Wapsie Valley Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2005

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Wapsie Valley Community School District

Officials

Name	Title	Term Expires
	Board of Education	
	(Before September 2004 Election)	
Randy Woods	President	2006
Barry Fortsch	Vice President	2004
Merlyn Duffy	Board Member	2005
Mike Tagtow	Board Member	2005
Lori Zuck	Board Member	2006
	Board of Education	
	(After September 2004 Election)	
Barry Fortsch	President	2007
Randy Woods	Vice President	2006
Merlyn Duffy	Board Member	2005
Mike Tagtow	Board Member	2005
Lori Zuck	Board Member	2006
	School Officials	
Dan Peterson	Superintendent	2005
Carol Foster	District Secretary	2005
Doris Gruetzmacher	District Treasurer	2005

Keith Oltrogge CPA

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Denver, Iowa 50622
(319) 984-5292
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Independent Auditor's Report

To the Board of Education of
Wapsie Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District, Fairbank, 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. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie 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, I have also issued my report dated August 24, 2005 on my consideration of Wapsie Valley Community School District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapsie Valley Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keith Oltrogge CPA

Keith Oltrogge
Certified Public Accountant

August 24, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapsie 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 decreased from $5,110,611 in fiscal 2004 to $4,934,734 in fiscal 2005, and General Fund expenditures decreased from $4,638,660 in fiscal 2004 to $4,569,179 in fiscal 2005. The District's General Fund balance increased from $886,068 in fiscal year 2004 to $1,255,776 in fiscal year 2005, a 41.7% increase.

- The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal year 2005. The decrease in expenditures was due primarily to a decrease in other expenditures.

- The District's solvency ratio increased from 18.3% on June 30, 2004 to 27.5% on June 30, 2005.

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 Wapsie 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 Wapsie 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 Wapsie Valley Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

