

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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West Delaware County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Dan Zumbach	President	2004
Gary Johnson	Vice-President	2005
Mike Carr	Board Member	2005
Ilona Durey	Board Member	2006
Elwyn Curtis	Board Member	2006

Board of Education (After September 2004 Election)		
Gary Johnson	President	2005
Elwyn Curtis	Vice President	2006
Mike Carr	Board Member	2005
Ilona Durey	Board Member	2006
Mike Ryan	Board Member	2007

School Officials

Rick Hilbert	Superintendent	2005
Ron Goerd	Director of Finance/ Board Secretary	2005
Jeff Krausman	Attorney	2005

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

## **Certified Public Accountants**

(a professional corporation)

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### INDEPENDENT AUDITOR'S REPORT

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

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Delaware County Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

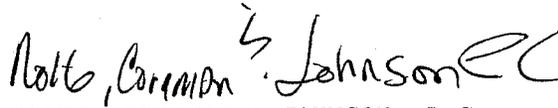
In accordance with Government Auditing Standards, we have also issued our reports dated September 21, 2005 on our consideration of West Delaware County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports are 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. Those reports are 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 20 and 40 through 43 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 Delaware County 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 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 21, 2005

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

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West Delaware County Community School District provides this Management's Discussion and Analysis of its financial statements to assist in the viewer's comprehension of the overall document. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. The reader is encouraged to consider this information in conjunction with the District's financial statements, which follow.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. The District has made every attempt so that the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the various funds and account groups in accordance with generally accepted accounting principles, (GAAP). All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

### **DISTRICT BACKGROUND**

West Delaware County Community School District covers an area of 237 square miles in Northeast Iowa, encompassing the communities of Dundee, Greeley, Manchester, Masonville and Ryan, and serves the majority of students in Delaware County. Manchester is the county seat and the principal trading center for the surrounding area. The District is governed by an elected five-member Board of Directors who serve staggered three-year terms. The Board is a policy-making and planning body whose decisions are carried out by central office and building administrators.

The September, 2004 Certified Enrollment Report recorded a budget enrollment of 1,663.4 students, ranking West Delaware as the 57th largest of Iowa's 365 public school systems. The District operates one regular and one alternative high school, a middle school and a JK-4 elementary, offering a full range of educational services appropriate to students in early childhood through grade twelve. These services include both basic and enriched academic instruction; special education for children with special needs, vocational education and numerous individualized programs such as specialized instruction for at-risk students. The district employs 130 teachers to carry out its educational mission, which is formally stated as providing a safe, culturally rich environment in which all students can reach their full potential academically, emotionally and socially.

In addition to the typical elementary, middle school and high school programs, the district also operates before and after school instructional programs, summer school, and shared-time programs with the local private school. The District also sponsors before and after school daycare services in conjunction with the YWCA program housed at the elementary site, as well as an offsite Special Education program through an agreement with Delaware County Regional Medical Center's Partner's in Success Program. A wide range of extracurricular activities is supported through membership and participation in the WaMaC Athletic Conference.

Continuing education opportunities are available within easy commuting distance at the University of Northern Iowa in Cedar Falls; Loras College, Clarke College and the University of Dubuque in Dubuque; Upper Iowa University in Fayette; Wartburg College in Waverly; Hawkeye Institute of Technology in Waterloo; Northeast Iowa Community College in Peosta; and Coe College, Mt. Mercy College and Kirkwood Community College in Cedar Rapids.

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The District is supported financially by state aid, property tax, income surtax, state and federal grants for special projects and local revenue received for tuition and other services.

### **District Facilities**

The District has five buildings situated on three campuses.

<u>Building</u>	<u>Construction Dates</u>	<u>Grades</u>
High School	1952, 53, 54, 55, 59, 60, 96	9-12
High School Annex	1891, 1912, 20, 40	9-12
Middle School	1970, 90	5-8
Lambert Elementary	1962, 92	K-4
Kindergarten School	1916	PK, Kdgn.

### **Certified Enrollment**

Certified enrollment for the official September count in the past five years has been as follows:

<u>Fiscal Year</u>	<u>Enrollment</u>
2004-05	1,663.4
2003-04	1,740.8
2002-03	1,825.8
2001-02	1,873.7

### **Open Enrollment**

For a variety of reasons, students enroll into or out of the District in compliance with Iowa's Open Enrollment law. Listed below are open enrollment results for the periods described:

<u>Fiscal Year</u>	<u>Enrolled In</u>	<u>Enrolled Out</u>
2005	64.0	91.2
2004	60.0	98.2
2003	43.0	83.6
2002	42.0	61.2

### **2005 FINANCIAL HIGHLIGHTS**

The District welcomed a new source of revenue when county residents approved a 1% School Infrastructure Local Option Tax on May 20, 2003. Receipts from this county-wide vote commenced in the second quarter of 2004 following the January 1st implementation. Administration plans to use these funds to complement an infrastructure building and remodeling campaign, primarily on the current high school campus. District residents approved by a wide margin the continuation of a 10-year Physical Plant and Equipment Levy beginning 7/1/2006 at a September 13, 2005 election. In conjunction with the SILO funding, a total of \$7.5 million will be collected and used for school remodeling and improvements, including; 16 classrooms, band and vocal music areas, student commons, kitchen and cafeteria, and a 700 seat auditorium.

Despite frequent cutbacks in state aid during the past several years, the District managed its finances well enough to run its 2003-04 and 2004-05 operations without incurring a deficit.

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Subsequently, the financial solvency ratio remained in the healthy range, and grew to 10.42% at the end of FY05.

General Fund revenues increased from \$12,168,534 in fiscal 2004 to \$12,397,837 in fiscal 2005, while General Fund expenditures remained relatively unchanged from \$12,142,053 in fiscal 2004 to \$12,145,491 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$1,039,505 in fiscal 2004 to a balance of \$1,291,851 in fiscal 2005, a 2.4% increase from the prior year.

As of 6/30/05, the District has no bonded indebtedness. The total tax rate for all funds is \$13.59787, markedly lower than most neighboring districts.

The District once again received an unqualified audit opinion, representing an acknowledgement that a sufficient degree of internal control, proper financial management and oversight exists. Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

### **Fund Accounting**

The District is organized and operates as a school corporation pursuant to Chapter 274 of the Code of Iowa. As such, the District maintains separate funds as allowed by statute. Following is a description of each fund.

