,064,286	0	5,064,286
Support services	2,531,158	0	2,531,158
Non-instructional programs	103,676	336,264	439,940
Other expenditures	362,346	0	362,346
Total expenditures	<u>8,061,466</u>	<u>336,264</u>	<u>8,397,730</u>
Excess(deficiency) of revenues over(under) expenditures	(69,201)	(939)	(70,140)
Other financing sources, net	<u>2,502</u>	<u>0</u>	<u>2,502</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(66,699)	(939)	(67,638)
Balance beginning of year	<u>1,380,038</u>	<u>164,648</u>	<u>1,544,686</u>
Balance end of year	<u>\$ 1,313,339</u>	<u>163,709</u>	<u>1,477,048</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Budgeted Amounts		Final to Actual Variance - Positive (Negative)
Original	Final	
3,889,662	3,889,662	(157,491)
225,000	225,000	(225,000)
4,856,963	4,856,963	(696,153)
430,639	430,639	3,970
<u>9,402,264</u>	<u>9,402,264</u>	<u>(1,074,674)</u>
5,790,000	5,790,000	725,714
3,358,419	3,358,419	827,261
384,790	384,790	(55,150)
881,452	881,452	519,106
<u>10,414,661</u>	<u>10,414,661</u>	<u>2,016,931</u>
(1,012,397)	(1,012,397)	942,257
25,000	25,000	(22,498)
(987,397)	(987,397)	919,759
<u>1,281,620</u>	<u>1,281,620</u>	<u>263,066</u>
<u>294,223</u>	<u>294,223</u>	<u>1,182,825</u>

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
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 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 GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, expenditures in the non-instructional programs exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds			
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 132,360	180,008	41,316	353,684
Receivables:				
Property tax:				
Current year delinquent	4,519	2,464	0	6,983
Succeeding year	160,000	80,086	0	240,086
Accounts	0	0	295	295
TOTAL ASSETS	\$ 296,879	262,558	41,611	601,048
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 0	0	4,416	4,416
Deferred revenue:				
Succeeding year property tax	160,000	80,086	0	240,086
	160,000	80,086	4,416	244,502
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	136,879	182,472	37,195	356,546
Total fund balances	136,879	182,472	37,195	356,546
TOTAL LIABILITIES AND FUND EQUITY	\$ 296,879	262,558	41,611	601,048

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue					Total Nonmajor Governmental Funds
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Total Special Revenue	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 122,679	107,241	0	229,920	0	229,920
Other	7,494	1,847	154,663	164,004	0	164,004
State sources	104	55	0	159	0	159
TOTAL REVENUES	130,277	109,143	154,663	394,083	0	394,083
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	118,207	0	0	118,207	0	118,207
Other instruction	0	0	154,021	154,021	0	154,021
	118,207	0	154,021	272,228	0	272,228
Support services:						
Administration services	3,116	0	0	3,116	0	3,116
Operation and maintenance of plant services	45,900	0	0	45,900	0	45,900
Transportation services	19,775	0	0	19,775	0	19,775
	68,791	0	0	68,791	0	68,791
Other expenditures:						
Facility acquisition	0	456	0	456	0	456
Long-term debt:						
Principle	0	0	0	0	82,000	82,000
Interest and fiscal charges	0	0	0	0	5,045	5,045
	0	456	0	456	87,045	87,501
TOTAL EXPENDITURES	186,998	456	154,021	341,475	87,045	428,520
Excess(deficiency) of revenues over(under) expenditures	(56,721)	108,687	642	52,608	(87,045)	(34,437)
Other financing sources:						
Operating transfers in	0	0	0	0	87,045	87,045
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(56,721)	108,687	642	52,608	0	52,608
Fund balance beginning of year	193,600	73,785	36,553	303,938	0	303,938
Fund balance end of year	\$ 136,879	182,472	37,195	356,546	0	356,546

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ (428)	9,164	9,971	(1,235)
Jump for heart	933	0	0	933
Play	3,827	667	253	4,241
Musicals	3,313	2,448	2,277	3,484
Football fundraiser	311	0	0	311
Volleyball fundraiser	48	0	0	48
Photo club	102	0	0	102
Cheerleading	638	2,333	2,275	696
Class of 2003	913	0	0	913
Class of 2004	492	0	415	77
Class of 2005	2,944	610	2,187	1,367
Class of 2006	2,162	10,250	9,872	2,540
Class of 2007	2,587	913	261	3,239
Class of 2008	0	266	67	199
Menlo WC pride elementary	3,546	26,829	26,640	3,735
Dexter, Redfield WC pride elementary	80	43,928	43,182	826
MS special events	1,308	18,140	18,465	983
HS West Central pride	1,238	5,169	5,800	607
FFA	6,817	13,306	8,173	11,950
FCCLA	(390)	848	196	262
Flag/Drill team	2,188	1,272	1,348	2,112
Science Fair	580	2,319	3,423	(524)
HS student council	945	788	1,104	629
MS student council	1,412	5,098	4,334	2,176
HS yearbook	1,389	9,363	12,582	(1,830)
MS yearbook	(359)	952	1,196	(603)
Business operations	(67)	0	0	(67)
Cultural club	24	0	0	24
Total	<u>\$ 36,553</u>	<u>154,663</u>	<u>154,021</u>	<u>37,195</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY 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,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 3,185,464	2,941,388	3,160,321	3,067,175
Tuition	123,119	92,374	136,421	125,284
Other	250,325	249,459	312,918	219,951
Intermediate sources	0	740	250	4,315
State sources	4,155,901	3,716,899	3,667,785	3,832,327
Federal sources	277,456	172,395	213,982	199,522
Total	\$ 7,992,265	7,173,255	7,491,677	7,448,574
Expenditures:				
Instruction:				
Regular instruction	\$ 3,242,719	3,128,480	3,118,302	3,132,226
Special instruction	1,103,568	1,161,434	1,067,034	918,405
Other instruction	717,999	559,955	576,812	580,227
Support services:				
Student services	105,987	118,304	136,121	181,855
Instructional staff services	221,747	232,589	160,901	178,724
Administration services	865,928	876,788	802,135	853,367
Operation and maintenance of plant services	863,258	719,670	677,659	571,001
Transportation services	474,238	513,264	563,527	342,216
Non-instructional:				
Food service	103,676	54,917	17,386	20,769
Community service and education operations	0	0	6,142	12,969
Other expenditures:				
Facilities acquisitions	456	146,395	142,003	16,949
Long Term Debt:				
Principal	82,000	60,000	0	0
Interest	5,045	6,689	0	0
AEA flow-through	274,845	267,733	282,917	284,914
Total	\$ 8,061,466	7,846,218	7,550,939	7,093,622