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

Figure A-1
Wapsie Valley Community School District Annual Financial Report

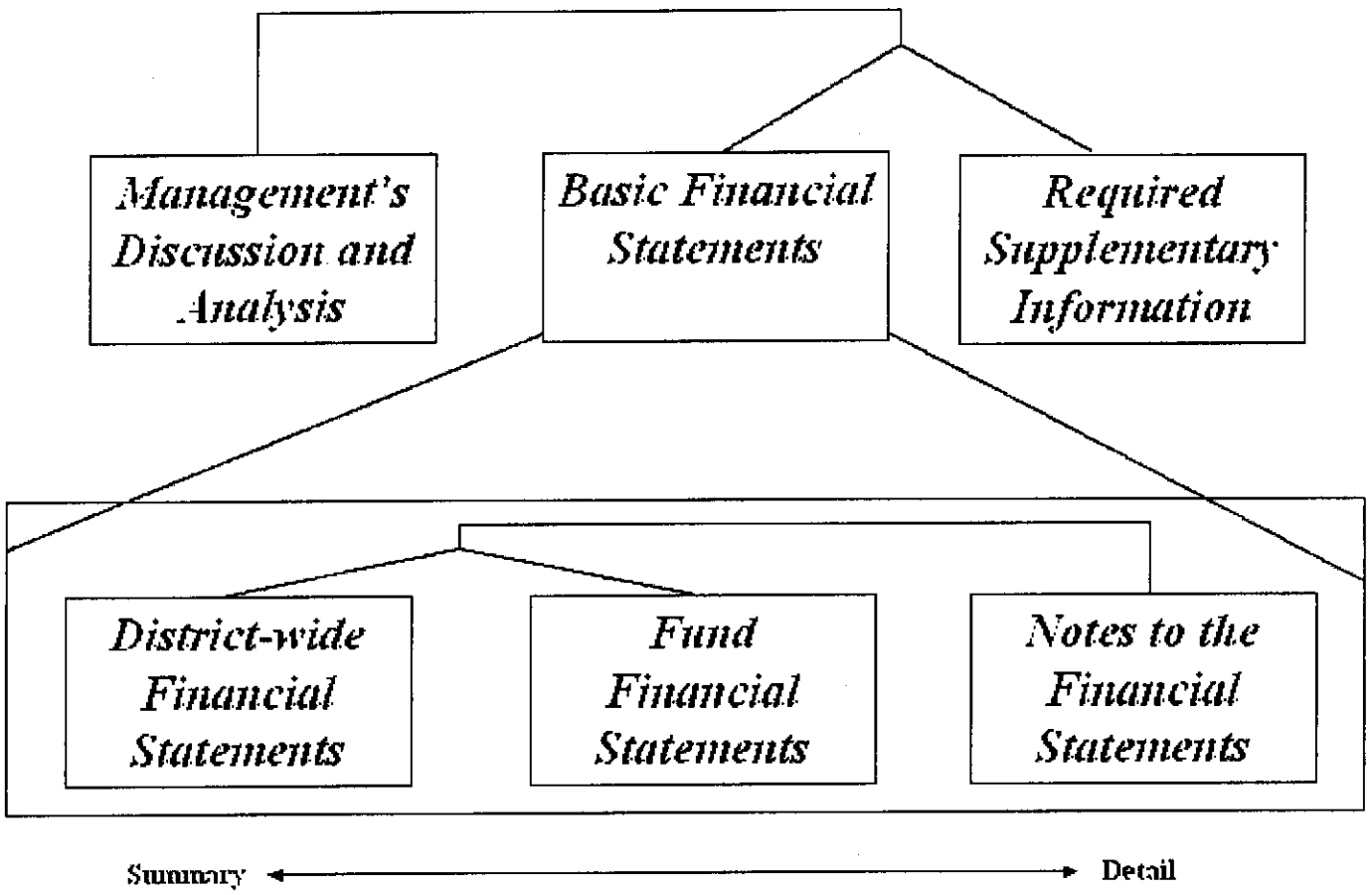

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	$4,574,108	$4,052,504	$5,271	$16,088	$4,579,379	$4,068,592	12.6%
Capital assets	2,160,819	1,891,997	1,358	152	2,162,177	1,892,149	14.3%
Total assets	$6,734,927	$5,944,501	$6,629	$16,240	$6,741,556	$5,960,741	13.1%
Long-term liabilities	$1,196,795	$1,319,973	$-	$-	$1,196,795	$1,319,973	-0.9%
Other liabilities	3,051,462	2,900,846	27,292	29,803	3,078,754	2,930,649	5.1%
Total liabilities	$4,248,257	$4,220,819	$27,292	$29,803	$4,275,549	$4,250,622	0.6%
Net assets:							
Invested in capital assets, net of related debt	$1,060,819	$661,997	$1,358	$152	$1,062,177	$662,149	60.4%
Restricted	-	36,761	-	-	-	36,761	-100.0%
Unrestricted	1,425,851	1,024,924	-22,021	-13,715	1,403,830	1,011,209	14.2%
Total net assets	$2,486,670	$1,723,682	-$20,663	-$13,563	$2,466,007	$1,710,119	44.2%

The District's combined net assets increased by nearly 60.4%, or $400,028, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by $36,761, or 100% over the prior year. The decrease was primarily a result of a decrease in other special revenue in the general fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by $755,888, or 44.2%.

Figure A-4 shows the change in net assets for the year ended June 30, 2005.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	$414,267	$148,097	$562,364
Operating grants, contributions and restricted interest	628,013	65,977	693,990
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,792,004	-	1,792,004
Local option sales and service tax	323,917	-	323,917
Unrestricted state grants	2,492,608	-	2,492,608
Unrestricted investment earnings	26,778	95	26,873
Other	101,232	-	101,232
Total revenues	$5,778,819	$214,169	$5,992,988
Program expenses:			
Governmental activities:			
Instruction	$3,522,758	$-	$3,522,758
Support services	1,202,808	-	1,202,808
Non-instructional programs	13,214	221,269	234,483
Other expenses	258,583	-	258,583
Total expenses	$4,997,363	$221,269	$5,218,632
Change in net assets	$781,456	-$7,100	$774,356

Property tax and unrestricted state grants account for 71.5% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90.6% of the total expenses.

Governmental Activities

Revenues for governmental activities were $5,778,819 and expenses were $4,997,363. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$3,522,758	$2,488,329
Support services	1,202,808	1,194,957
Non-instructional programs	13,214	13,214
Other expenses	258,583	258,583
Totals	$4,997,363	$3,955,083

- The cost financed by users of the District's programs was $562,364.
- Federal and state governments subsidized certain programs with grants and contributions totaling $693,990.
- The net cost of governmental activities was financed with $2,115,921 in property and other taxes and $2,492,608 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $214,169 and expenses were $221,269. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Wapsie 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 a combined fund balance of $2,486,670 , well above last year's ending fund balances of $1,705,214.

BUDGETARY HIGHLIGHTS

The District's receipts were $93,607 less than budgeted receipts, a variance of 1.6%. The most significant variance resulted from the District receiving less in property taxes than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested $2,162,177, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 14.3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was $139,529.