The **General Operating Fund** is used to account for all transactions except those that are required by law to be accounted for in another fund. The bulk of General Fund revenues are derived from local property taxes and State foundation aid sources. The District receives a mix of property tax and State foundation aid based on a formula that takes into account enrollment, property valuations and costs per pupil. The description of the formula is found in Chapter 257.1 of the Code and reads as follows:

"For a budget year, each school district in the State is entitled to receive foundation aid in an amount per pupil equal to the difference between the amount per pupil of foundation property tax in the district, and the combined district cost per pupil, whichever is less."

The Code also allows for an "Allowable growth," defined as ". . . the amount by which State cost per pupil and district cost per pupil will increase from one budget year to the next" which is calculated each year by the Iowa Department of Management.

Presented below is the allowable growth the District has received (in total dollars) for the period indicated: Negative student enrollment growth equates to negative allowable growth from the state.

<u>Fiscal Year</u>	<u>Allowable Growth</u>
2005	(\$233,441)
2004	(\$52,276)
2003	(\$270,563)
2002	\$143,922

However, the state grants additional taxing authority, known as the Budget Guarantee, to districts in declining enrollment situations, and allows them to assess local property taxes in an amount such that the next years budget is not less than a base year budget plus adjustments. This works on a declining percentage basis so that each year a district can only seek 10% less than the prior year's tax asking, thus effectively weaning them slowly away from this supplemental funding.

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Additional property tax generated by the Budget Guarantee for West Delaware is:

<u>Fiscal Year</u>	<u>Addl. Property Tax</u>
2005	\$500,652
2004	\$322,839
2003	N/A

The District has generated a revenue mix in the Operating Fund as follows:

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>State Aid</u>
2005	\$4,285,433	\$5,848,200
2004	\$4,220,208	\$5,899,356
2003	\$3,996,063	\$6,016,298
2002	\$3,612,569	\$6,394,167

**Additional General Fund state and local revenue:**

Instructional Support

Districts are allowed to fund supplementary educational programs or enhance current programs under the Instructional Support program, which allows a district to additionally generate up to 10% of the total regular program district cost for the budget year. These revenues can be locally generated from either ad valorem taxation, income surtax or both. In addition, revenues are appropriated by the State and provided to each district depending on formula. The District can participate in the instructional support program by generating local revenues after either (i) scheduling and holding an election on the proposed funding, programs, and mix of funding, which requires 50% approval of those voting at a special district election and allows the program to be funded for a period of ten years; or (ii) after scheduling and holding two hearings on the programs and mix of funding, which can then be implemented after a 28-day period during which voters of the District can force an election, for a period of five years. West Delaware School District has a Board-authorized 5% Instructional Support program that will generate \$364,184 in additional revenues during FY05.

Cash Reserve Levy

The District can certify as part of its General Fund levy an additional property tax known as the Cash Reserve levy. This levy covers cash-flow needs and funds programs when other revenue sources are delayed or reduced. It is levied annually at the discretion of the Board of Directors. The District has levied the following in cash reserve for the period indicated:

<u>Fiscal Year</u>	<u>Cash Reserve Levy</u>
2005	\$166,427
2004	\$100,000
2003	\$180,000
2002	\$197,000

The **Management Fund** is a special revenue fund tax levy used to account for all financial transactions authorized under section 298.4, Code of Iowa. The purpose of this fund is to pay the costs of unemployment or early retirement benefits, and the costs of property, liability, auto and worker's compensation insurance and judgments or settlements relating to liability. Presented below are the Management Fund levies for the periods indicated:

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<u>Fiscal Year</u>	<u>Levy per \$1,000</u>
2005	\$.75695
2004	\$.79935
2003	\$.59962
2002	\$.54125

The **Physical Plant and Equipment Fund (PPEL)** is a special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, under section 298.2, Code of Iowa. This fund is created to deposit and expend money from a levy certified by the Board of Directors not to exceed 33 cents and/or a levy authorized by a simple majority of the voters not to exceed \$1.34. The purpose of the fund is to pay the costs of specified major expenditures related to facilities, grounds and certain equipment. The District's current levies include the .33 Board authorized levy and the .67 voted levy.

The **Student Activity Fund** is a special revenue fund used to account for money received from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related co curricular or extracurricular activities. Monies in this fund must be used to support only the program defined in the administrative rules of the department of education. The Activity Fund is under the control of the School Board. No taxes are levied for this fund.

The **Capital Projects Funds** are established when a district issues bonds or other authorized indebtedness for capital projects or for the proceeds from a School Infrastructure Local Option Tax. When a capital project for facilities is initiated in any existing fund, the monies for that project are transferred to a capital project fund by an operating transfer from the fund authorized to initiate the acquisition or construction. Payments of the project's expenditures are made from the capital project fund established to account for the project.

The **Debt Service Fund** is established when a district issues bonds or other long-term indebtedness, except those financed by proprietary or trust funds. The purpose of the fund is to pay interest and principal when due, on bonds or other authorized indebtedness issued by the district, and to make payments required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by the Code of Iowa. Monies available to service this debt and received from sources other than the debt service property tax levy shall be transferred to the Debt Service Fund through an operating transfer from the fund which issued the original indebtedness, and the payment of the debt shall be made from the debt service levy fund. Expenditures for the payment of general long-term debt, including both principal and interest must be budgeted in the debt service fund.

The **School Nutrition Fund** is a proprietary enterprise fund used to account for all transactions for the nutrition program authorized under chapter 283A, Code of Iowa. The program is supported by user fees, state and federal reimbursements, and District subsidies; no taxes are levied for this fund.

The **Trust and Agency Funds** are fiduciary funds used to account for money and property received and administered by the district as trustee or custodian or in the capacity of an agent. Generally, nonexpendable trust funds, pension trust funds, and agency funds are not budgeted.

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## **Historic and Potential State and Federal Actions that impact current and future District Budgets**

The District's operating budget is subject to change based on events outside of its control, including State and Federal funding. There may be changes in funding that are unknown or unanticipated at budget preparation time. Presented below is a discussion of some of the known conditions that could impact the District's operating budget:

### **State Funding**

After the appropriation of State Aid (and after the adoption of the District's budget for a particular fiscal year), the Governor and the General Assembly have the ability to rescind all or a portion of the appropriation. Certain areas of the State's budget are exempt from these potential cuts, however, K-12 and community college funding are not exempt from rescission. Historically, rescissions were imposed in an "across-the-board" fashion, and all state funding was reduced in a percentage format. This had the potential to impact schools with low valuation per pupil much greater than schools with high per pupil valuations. In the 2002 General Assembly, the formula for rescission was altered for K-12 funding, such that all future rescissions, if any, would be applied to K-12 education on a "per-pupil" basis.