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

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 the
West Central Valley 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 Central Valley 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 October 27, 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 Central Valley 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 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 items I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Central Valley 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.

Members American Institute & Iowa Society of Certified Public Accountants

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 Central Valley Community School District and other parties to West Central Valley 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 Central Valley 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 cursive script that reads "Nolte, Cornman & Johnson PC".

NOLTE, CORNMAN & JOHNSON, P.C.

October 27, 2005

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

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

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure 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 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 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 will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-05 Student Activity - We noted during our audit that the Student Activity fund included prior year class accounts containing balances as of June 30, 2005.

Recommendation - The District should review the transactions in this account and make the necessary transfers.

Response - All balances in prior year classes have been transferred to other activity accounts that are active.

Conclusion - Response accepted.

I-C-05 Payroll Procedures - We noted during our audit an instance of incorrect deductions on a payroll check. It was also noted that the District was not filing their quarterly reports on a timely basis.

Recommendation - The District should review their procedures for entering contracts into the system and make sure that all reports are filed timely to avoid any penalties.

Response - Incorrect deductions were made and those have been corrected. In addition, the District prints extra payroll reports, before disbursements are made, to review deductions to ensure they are being done correctly. Quarterly reports are now being filed timely. Written procedures have been developed that gives a timeline and instructions for all reporting, on a monthly and quarterly basis. Checklists have been developed to make sure every step is being completed on a monthly and quarterly basis as well. Cross training has also been done with the procedures and checklists so the situation that only one employee knows the correct payroll procedures does not occur again.

Conclusion - Response accepted.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 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, 2005.

II-B-05 Certified Budget - District expenditures for the year ended June 30, 2005, exceeded the amount budgeted in the non-instructional functional area.

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

Response - We will amend, if necessary, prior to year-end.

Conclusion - Response accepted.

II-C-05 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-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:

Name, Title and Business Connection	Transaction Description	Amount
Bob Schemmel, Board Member Owns Community Lumber	Supplies	\$150,936
Harry Light, Board Member Owns Light Bros. Trucking	Supplies	\$1,055
Sharon Sloss, Principal Spouse owns Stuart Appliance	Supplies	\$39,526

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Harry Light and do not appear to be a conflict of interest. The transactions with Bob Schemmel, due to competitive bidding, do not appear to be a conflict of interest.

In accordance with Attorney's General opinion dated November 9, 1976, the transaction with the spouse of Sharon Sloss does not appear to be a conflict 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 should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 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, and not always signed by the president and/or board secretary.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. They should also make sure that the minutes are properly signed after final review.

Response - The District will submit minutes to the newspaper immediately following the Board meeting to ensure timely publication and will have all minutes signed by the Board President and Board Secretary. This is now part of an office procedure monthly checklist.

Conclusion - Response accepted.

II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 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-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.

II-K-05 District Rents - We noted during our audit that the PPEL Fund had rental receipts in the amount of \$1,846.76, which should more appropriately be receipted in the General Fund. It was noted that the \$1,996.76 for fiscal year 2004 was not transferred as well.

Recommendation - The District should make a corrective transfer of \$3,843.52 from the PPEL Fund to the General Fund.

Response - The rent receipts will be transferred from PPEL to the General Fund and will be receipted to the General Fund for 2005-06 fiscal year.

Conclusion - Response accepted.

II-L-05 Deficit Balances - We noted during our audit that there were a few accounts in the Student Activity fund that had negative individual balances.

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

Response - Some of the monies in the prior class balances were transferred to correct the negative balances in some of the Student Activity accounts. The District will continue to monitor these funds closely on a monthly basis to help eliminate the possibility of the deficits.

Conclusion - Response accepted.

II-M-05 Daisy Peterson Scholarship - We noted during our audit that that the District contributed the funds from the Daisy Peterson Scholarship to the Dollars for Scholars. According to the will, the interest earned off of the principal is suppose to be used for student scholarships. The principal should be and is set up in a non-expendable trust fund.

Recommendation - The District needs to have these funds transferred back into the District's ownership, in order to be in compliance with the will of the Daisy Peterson.

Response - The District has had the funds transferred back into the District's ownership.

Conclusion - Response accepted.