The original cost of the District's capital assets was $7,316,738. Governmental funds account for $7,290,056, with the remainder of $26,682 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	$15,955	$15,955	$-	$-	$15,955	$15,955	0.0%
Construction in process	259,950	-	-	-	259,950	-	100.0%
Buildings	1,578,691	1,580,775	-	-	1,578,691	1,580,775	-0.1%
Improvements other than buildings	99,206	89,456	-	-	99,206	89,456	1.1%
Furniture and equipment	207,017	205,811	1,358	152	208,375	205,963	1.2%
Totals	$2,160,819	$1,891,997	$1,358	$152	$2,162,177	$1,892,149	14.3%

Long-Term Debt

At June 30, 2005, the District had $1,196,795 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 9.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District June 30,		Total Change June 30,
	2005	2004	2004-2005
General obligation bonds	$1,100,000	$1,230,000	-10.6%
Compensated absences	96,795	89,973	7.6%
Totals	$1,196,795	$1,319,973	-9.3%

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 Carol Foster, District Secretary, Wapsie Valley Community School District, 2535 Viking Avenue, Fairbank IA 50629.

Basic Financial Statements

Wapsie Valley Community School District

Statement of Net Assets

June 30, 2005

	Govern-mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	$ 619,786	$ -	$ 619,786
Other	1,999,587	776	2,000,363
Receivables:			
Property tax:			
Delinquent	26,794	-	26,794
Succeeding year	1,536,053	-	1,536,053
Accounts	55,024	190	55,214
Accrued interest:			
ISCAP	8,397	-	8,397
Due from other funds	285,303	-	285,303
Due from other governments	43,164	-	43,164
Inventories	-	4,305	4,305
Capital assets, net of accumulated depreciation	2,160,819	1,358	2,162,177
Total Assets	$ 6,734,927	$ 6,629	$ 6,741,556
Liabilities			
Accounts payable	$ 209,380	$ -	$ 209,380
Salaries and benefits payable	409,174	-	409,174
Due to other funds	259,035	26,268	285,303
Accrued interest payable	7,080	-	7,080
Deferred revenue-succeeding year property tax	1,536,053	-	1,536,053
Deferred revenue-other	-	1,024	1,024
ISCAP warrants payable	618,000	-	618,000
ISCAP accrued interest payable	9,066	-	9,066
Other current liabilities	3,674	-	3,674
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	140,000	-	140,000
Compensated absences	96,795	-	96,795
Portion due after one year:			
General obligation bonds payable	960,000	-	960,000
Total Liabilities	$ 4,248,257	$ 27,292	$ 4,275,549
Net Assets			
Invested in capital assets, net of related debt	$ 1,060,819	$ 1,358	$ 1,062,177
Unrestricted	1,425,851	-22,021	1,403,830
Total Net Assets	$ 2,486,670	$ -20,663	$ 2,466,007

See notes to financial statements.

Wapsie Valley Community School District

Statement of Activities

Year Ended June 30, 2005

		Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	$ 2,300,279	$ 116,817	$ 487,470	$ -
Special instruction	513,911	13,124	111,584	-
Other instruction	708,568	283,313	22,121	-
	$ 3,522,758	$ 413,254	$ 621,175	$ -
Support Services:				
Student services	$ 83,826	$ -	$ -	$ -
Instructional staff services	48,744	-	-	-
Administration services	428,366	-	-	-
Operation and maintenance of plant services	433,311	-	-	-
Transportation services	208,379	1,013	6,838	-
Community services	182	-	-	-
	$ 1,202,808	$ 1,013	$ 6,838	$ -
Non-instructional programs	$ 13,214	$ -	$ -	$ -
Other Expenditures:				
Facilities acquisition	$ 2,596	$ -	$ -	$ -
Long-term debt interest	50,838	-	-	-
AEA flow-through	205,149	-	-	-
	$ 258,583	$ -	$ -	$ -
Total Governmental Activities	$ 4,997,363	$ 414,267	$ 628,013	$ -
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	$ 221,269	$ 148,097	$ 65,977	$ -
Total	$ 5,218,632	$ 562,364	$ 693,990	$ -