Historically, the Governor has rescinded state aid in the following percentages since 1980:

<u>Date</u>	<u>Percentage Rescission</u>
October 10, 2003	2.5%
November 1, 2001	4.3
April 8, 1992	.62
July 1, 1991	3.25
September 3, 1983	2.8
December 15, 1980	1.0
August 12, 1980	3.6

### **Federal Funding**

Federal legislation with respect to student achievement in future years may result in sanctions that could have financial implications for the General Fund operating budget. The "No Child Left Behind" act of 2001 applies sanctions to under-performing schools that, if the school remains under-performing (as defined by the act) allows the parents of pupils in the school to move to another school, transferring their funding to the new school. This act applies to individual school facilities and does not necessarily apply to school districts, however, the revenue impact to a school district could be material if the school district has a school facility that under-performs and starts to lose enrollment.

## **Investment of Public Funds**

The District invests its funds pursuant to Chapter 12B of the Code of Iowa. No irregularities in the District's investing activities have been noted in District audits. Presented below is a summary of the investments of the District as of June 30, 2005.

\$ 900,000 Fixed rate CD's  
\$1,982,745 Local Bank guaranteed rate investments  
\$ 47,758 Local Bank overnight account deposits

### **Iowa School Cash Anticipation Program ("ISCAP")**

ISCAP issues warrants on behalf of member districts in the State of Iowa to fund cash flow deficits created by delinquent state aid or property tax receipts. The District has been a member since 1986. As the District's unspent cash balance has improved, reliance on ISCAP has diminished. Presented here is a history of the certificates issued.

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Fiscal Year</u>	<u>Principal Amount</u>
2005B	0	1997B	0
2005A	607,000	1997A	250,000
2004B	0	1996B	0
2004A	0	1996A	0
2003B	0	1995B	0
2003A	0	1995A	330,000
2002B	0	1994	755,000
2002A	0	1993	0
2001B	0	1992	1,000,000
2001A	0	1991	960,000
2000B	0	1990	890,000
2000A	213,000	1989	590,000
1999B	0	1988	670,000
1999A	0	1987	710,348
1998B	0	1986	724,290
1998A	795,000		

### **Pensions**

All District employees qualify for participation in the Iowa Public Employees Retirement System (IPERS). Both the District and its employees contribute a fixed percentage of gross salary to this fund. Present contributions are established at the following levels:

	<u>Percentage</u>
District Share	5.75%
Employee Share	3.70%
Total	9.45%

The fund is administered by the State with administrative costs paid from income derived from invested funds. There are no additional costs to the District.

### **Property Tax Assessment**

In compliance with section 441.21 of the Code of Iowa, as amended, the State Director of Revenue annually directs all county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The final values, called Actual Valuation, are then adjusted by the County Auditor. Assessed or Taxable Valuation subject to tax levy is then determined by the application of State determined rollback percentages, principally to residential and commercial property.

Beginning in 1978, the State required a reduction in Actual Valuation to reduce the impact of inflation on its residents. The resulting value is defined as the Assessed or Taxable Valuation,

<u>Fiscal Year</u>	<u>Agricultural</u>	<u>Residential</u>	<u>Railroad</u>	<u>Commercial</u>
2004-05	100.0000	48.4558	99.2570	99.2570
2003-04	100.0000	51.3874	100.0000	100.0000
2002-03	100.0000	51.6676	97.7701	97.7701
2001-02	100.0000	56.2651	100.0000	100.0000
2000-01	96.3381	54.8525	100.0000	98.7732
1999-00	100.0000	56.4789	100.0000	100.0000
1998-99	96.4206	54.9090	97.3606	97.3606
1997-98	100.0000	58.8284	100.0000	100.0000
1996-97	100.0000	59.3180	100.0000	97.2824
1995-96	100.0000	67.5074	100.0000	100.0000

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year. For example, the assessments finalized on January 1, 2003 are used to calculate tax liability for the tax year starting July 1, 2004 through June 30, 2005. Presented below is the historic property valuations of the District by class of property.

### Historic Property Valuations by Class of Property

<b>Taxable Valuation</b>							
Valuation as of January . . .	2003	2002	2001	2000	1999	1998	1997
Fiscal Year . . .	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Residential:	123,971,015	128,429,574	125,011,872	126,816,603	119,811,112	111,236,822	105,113,341
Agricultural Land:	101,416,324	114,074,283	114,196,183	106,330,626	102,630,925	97,675,200	88,163,953
Ag Buildings:	19,607,260	21,769,260	21,399,560	19,664,260	18,881,981	17,684,400	16,572,954
Commercial:	41,209,046	42,021,703	39,559,888	37,903,130	35,243,717	32,671,750	29,497,689
Industrial:	14,164,622	14,595,577	14,575,519	14,237,789	13,533,507	12,814,588	11,724,304
Personal RE:	293,000	293,000	1,459,234	4,153,000	5,603,248	7,689,400	8,022,221
Railroads:	381,801	278,900	470,447	1,164,715	1,379,844	1,584,072	In Utilities
Utilities:	48,924,332	46,544,502	36,886,003	20,213,956	7,097,625	24,284,351	24,813,692
Utility Replacement:	13,164,911	14,948,323	14,578,874	14,420,851	14,197,878	In Utilities	In Utilities
TIF Valuation:	10,710,000	10,900,000	10,750,000	10,720,000	10,700,000	10,800,000	10,275,000
Other:	0	0	0	0	0	0	0
<b>Total Valuation:</b>	<b>373,842,311</b>	<b>393,855,122</b>	<b>378,887,580</b>	<b>355,624,930</b>	<b>329,079,837</b>	<b>316,440,583</b>	<b>294,183,154</b>
<b>Less Military:</b>	<b>1,222,155</b>	<b>1,235,132</b>	<b>1,240,650</b>	<b>1,254,445</b>	<b>1,287,708</b>	<b>1,282,782</b>	<b>1,288,104</b>
<b>NET Valuation:</b>	<b>372,620,156</b>	<b>392,619,990</b>	<b>377,646,930</b>	<b>354,370,485</b>	<b>327,792,129</b>	<b>315,157,801</b>	<b>292,895,050</b>

<b>Actual Valuation</b>							
Valuation as of January . . .	2003	2002	2001	2000	1999	1998	1997
Fiscal Year . . .	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Residential:	255,843,501	249,924,250	241,954,091	225,391,234	218,424,159	196,952,883	191,431,898
Agricultural Land:	101,416,324	114,074,283	114,196,183	110,372,351	102,630,925	101,301,174	88,163,953
Ag Buildings:	19,607,260	21,769,260	21,399,560	20,411,717	18,881,981	18,340,894	16,572,954
Commercial:	41,517,521	42,021,703	40,459,294	37,903,130	35,243,717	32,671,750	30,297,357
Industrial:	14,164,622	14,595,577	14,575,519	14,237,789	13,533,507	12,814,588	11,724,304
Personal RE:	293,000	293,000	1,459,234	4,153,000	5,603,248	7,689,400	8,022,221
Railroads:	384,659	278,900	481,177	1,164,715	1,379,844	1,584,072	In Utilities
Utilities:	48,924,332	46,544,502	36,886,003	20,213,956	7,097,625	24,284,351	24,813,692
Utility Replacement:	13,164,911	14,948,323	14,578,874	14,420,851	14,197,878	In Utilities	In Utilities
TIF Valuation:	10,710,000	10,900,000	10,750,000	10,720,000	10,700,000	10,800,000	10,275,000
Other:	0	0	0	0	0	0	0
<b>Total Valuation:</b>	<b>506,026,130</b>	<b>515,349,798</b>	<b>496,739,935</b>	<b>458,988,742</b>	<b>427,692,884</b>	<b>406,439,112</b>	<b>381,301,380</b>
<b>NET Valuation:</b>	<b>506,026,130</b>	<b>515,349,798</b>	<b>496,739,935</b>	<b>458,988,742</b>	<b>427,692,884</b>	<b>406,439,112</b>	<b>381,301,380</b>

## Historic Property Valuations by Class of Property

Valuation Year	Actual Valuation w/Utilities	Percentage Change Actual Valuation	Taxable Valuation w/Utilities	Percentage Change Taxable Valuation
2004	520,482,377	2.86%	382,826,296	2.74%
2003	506,026,130	-1.81%	372,620,156	-5.09%
2002	515,349,798	3.75%	392,619,990	3.96%
2001	496,739,935	8.22%	377,646,930	6.57%
2000	458,988,742	7.32%	354,370,485	8.11%
1999	427,692,884	5.23%	327,792,129	4.01%
1998	406,439,112	6.59%	315,157,801	7.60%
1997	381,301,380	5.28%	292,895,050	1.67%

## Tax Rates

Taxes levied by the District for the fund groups as presented, for the period indicated:

	<u>Operating</u>	<u>Management</u>	<u>Voted PPEL</u>	<u>Board PPEL</u>	<u>Debt Service</u>	<u>TOTAL</u>
2004-05	11.84115	0.75695	0.67000	0.33000	0.00000	13.59810
2003-04	11.05577	0.79935	0.67000	0.33000	0.00000	12.85512
2002-03	10.89151	0.59962	0.60000	0.33000	0.00000	12.42113
2001-02	10.51233	0.54125	0.67000	0.33000	0.00000	12.05358

## Largest Taxpayers

<u>Taxpayer</u>	<u>2004 Taxable Valuation</u>
Alliance Pipeline	\$45,843,290
Interstate Power & Light Co.	7,355,988
Exide Corporation	5,633,633
Central Iowa Power Coop	3,822,586
Iowa Telecommunications	3,498,971
Warden Centre, Inc.	1,523,949
Wal-Mart Real Estate Business Trust	1,479,949
R.E.H. Investments Inc.	1,349,481
Acquisitions Investments of Manchester	1,321,440
Hutchinson Inc.	1,252,457

## Tax Collection History

Fiscal Year	Amount Levied	Amount Collected	Percentage Collected
2005	\$4,752,983	\$4,747,833	1.00%
2004	\$4,725,794	\$4,767,865	1.01%
2003	\$4,386,186	\$4,331,462	0.99%
2002	\$3,979,116	\$4,030,395	1.01%
2001	\$3,673,934	\$3,660,723	1.00%
Average Percentage Collected:			1.00%

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

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.