Net (Expense) Revenue And Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$ -1,695,992	$ -	$ -1,695,992
-389,203	-	-389,203
-403,134	-	-403,134
$ -2,488,329	$ -	$ -2,488,329
$ -83,826	$ -	$ -83,826
-48,744	-	-48,744
-428,366	-	-428,366
-433,311	-	-433,311
-200,528	-	-200,528
-182	-	-182
$ -1,194,957	$ -	$ -1,194,957
$ -13,214	$ -	$ -13,214
$ -2,596	$ -	$ -2,596
-50,838	-	-50,838
-205,149	-	-205,149
$ -258,583	$ -	$ -258,583
$ -3,955,083	$ -	$ -3,955,083
$ -	$ -7,195	$ -7,195
$ -3,955,083	$ -7,195	$ -3,962,278

Wapsie Valley Community School District

Statement of Activities

Year Ended June 30, 2005

		Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
General Revenues:				
Property Tax Levied For:				
General purposes				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total General Revenues				
Change in net assets				
Net assets beginning of year				
Net Assets End of Year				

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
$ 1,595,325	$ -	$ 1,595,325
196,679	-	196,679
323,917	-	323,917
2,492,608	-	2,492,608
26,778	95	26,873
101,232	-	101,232
$ 4,736,539	$ 95	$ 4,736,634
$ 781,456	$ -7,100	$ 774,356
1,705,214	-13,563	1,691,651
$ 2,486,670	$ -20,663	$ 2,466,007

Wapsie Valley Community School District

Balance Sheet
Governmental Funds

June 30, 2005

Assets	General	Physical Plant & Equipment Levy	Capital Projects	Non-major Special Revenue	Total
Cash and Pooled Investments:					
ISCAP	$ 619,786	$ -	$ -	$ -	$ 619,786
Other	1,378,254	347,841	207,202	66,290	1,999,587
Receivables:					
Property Tax:					
Delinquent	23,365	3,028	-	401	26,794
Succeeding year	1,265,630	170,423	-	100,000	1,536,053
Accounts	3,599	-	29,552	21,873	55,024
Accrued interest:					
ISCAP	8,397	-	-	-	8,397
Due from other funds	285,303	-	-	-	285,303
Due from other governments	43,164	-	-	-	43,164
Total Assets	$ 3,627,498	$ 521,292	$ 236,754	$ 188,564	$ 4,574,108
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 94,436	$ -	$ 112,719	$ 2,225	$ 209,380
Salaries and benefits payable	380,916	-	-	28,258	409,174
Due to other funds	-	259,035	-	-	259,035
ISCAP warrants payable	618,000	-	-	-	618,000
ISCAP accrued interest payable	9,066	-	-	-	9,066
Other current liabilities	3,674	-	-	-	3,674
Deferred Revenue:					
Succeeding year property tax	1,265,630	170,423	-	100,000	1,536,053
Total Liabilities	$ 2,371,722	$ 429,458	$ 112,719	$ 130,483	$ 3,044,382
Fund Balances:					
Unreserved	$ 1,255,776	$ 91,834	$ 124,035	$ 58,081	$ 1,529,726
Total Liabilities and Fund Balances	$ 3,627,498	$ 521,292	$ 236,754	$ 188,564	$ 4,574,108

See notes to financial statements.

Wapsie 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 15)	$	1,529,726
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		2,160,819
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		-7,080
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		-1,196,795
Net assets of governmental activities (page 12)	$	2,486,670

See notes to financial statements.