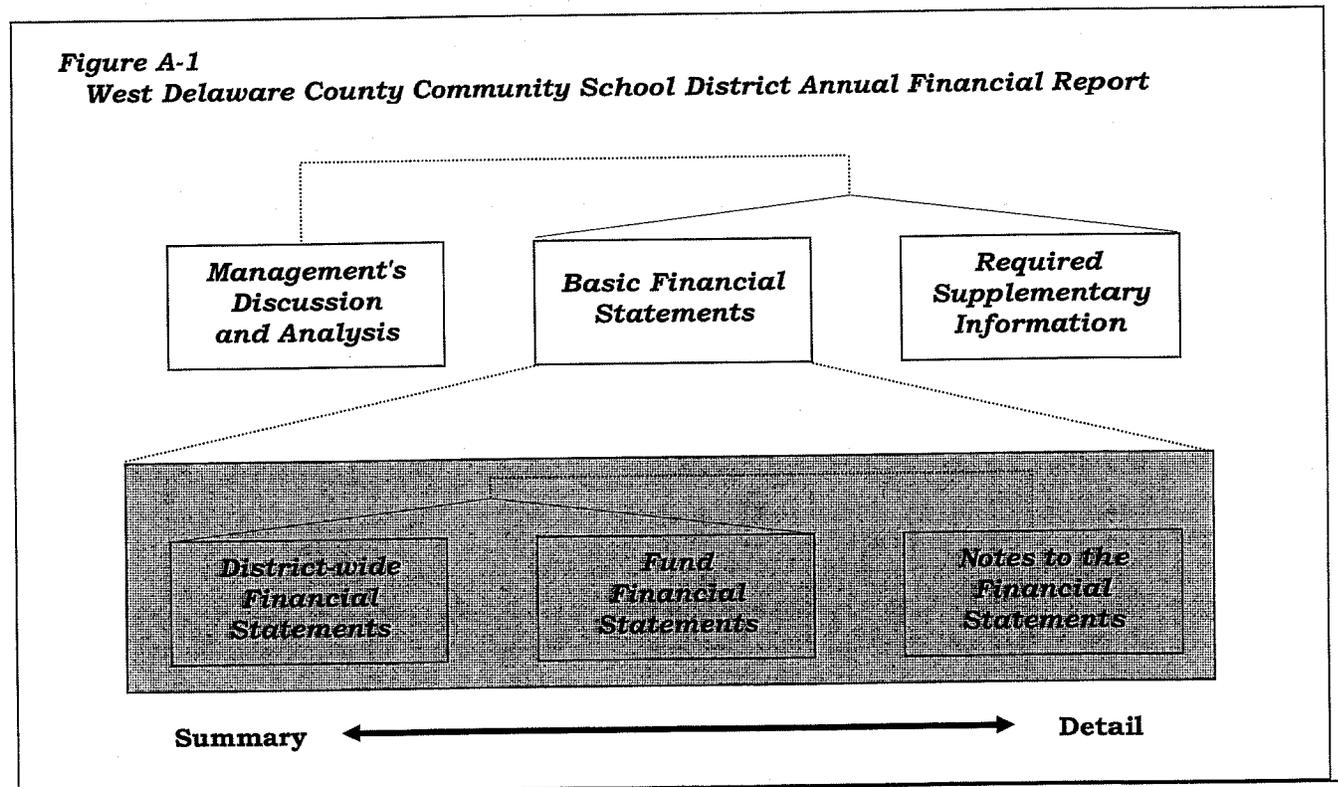


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or 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 categories 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 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 one enterprise fund, the School Nutrition Fund. The District's Internal Service Fund, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one Internal Service Fund, which accounts for the District's self-funded insurance plan.

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.

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	\$ 8,367,968	7,080,543	219,679	205,118	8,587,647	7,285,661	17.87%
Capital assets	1,150,285	1,396,201	30,610	30,073	1,180,895	1,426,274	-17.20%
Total assets	9,518,253	8,476,744	250,289	235,191	9,768,542	8,711,935	12.13%
Long-term obligations	675,755	786,288	3,202	0	678,957	786,288	-13.65%
Other liabilities	5,227,450	5,177,877	13,995	6,938	5,241,445	5,184,815	1.09%
Total liabilities	5,903,205	5,964,165	17,197	6,938	5,920,402	5,971,103	-0.85%
Net assets:							
Invested in capital assets, net of related debt	1,150,285	1,542,974	30,610	30,073	1,180,895	1,573,047	-24.93%
Restricted	1,470,967	177,762	0	0	1,470,967	177,762	727.49%
Unrestricted	993,796	791,843	202,482	198,180	1,196,278	990,023	20.83%
Total net assets	\$ 3,615,048	2,512,579	233,092	228,253	3,848,140	2,740,832	40.40%

The District's combined net assets increased by 40.4%, or \$1,107,308, over the prior year. The largest portion of the District's net assets is the Restricted net assets – 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 \$1,293,205, or 727.49% over the prior year. The increase in restricted net assets was due to the increase in local option sales and services tax monies received in FY 05.

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 \$206,255, or 20.83%.

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
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,094,917	972,649	355,411	378,749	1,450,328	1,351,398	7.32%
Operating grants and contributions and restricted interest	1,528,784	1,563,944	235,107	219,381	1,763,891	1,783,325	-1.09%
Capital grants and contributions and restricted interest	0	119,799	0	0	0	119,799	-100.00%
<b>General revenues:</b>							
Property tax	5,085,362	5,075,606	0	0	5,085,362	5,075,606	0.19%
Local option sales and services tax	888,255	263,132	0	0	888,255	263,132	237.57%
Unrestricted state grants	5,835,850	5,664,625	0	0	5,835,850	5,664,625	3.02%
Other	63,904	34,680	3,946	2,141	67,850	36,821	84.27%
<b>Total revenues</b>	<b>14,497,072</b>	<b>13,694,435</b>	<b>594,464</b>	<b>600,271</b>	<b>15,091,536</b>	<b>14,294,706</b>	<b>5.57%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	8,722,425	8,275,940	0	0	8,722,425	8,275,940	5.39%
Support services	3,816,795	3,679,124	0	0	3,816,795	3,679,124	3.74%
Non-instructional programs	12,780	4,000	589,625	532,797	602,405	536,797	12.22%
Other expenses	791,935	902,619	0	0	791,935	902,619	-12.26%
<b>Total expenses</b>	<b>13,343,935</b>	<b>12,861,683</b>	<b>589,625</b>	<b>532,797</b>	<b>13,933,560</b>	<b>13,394,480</b>	<b>4.02%</b>
Changes in net assets before other financing uses	1,153,137	832,752	4,839	67,474	1,157,976	900,226	28.63%
<b>Other financing uses:</b>							
Loss on disposal of capital assets	(50,668)	0	0	0	(50,668)	0	-100.00%
Change in net assets	1,102,469	832,752	4,839	67,474	1,107,308	900,226	23.00%
Beginning net assets	2,512,579	1,679,827	228,253	160,779	2,740,832	1,840,606	48.91%
Ending net assets	\$ 3,615,048	2,512,579	233,092	228,253	3,848,140	2,740,832	40.40%

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$14,497,072 and expenses were \$13,343,935. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,722,425	6,668,417
Support services	3,816,795	3,786,367
Non-instructional programs	12,780	12,780
Other expenses	791,935	252,670
Totals	<u>\$ 13,343,935</u>	<u>10,720,234</u>

- The cost financed by users of the District's programs was \$1,094,917.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,528,784.
- The net cost of governmental activities was financed with \$5,085,362 in property tax, \$888,255 in local option sales and services tax, \$5,835,850 in state foundation aid and \$63,904 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$594,464 and expenses were \$589,625. 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, the West Delaware County 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 \$2,943,702, above last year's ending fund balance of \$1,724,817. The primary reason for the increase in combined fund balance in fiscal 2005 is due to the local option sales and services tax monies.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the product of many factors: Along with an increase in revenues, the General Fund decreased its expenditures slightly, primarily because of stricter budgetary oversight at the building level. Also, the district's alternate year early retirement program allows replacement of more expensive veteran teachers with less expensive beginning-level staff, which produces a cumulative savings effect for several years. The General Fund balance increased from \$1,039,505 in fiscal year 2004 to \$1,291,851 in fiscal year 2005.
- The District's improving Capital Projects Fund from \$263,464 in fiscal year 2004 to \$1,162,664 in fiscal year 2005. This increase was a result of the local option sales and services tax monies received in fiscal year 2005.
- The Physical Plant and Equipment Levy paid off the final installment of an outstanding note, allowing the receipts in that fund to be unencumbered after May 2005.

## Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$228,253 at June 30, 2004 to \$233,092 at June 30, 2005, representing an increase of 2.12%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$376,622 more than budgeted revenues, a variance of 2.57%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$1,180,895, 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 decrease of 17% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$352,191.

The original cost of the District's capital assets was \$8,364,717. Governmental funds account for \$8,194,099 with the remainder of \$170,618 in the Proprietary, School Nutrition Fund.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 62,250	62,250	0	0	62,250	62,250	0.00%
Buildings	117,798	251,959	0	0	117,798	251,959	-113.89%
Land improvements	80,776	101,263	0	0	80,776	101,263	-25.36%
Machinery and equipment	889,461	980,729	30,610	30,073	920,071	1,010,802	-9.86%
Total	\$ 1,150,285	1,396,201	30,610	30,073	1,180,895	1,426,274	-20.78%

### Long-Term Debt

At June 30, 2005, the District had \$678,957 in long-term debt outstanding. This represents a decrease of 13.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had early retirement payable from the Special Revenue - Management Levy Fund of \$653,327 at June 30, 2005.

The District had early retirement payable from the Enterprise Fund – School Nutrition Fund of \$3,202 at June 30, 2005.

The District had \$22,428 remaining on its National School Fitness Loan payable from the General Fund at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Capital loan note	\$ 0	220,000	-100.0%
National School Fitness Loan	22,428	75,484	-70.3%
Early Retirement	656,529	490,804	33.8%
Totals	\$ 678,957	786,288	-13.7%

### 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 Ron Goerd, Director of Finance, West Delaware County Community School District, 601 New Street, Manchester, Iowa, 52057.

BASIC FINANCIAL STATEMENTS

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,741,761	200,824	2,942,585
Receivables:			
Property tax:			
Delinquent	76,221	0	76,221
Succeeding year	5,098,300	0	5,098,300
Income surtax	147,987	0	147,987
Accounts	18,168	0	18,168
Due from other governments	285,531	0	285,531
Inventories	0	18,855	18,855
Capital assets, net of accumulated depreciation(Note 5)	1,150,285	30,610	1,180,895
<b>TOTAL ASSETS</b>	<b>9,518,253</b>	<b>250,289</b>	<b>9,768,542</b>
<b>LIABILITIES</b>			
Accounts payable	65,774	0	65,774
Salaries and benefits payable	63,376	0	63,376
Deferred revenue:			
Succeeding year property tax	5,098,300	0	5,098,300
Other	0	13,995	13,995
Long-term liabilities(Note 6):			
Portion due within one year:			
National School Fitness Loan	22,428	0	22,428
Early retirement payable	164,045	3,202	167,247
Portion due after one year:			
Early retirement payable	489,282	0	489,282
<b>TOTAL LIABILITIES</b>	<b>5,903,205</b>	<b>17,197</b>	<b>5,920,402</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,150,285	30,610	1,180,895
Restricted for:			
Talented and gifted	8,435	0	8,435
Capital projects	1,162,664	0	1,162,664
Physical plant and equipment levy	103,719	0	103,719
Other special revenue purposes	196,149	0	196,149
Unrestricted	993,796	202,482	1,196,278
<b>TOTAL NET ASSETS</b>	<b>\$ 3,615,048</b>	<b>233,092</b>	<b>3,848,140</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>			
Instruction:			
Regular instruction	\$ 5,613,198	981,180	875,392
Special instruction	1,421,712	107,826	89,610
Other instruction	1,687,515	0	0
	<u>8,722,425</u>	<u>1,089,006</u>	<u>965,002</u>
Support services:			
Student services	454,654	0	0
Instructional staff services	626,662	0	0
Administration services	1,135,734	0	0
Operation and maintenance of plant services	941,073	0	0
Transportation services	658,672	5,911	24,517
	<u>3,816,795</u>	<u>5,911</u>	<u>24,517</u>
Non-instructional programs:			
Food service operations	12,780	0	0
Other expenditures:			
Facilities and acquisitions	66,893	0	0
Long-term debt interest	6,129	0	0
AEA flowthrough	539,265	0	539,265
Depreciation(unallocated)*	179,648	0	0
	<u>791,935</u>	<u>0</u>	<u>539,265</u>
Total governmental activities	13,343,935	1,094,917	1,528,784
Business-Type activities:			
Non-instructional programs:			
Nutrition services	589,625	355,411	235,107
Total business-type activities	<u>589,625</u>	<u>355,411</u>	<u>235,107</u>
Total	<u>\$ 13,933,560</u>	<u>1,450,328</u>	<u>1,763,891</u>

**General Revenues:**

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

Total general revenues

Changes in net assets before other financing uses

Other financing uses:

Loss on disposal of Capital Assets

Change in net assets

Net assets beginning of year

Net assets end of year

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,756,626)	0	(3,756,626)
(1,224,276)	0	(1,224,276)
(1,687,515)	0	(1,687,515)
(6,668,417)	0	(6,668,417)
(454,654)	0	(454,654)
(626,662)	0	(626,662)
(1,135,734)	0	(1,135,734)
(941,073)	0	(941,073)
(628,244)	0	(628,244)
(3,786,367)	0	(3,786,367)
(12,780)	0	(12,780)
(66,893)	0	(66,893)
(6,129)	0	(6,129)
0	0	0
(179,648)	0	(179,648)
(252,670)	0	(252,670)
(10,720,234)	0	(10,720,234)
0	893	893
0	893	893
(10,720,234)	893	(10,719,341)
\$ 4,713,387	0	4,713,387
371,975	0	371,975
888,255	0	888,255
5,835,850	0	5,835,850
63,904	3,946	67,850
11,873,371	3,946	11,877,317
1,153,137	4,839	1,157,976
(50,668)	0	(50,668)
1,102,469	4,839	1,107,308
2,512,579	228,253	2,740,832
\$ 3,615,048	233,092	3,848,140