Wapsie Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2005

	General	Physical Plant & Equipment Levy	Capital Projects	Non-Major Special Revenue	Total
Revenues:					
Local Sources:					
Local tax	$ 1,569,684	$ 196,578	$ -	$ 24,987	$ 1,791,249
Tuition	115,269	-	-	-	115,269
Other	183,883	4,950	350,889	266,569	806,291
Intermediate sources	-	-	-	-	-
State sources	2,877,279	101	-	11	2,877,391
Federal sources	188,619	-	-	-	188,619
Total Revenues	$ 4,934,734	$ 201,629	$ 350,889	$ 291,567	$ 5,778,819
Expenditures:					
Current:					
Instruction:					
Regular instruction	$ 2,261,836	$ -	$ -	$ 28,475	$ 2,290,311
Special instruction	513,911	-	-	-	513,911
Other instruction	457,144	-	-	246,706	703,850
	$ 3,232,891	$ -	$ -	$ 275,181	$ 3,508,072
Support Services:					
Student services	$ 83,826	$ -	$ -	$ -	$ 83,826
Instructional staff services	46,994	-	-	-	46,994
Administration services	427,426	-	-	-	427,426
Operation and maintenance of plant services	388,153	20,998	-	24,449	433,600
Transportation services	171,344	27,613	-	-	198,957
Community services	182	-	-	-	182
	$ 1,117,925	$ 48,611	$ -	$ 24,449	$ 1,190,985
Non-instructional programs	$ 13,214	$ -	$ -	$ -	$ 13,214
Other Expenditures:					
Facilities acquisition	$ -	$ 7,115	$ 302,458	$ -	$ 309,573
Long-Term Debt:					
Principal	-	-	-	130,000	130,000
Interest and fiscal charges	-	-	-	52,430	52,430
AEA flow-through	205,149	-	-	-	205,149
	$ 205,149	$ 7,115	$ 302,458	$ 182,430	$ 697,152
Total Expenditures	$ 4,569,179	$ 55,726	$ 302,458	$ 482,060	$ 5,409,423
Excess (deficiency) of revenues over (under) expenditures	$ 365,555	$ 145,903	$ 48,431	$ -190,493	$ 369,396
Other Financing Sources (Uses):					
Operating transfers in	$ 4,153	$ -	-	$ 182,430	$ 186,583
Operating transfers out	-	-186,583	-	-	-186,583
Total Other Financing Sources (Uses)	$ 4,153	$ -186,583	$ -	$ 182,430	$ -
Net change in fund balances	$ 369,708	$ -40,680	$ 48,431	$ -8,063	$ 369,396
Fund balances beginning of year	886,068	132,514	75,604	66,144	1,160,330
Fund Balances End of Year	$ 1,255,776	$ 91,834	$ 124,035	$ 58,081	$ 1,529,726

See notes to financial statements.

Wapsie 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 17)		$ 369,396
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, these 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	$ 426,175	
Depreciation expense	-138,885	287,290
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 exceeded issues, as follows:		
Repaid		130,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,592
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:		
Compensated absences		-6,822
Change in Net Assets of Governmental Activities (page 14)		$ 781,456

See notes to financial statements.

Wapsie Valley Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2005

		School Nutrition
Assets		
Cash and cash equivalents	$	776
Accounts receivable		190
Inventories		4,305
Capital assets, net of accumulated depreciation		1,358
Total Assets	$	6,629
Liabilities		
Inter-fund payable	$	26,268
Deferred revenue		1,024
Total Liabilities	$	27,292
Net Assets		
Invested in capital assets, net of related debt	$	1,358
Unrestricted		-22,021
Total Net Assets	$	-20,663

See notes to financial statements.

Wapsie Valley Community School District

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

June 30, 2005

		School Nutrition
Operating revenues:		
Local sources:		
Charges for service	$	148,097
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	$	77,594
Benefits		27,242
Purchased services		661
Supplies		114,904
Depreciation		644
Other		224
Total operating expenses	$	221,269
Operating loss	$	-73,172
Non-operating revenues:		
State sources	$	3,392
Federal sources		62,585
Interest income		95
Total non-operating revenues	$	66,072
Change in net assets	$	-7,100
Net assets beginning of year		-13,563
Net Assets End of Year	$	-20,663

See notes to financial statements.

Wapsie Valley Community School District

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	$	147,764
Cash paid to employees for services		-107,137
Cash paid to suppliers for goods or services		-101,925
Net cash used by operating activities	$	-61,298
Cash flows from non-capital financing activities:		
State grants received	$	3,392
Federal grants received		49,474
Net cash provided by non-capital financing activities	$	52,866
Cash flows from capital and related financing activities:		
Acquisition of capital assets	$	-1,850
Cash flows from investing activities:		
Interest on investments	$	95
Net decrease in cash and cash equivalents	$	-10,187
Cash and cash equivalents beginning of year		10,963
Cash and Cash Equivalents End of Year	$	776
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	-73,172
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used		14,559
Depreciation		644
(Increase) in inventories		-695
(Increase) in accounts receivable		-122
(Decrease) in salaries and benefits payable		-9,323
(Decrease) in deferred revenue		-211
Increase in inter-fund payable		7,022
Net Cash Used by Operating Activities	$	-61,298

Non-cash investing, capital and financing activities:
During the year ended June 30, 2005, the District received $13,111 of federal commodities.

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Wapsie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Readlyn, Fairbank and Oran, Iowa and portions of the predominately agricultural territories in Bremer, Buchanan, Fayette and Black Hawk 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, Wapsie 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. Wapsie Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary 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.

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

The Physical Plant and Equipment Levy is used to account for all resources used in the acquisition of buildings, improvements and equipment.

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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, 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.

Asset Class	Amount
Land	$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

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

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits in 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.

(3) Due From and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund		Amount
General Fund	Enterprise-Nutrition	$	26,268
General Fund	Physical Plant and Equipment Levy	$	259,035

The Nutrition Fund owes the General Fund for salaries in prior years. The balance will be repaid when the funds become available. The Physical Plant and Equipment Levy owes the General Fund. The balance was repaid after June 30, 2005.

(4) Inter-fund Transfers

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

Transfer to	Transfer from		Amount
General Fund	Physical Plant and Equipment Levy	$	4,153
Debt Service	Physical Plant and Equipment Levy		182,430
Total		$	186,583

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District' s participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Un-amortized Premium
2004-2005B	1/28/05	1/27/06	$ 619,786	$ 8,397	$ 618,000	$ 9,066	$ 3,674

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 in the General Fund for 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
2004-05A	3.000%	2.463%
2004-05B	3.500%	2.280%

(6) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Reclass-ification	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 15,955	$ -	$ -	$ -	$ 15,955
Construction in process	-	259,950	-	-	259,950
Total capital assets not being depreciated	$ 15,955	$ 259,950	$ -	$ -	$ 275,905
Capital assets being depreciated:					
Buildings	$ 4,475,941	$ 49,872	$ 16,605	$ -16,422	$ 4,492,786
Improvements other than buildings	301,730	5,011	18,468	75,195	363,468
Furniture and equipment	2,105,328	111,342	-	-58,773	2,157,897
Total capital assets being depreciated	$ 6,882,999	$ 166,225	$ 35,073	$ -	$ 7,014,151
Less accumulated depreciation for:					
Buildings	$ 2,895,166	$ 51,956	$ 16,605	$ -16,422	$ 2,914,095
Improvements other than buildings	212,274	13,729	-	38,259	264,262
Furniture and equipment	1,899,517	73,200	-	-21,837	1,950,880
Total accumulated depreciation	$ 5,006,957	$ 138,885	$ 16,605	$ -	$ 5,129,237
Total capital assets being depreciated, net	$ 1,876,042	$ 27,340	$ 18,468	$ -	$ 1,884,914
Governmental Activities Capital Assets, Net	$ 1,891,997	$ 287,290	$ 18,468	$ -	$ 2,160,819

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	$ 24,832	$ 1,850	$ -	$ 26,682
Less accumulated depreciation	24,680	644	-	25,324
Business Type Activities Capital Assets, Net	$ 152	$ 1,206	$ -	$ 1,358

Depreciation expense was charged to the following functions:

Governmental Activities:	
Instruction:	
Regular	$ 88,460
Other	10,202
Support services:	
Instructional staff	1,750
Administration	1,375
Operation and maintenance of plant	19,951
Transportation	17,147
	$ 138,885
Unallocated	-
Total Depreciation Expense – Governmental Activities	$ 138,885
Business Type Activities:	
Food service operations	$ 644

(7) 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	$ 1,230,000	$ -	$ 130,000	$ 1,100,000	$ 140,000
Compensated absences	89,973	6,822	-	96,795	96,795
Total	$ 1,319,973	$ 6,822	$ 130,000	$ 1,196,795	$ 236,795

General Obligation Bonds Payable

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

Year Ending	Interest Rate	Principal	Interest	Total
2006	4.00%	$ 140,000	$ 47,480	$ 187,480
2007	4.10%	145,000	41,880	186,880
2008	4.20%	150,000	35,935	185,935
2009	4.30%	155,000	29,635	184,635
2010	4.40%	160,000	22,970	182,970
2011	4.50%	170,000	15,930	185,930
2012	4.60%	180,000	8,280	188,280
Total		$ 1,100,000	$ 202,110	$ 1,302,110

During the year ended June 30, 2005, the District made principal, interest and fees payments totaling $182,430 under the agreements.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit 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 $141,839, $142,803 and $142,040, respectively, equal to the required contributions for each year.