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,259,633	953,972	479,327	2,692,932
Receivables:				
Property tax:				
Delinquent	66,315	0	9,906	76,221
Succeeding year	4,381,488	0	716,812	5,098,300
Income surtax	147,987	0	0	147,987
Accounts	14,732	0	3,436	18,168
Interfund	0	0	2	2
Due from other governments	76,839	208,692	0	285,531
<b>TOTAL ASSETS</b>	<b>\$ 5,946,994</b>	<b>1,162,664</b>	<b>1,209,483</b>	<b>8,319,141</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Interfund payable	\$ 2	0	0	2
Accounts payable	62,861	0	2,913	65,774
Salaries and benefits payable	62,805	0	571	63,376
Deferred revenue:				
Succeeding year property tax	4,381,488	0	716,812	5,098,300
Income surtax	147,987	0	0	147,987
<b>Total liabilities</b>	<b>4,655,143</b>	<b>0</b>	<b>720,296</b>	<b>5,375,439</b>
<b>Fund balances:</b>				
Reserved for:				
Talented and gifted	8,435	0	0	8,435
Unreserved:				
General	1,283,416	0	0	1,283,416
Management	0	0	189,319	189,319
Capital Projects	0	1,162,664	0	1,162,664
Physical plant and equipment levy	0	0	103,719	103,719
Other special revenue purposes	0	0	196,149	196,149
<b>Total fund balances</b>	<b>1,291,851</b>	<b>1,162,664</b>	<b>489,187</b>	<b>2,943,702</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,946,994</b>	<b>1,162,664</b>	<b>1,209,483</b>	<b>8,319,141</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY 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 24)	\$	2,943,702
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*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 report as assets in in the governmental funds.		1,150,285
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Blending of the Internal Service Funds to be reflected on an entity-wide basis.		48,829
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Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		147,987
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Long-term liabilities, including early retirement and capital loan notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(675,755)
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Net assets of governmental activites (page 21)	\$	<u>3,615,048</u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax:	\$ 4,445,320	888,255	645,456	5,979,031
Tuition	424,314	0	0	424,314
Other	151,518	10,945	571,052	733,515
Intermediate sources	992	0	0	992
State sources	6,829,832	0	493	6,830,325
Federal sources	534,309	0	0	534,309
Total revenues	<u>12,386,285</u>	<u>899,200</u>	<u>1,217,001</u>	<u>14,502,486</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	5,427,073	0	80,451	5,507,524
Special instruction	1,418,093	0	3,619	1,421,712
Other instruction	1,151,174	0	536,341	1,687,515
	<u>7,996,340</u>	<u>0</u>	<u>620,411</u>	<u>8,616,751</u>
Support services:				
Student services	450,027	0	11,344	461,371
Instructional staff services	602,027	0	4,364	606,391
Administration services	1,128,063	0	11,584	1,139,647
Operation and maintenance of plant services	848,228	0	71,079	919,307
Transportation services	526,689	0	105,300	631,989
	<u>3,555,034</u>	<u>0</u>	<u>203,671</u>	<u>3,758,705</u>
Non-instructional programs	0		8,177	8,177
Other expenditures:				
Facilities acquisitions	0	0	91,893	91,893
Long-term debt:				
Principal	0	0	273,056	273,056
Interest and fiscal charges	0	0	7,306	7,306
AEA flowthrough	539,265	0	0	539,265
	<u>539,265</u>	<u>0</u>	<u>372,255</u>	<u>911,520</u>
Total expenditures	<u>12,090,639</u>	<u>0</u>	<u>1,204,514</u>	<u>13,295,153</u>
Excess of revenues over expenditures	295,646	899,200	12,487	1,207,333
Other financing sources (uses):				
Operating transfers in	0	0	280,362	280,362
Operating transfers out	(54,852)	0	(225,510)	(280,362)
Compensation for loss of capital assets	8,191	0	0	8,191
Sale of equipment	3,361	0	0	3,361
Total other financing sources (uses)	<u>(43,300)</u>	<u>0</u>	<u>54,852</u>	<u>11,552</u>
Net change in fund balances	252,346	899,200	67,339	1,218,885
Fund balance beginning of year	1,039,505	263,464	421,848	1,724,817
Fund balance end of year	<u>\$ 1,291,851</u>	<u>1,162,664</u>	<u>489,187</u>	<u>2,943,702</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 26) \$ 1,218,885

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

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

Capital outlays	\$ 162,702	
Depreciation expense	(346,398)	
Loss on disposal of capital assets	<u>(62,220)</u>	(245,916)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 23,204

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 273,056

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. 1,177

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (5,414)

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.  
 Early retirement (162,523)

Changes in net assets of governmental activities (page 23) \$ 1,102,469

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2005

	Business-Type Activities	
	Enterprise: Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Cash and pooled investments	\$ 200,824	48,829
Inventories	18,855	0
Capital assets, net of accumulated depreciation (Note 5)	30,610	0
TOTAL ASSETS	250,289	48,829
LIABILITIES		
Early retirement payable	3,202	0
Deferred revenue:		
Other	13,995	0
TOTAL LIABILITIES	17,197	0
NET ASSETS		
Investment in capital assets, net of related debt	30,610	0
Unrestricted	202,482	48,829
TOTAL NET ASSETS	\$ 233,092	48,829

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business-Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 355,411	82,112
TOTAL OPERATING REVENUES	<u>355,411</u>	<u>82,112</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	244,556	0
Benefits	47,061	58,908
Services	8,849	0
Supplies	283,366	0
Depreciation	5,793	0
TOTAL OPERATING EXPENSES	<u>589,625</u>	<u>58,908</u>
OPERATING INCOME (LOSS)	<u>(234,214)</u>	<u>23,204</u>
NON-OPERATING REVENUES:		
State sources	8,576	0
Federal sources	226,531	0
Interest on investments	3,946	0
TOTAL NON-OPERATING REVENUES	<u>239,053</u>	<u>0</u>
Change in net assets	4,839	23,204
Net assets beginning of year	<u>228,253</u>	<u>25,625</u>
Net assets end of year	<u>\$ 233,092</u>	<u>48,829</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business-Type Activities:	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 352,757	0
Cash received from miscellaneous	9,860	82,466
Cash payments to employees for services	(288,559)	(58,908)
Cash payments to suppliers for goods or services	(250,188)	0
Net cash provided by (used in) operating activities	<u>(176,130)</u>	<u>23,558</u>
Cash flows from non-capital financing activities:		
State grants received	8,576	0
Federal grants received	182,514	0
Net cash provided by non-capital financing activities	<u>191,090</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(6,330)	0
Net cash used in capital and related financing activities	<u>(6,330)</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	3,946	0
Net cash provided by investing activities	<u>3,946</u>	<u>0</u>
Net increase in cash and cash equivalents	12,576	23,558
Cash and cash equivalents at beginning of year	188,248	25,271
Cash and cash equivalents at end of year	<u>\$ 200,824</u>	<u>48,829</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (234,214)	23,204
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities consumed	44,017	0
Depreciation	5,793	0
Increase in inventories	(1,985)	0
Decrease in accounts receivable	0	354
Decrease in accounts payable	(5)	0
Increase in salaries and benefits payable	3,058	0
Increase in deferred revenue	7,206	0
Net cash provided by (used in) operating activities	<u>\$ (176,130)</u>	<u>23,558</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 200,824</u>	<u>48,829</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$44,017.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