(9) Risk Management

Wapsie 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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $205,149 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

Wapsie Valley Community School District

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	$ 2,712,809	$ 148,192
Intermediate sources	-	-
State sources	2,877,391	3,392
Federal sources	188,619	62,585
Total Receipts	$ 5,778,819	$ 214,169
Disbursements:		
Instruction	$ 3,508,072	$ -
Support services	1,190,985	-
Non-instructional programs	13,214	221,269
Other expenditures	697,152	-
Total Disbursements	$ 5,409,423	$ 221,269
Excess (deficiency) of receipts over (under) disbursements	$ 369,396	$ -7,100
Balances beginning of year	1,160,330	-13,563
Balances End of Year	$ 1,529,726	$ -20,663

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts Original	Budgeted Amounts Amended	Final to Actual Variance
$	2,861,001	$ 2,725,027	$ 2,725,027	$ 135,974
	-	-	-	-
	2,880,783	2,944,024	2,944,024	-63,241
	251,204	230,330	230,330	20,874
$	5,992,988	$ 5,899,381	$ 5,899,381	$ 93,607
$	3,508,072	$ 3,950,000	$ 3,950,000	$ 441,928
	1,190,985	1,617,216	1,617,216	426,231
	234,483	241,706	241,706	7,223
	697,152	621,859	806,214	109,062
$	5,630,692	$ 6,430,781	$ 6,615,136	$ 984,444
$	362,296	$ -531,400	$ -715,755	$ 1,078,051
	1,146,767	863,593	863,593	283,174
$	1,509,063	$ 332,193	$ 147,838	$ 1,361,225

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amended increasing budgeted disbursements by $184,355.

Other Supplementary Information

Wapsie Valley Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2005

	Debt Service	Management Levy	Student Activity	Total
Assets				
Cash and pooled investments	$ -	$ 28,814	$ 37,476	$ 66,290
Receivables:				
Property Tax:				
Delinquent	-	401	-	401
Succeeding year	-	100,000	-	100,000
Accounts	-	-	21,873	21,873
Total Assets	$ -	$ 129,215	$ 59,349	$ 188,564
Liabilities & Fund Equity				
Liabilities:				
Accounts payable	$ -	$ -	$ 2,225	$ 2,225
Salaries and benefits payable	-	28,258	-	28,258
Deferred revenue:				
Succeeding year property tax	-	100,000	-	100,000
Total Liabilities	$ -	$ 128,258	$ 2,225	$ 130,483
Fund Equity:				
Unreserved fund balances	-	957	57,124	58,081
Total Liabilities and Fund Equity	$ -	$ 129,215	$ 59,349	$ 188,564

See accompanying independent auditor's report.

Wapsie Valley Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Non-Major Special Revenue Funds

Year Ended June 30, 2005

	Debt Service	Management Levy	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	$ -	$ 24,987	$ -	$ 24,987
Other	-	-	266,569	266,569
State sources	-	11	-	11
Total Revenues	$ -	$ 24,998	$ 266,569	$ 291,567
Expenditures:				
Current:				
Instruction:				
Regular instruction	$ -	$ 28,475	$ -	$ 28,475
Other instruction	-	-	246,706	246,706
Support Services:				
Operation and maintenance of plant services	-	24,449	-	24,449
Other Expenditures:				
Long-Term Debt:				
Principal	130,000	-	-	130,000
Interest and fiscal charges	52,430	-	-	52,430
Total Expenditures	$ 182,430	$ 52,924	$ 246,706	$ 482,060
Excess (deficiency) of revenues over (under) expenditures	$ -182,430	$ -27,926	$ 19,863	$ -190,493
Other Financing Sources (Uses):				
Operating transfers in	$ 182,430	$ -	$ -	$ 182,430
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ -27,926	$ 19,863	$ -8,063
Fund balances beginning of year	-	28,883	37,261	66,144
Fund Balances End of Year	$ -	$ 957	$ 57,124	$ 58,081

See accompanying independent auditor's report.

Wapsie 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 and Inter-fund Transfers	Expenditures	Intra-Fund Transfers	Balance End of Year
Ed Foundation	$ -	$ 16,164	$ 14,009	$ 9,752	$ 11,907
Resale:					
Industrial Arts	458	6,638	599	-6,497	-
Music	-1,944	54	129	-	-2,019
Postage	198	55	250	-	3
Fees	-	30	-	-30	-
Textbooks	24,186	16,969	-	-	41,155
Athletics	2,568	122,556	135,753	-6,762	-17,391
Yearbook	-4,165	14,746	10,631	50	-
Music programs	-6,717	16,683	18,023	8,057	-
Music Trust Fund	3,466	175	-	-	3,641
Student Council	-2,545	504	618	2,659	-
Vocational Agriculture Club	14,221	60,902	56,856	-750	17,517
Dramatics	-167	1,056	1,135	246	-
Home Economics	-1,306	894	247	659	-
Junior High Student Council	767	125	34	-	858
Pop	-	-	-	-	-
Faculty	4	-	-	-4	-
Towels	258	1,258	-	-1,516	-
Interest	6,978	357	-	-7,220	115
Dance team	-165	-	25	190	-
Class of 1995-1999	203	-	-	49	252
Class of 2000	-3	-	-	-	-3
Class of 2003	65	-	109	44	-
Class of 2004	-511	-	874	1,385	-
Class of 2005	1,728	628	1,653	-703	-
Class of 2006	21	5,258	5,033	-406	-160
Class of 2007	-	322	-	-	322
Revolving	54	78	213	81	-
Children's Emergency Fund	927	-	-	-	927
Art Club	173	73	-	-246	-
NHS	-1,491	1,044	515	962	-
Total	$ 37,261	$ 266,569	$ 246,706	$ -	$ 57,124

See accompanying independent auditor's report.

Wapsie Valley Community School District

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local Sources:				
Local tax	$ 1,791,249	$ 2,079,903	$ 2,006,635	$ 1,697,139
Tuition	115,269	114,801	72,788	44,878
Other	806,291	526,166	445,496	321,730
Intermediate sources	-	-	-	-
State sources	2,877,391	2,939,531	2,960,319	2,811,658
Federal sources	188,619	139,367	358,033	150,752
Total	$ 5,778,819	$ 5,799,768	$ 5,843,271	$ 5,026,157
Expenditures:				
Instruction:				
Regular instruction	$ 2,290,311	$ 2,241,483	$ 2,150,774	$ 2,193,895
Special instruction	513,911	696,077	751,252	659,208
Other instruction	703,850	621,878	656,236	542,905
Support services:				
Student services	83,826	81,454	78,410	83,035
Instructional staff services	46,994	62,154	30,674	47,892
Administration services	427,426	478,364	420,078	397,959
Operation and maintenance of plant services	433,600	478,149	492,699	438,416
Transportation services	198,957	153,606	172,935	146,713
Community services	182	-	-	794
Central support services	-	650	58,453	52,556
Non-instructional programs	13,214	10,199	-	34,887
Other expenditures:				
Facilities acquisition	309,573	63,407	1,289,838	400,422
Long-term debt:				
Principal	130,000	130,000	125,000	-
Interest and other charges	52,430	56,245	59,355	19,685
AEA flow-through	205,149	209,371	221,305	214,977
Total	$ 5,409,423	$ 5,283,037	$ 6,507,009	$ 5,233,344

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

Keith Oltrogge CPA

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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
Wapsie Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wapsie 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 my report thereon dated August 24, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Wapsie Valley Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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. My 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, I believe item I-A-05 is a material weakness.

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

Compliance and Other Matters

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

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

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Wapsie Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Keith Oltrogge CPA

Keith Oltrogge
Certified Public Accountant

August 24, 2005

Wapsie Valley Community School District

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. I noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – We will continue to monitor procedures from administrative and Board levels.

Conclusion – Response accepted.

I-B-05 Disbursement Approval – Invoices supporting disbursements are not always initialed or signed by an appropriate official indicating they have been approved prior to payment.

Recommendation – All invoices processed for payment should be signed or initialed by appropriate personnel indicating approval for payment and proper receipt of the item prior to payments being made.

Response – We will do this.

Conclusion – Response accepted.

Wapsie 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 - Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2005.

Recommendation – The District should issue a new depository resolution in sufficient amounts to cover all deposits in all banks.

Response – We will do this.

Conclusion – Response accepted.

II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted.

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 – No business transactions between the District and District officials or employees were noted.

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 the coverage is adequate for current operations.

II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

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 Iowa Department of Education on a timely basis and I noted no significant deficiencies in the amounts reported.

II-K-05 Student Activity Fund – The Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. These accounts include accounts identified as "Music Trust", and also includes class accounts from 1995 through 1999. These were supposed to have been closed or reclassified prior to the fiscal 1997 GAAP conversion and should be corrected by the District. According to the Department of Education, the District should be accounting for this in the General Fund or should assign the proceeds to a specific activity.

Recommendation – The District should make a corrective transfer to account for this in the General Fund or another activity.

Response – We will review these accounts and reallocate where necessary to other proper activities..

Conclusion – Response accepted.

II-L-05 Financial Condition – Activity Fund – The Student Activity Account had four deficit accounts at June 30, 2005.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate these deficits in order to return the accounts to sound financial conditions. There were ten deficit accounts at June 30, 2004.

Response – We are working on this.

Conclusion – Response accepted.