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

The West Delaware County 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. The geographic area served includes the cities of Manchester, Ryan, Dundee, Greeley, and Masonville, Iowa, and the predominate agricultural territory in Delaware and Buchanan 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 Delaware County 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 Delaware County 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 Delaware and Buchanan Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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
Land improvements	20 years
Machinery and equipment	5-20 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, disbursements in the non-instructional programs functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Student Activity	General	\$ 2

(4) **Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	General	\$ 54,852
Debt Service	PPEL	225,510
Total		<u>\$ 280,362</u>

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

**(5) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 62,250	0	0	62,250
Total capital assets not being depreciated	<u>62,250</u>	<u>0</u>	<u>0</u>	<u>62,250</u>
Capital assets being depreciated:				
Buildings	5,116,405	25,000	0	5,141,405
Land improvements	267,873	0	0	267,873
Machinery and equipment	2,831,828	137,702	246,959	2,722,571
Total capital assets being depreciated	<u>8,216,106</u>	<u>162,702</u>	<u>246,959</u>	<u>8,131,849</u>
Less accumulated depreciation for:				
Buildings	4,864,446	159,161	0	5,023,607
Land improvements	166,610	20,487	0	187,097
Machinery and equipment	1,851,099	166,750	184,739	1,833,110
Total accumulated depreciation	<u>6,882,155</u>	<u>346,398</u>	<u>184,739</u>	<u>7,043,814</u>
Total capital assets being depreciated, net	<u>1,333,951</u>	<u>(183,696)</u>	<u>62,220</u>	<u>1,088,035</u>
Governmental activities capital assets, net	<u>\$ 1,396,201</u>	<u>(183,696)</u>	<u>62,220</u>	<u>1,150,285</u>
<b>Business-type activities:</b>				
Machinery and equipment	\$ 164,288	6,330	0	170,618
Less accumulated depreciation	134,215	5,793	0	140,008
Business-type activities capital assets, net	<u>\$ 30,073</u>	<u>537</u>	<u>0</u>	<u>30,610</u>

Depreciation expense was charged by the District as follows:

<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 64,617
Support services:	
Administration	12,857
Transportation	89,276
	<u>166,750</u>
Unallocated depreciation	<u>179,648</u>
Total governmental activities depreciation expense	<u>\$ 346,398</u>
<b>Business-type activities:</b>	
Food services	\$ 5,793
Total business-type activities depreciation expense	<u>\$ 5,793</u>

(6) 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
Capital loan note	\$ 220,000	0	220,000	0	0
National School Fitness Loan	75,484	0	53,056	22,428	22,428
Early Retirement	490,804	287,585	121,860	656,529	167,247
Total	\$ 786,288	287,585	394,916	678,957	189,675

National School Fitness Loan

Details of the District's June 30, 2005 National School Fitness Loan indebtedness is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 22,428	195	22,623

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each employee is a maximum of \$300 per month contribution toward single health insurance coverage until age 65. The employee will also receive \$35 per day of unused sick leave. The early retirement benefits paid during the year ended June 30, 2005, totaled \$121,860.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$471,712, \$460,128, and \$467,133 respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$539,265 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.

**(10) 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, disbursements in the non-instructional functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 6,996,728	366,563
Intermediate sources	949	0
State sources	6,868,658	8,576
Federal sources	562,155	226,531
Total receipts	<u>14,428,490</u>	<u>601,670</u>
Disbursements:		
Instruction	8,625,246	0
Support services	3,762,853	0
Non-instructional programs	8,177	589,094
Other expenditures	917,121	0
Total disbursements	<u>13,313,397</u>	<u>589,094</u>
Excess of receipts over disbursements	1,115,093	12,576
Other financing sources, net	<u>11,552</u>	0
Excess of receipts over disbursements	1,126,645	12,576
Balance beginning of year	<u>1,566,896</u>	<u>188,248</u>
Balance end of year	<u>\$ 2,693,541</u>	<u>200,824</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
7,363,291	7,026,783	7,026,783	336,508
949	2,000	2,000	(1,051)
6,877,234	6,973,668	6,973,668	(96,434)
788,686	651,087	651,087	137,599
<u>15,030,160</u>	<u>14,653,538</u>	<u>14,653,538</u>	<u>376,622</u>
8,625,246	8,721,664	8,721,664	96,418
3,762,853	3,949,150	3,949,150	186,297
597,271	587,143	587,143	(10,128)
917,121	1,015,664	1,015,664	98,543
<u>13,902,491</u>	<u>14,273,621</u>	<u>14,273,621</u>	<u>371,130</u>
1,127,669	379,917	379,917	747,752
11,552	4,800	4,800	6,752
1,139,221	384,717	384,717	754,504
1,755,144	1,589,657	1,589,657	165,487
<u>2,894,365</u>	<u>1,974,374</u>	<u>1,974,374</u>	<u>919,991</u>

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,428,490	73,996	14,502,486
Expenditures	13,313,397	(18,244)	13,295,153
Net	1,115,093	92,240	1,207,333
Other financing sources, net	11,552	0	11,552
Beginning fund balances	1,566,896	157,921	1,724,817
Ending fund balances	\$ 2,693,541	250,161	2,943,702

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 601,670	(7,206)	594,464
Expenditures	589,094	(2,671)	586,423
Net	12,576	(4,535)	8,041
Beginning fund balances	188,248	40,005	228,253
Ending fund balances	\$ 200,824	35,470	236,294

WEST DELAWARE COUNTY 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 comparison 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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2005, disbursements in the non-instructional programs functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 185,073	196,095	98,059	100	479,327
Receivables:					
Property tax:					
Current year delinquent	4,246	0	5,660	0	9,906
Succeeding year	333,985	0	382,827	0	716,812
Accounts	0	2,825	0	611	3,436
Interfund	0	2	0	0	2
<b>TOTAL ASSETS</b>	<b>\$ 523,304</b>	<b>198,922</b>	<b>486,546</b>	<b>711</b>	<b>1,209,483</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$ 0	2,913	0	0	2,913
Salaries and benefits payable	0	571	0	0	571
Deferred revenue:					
Succeeding year property tax	333,985	0	382,827	0	716,812
	333,985	3,484	382,827	0	720,296
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	189,319	195,438	103,719	711	489,187
Total fund balances	189,319	195,438	103,719	711	489,187
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 523,304</b>	<b>198,922</b>	<b>486,546</b>	<b>711</b>	<b>1,209,483</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	
<b>REVENUES:</b>							
Local sources:							
Local tax	\$ 273,481	0	371,975	0	645,456	0	645,456
Other	3,097	565,111	2,829	15	571,052	0	571,052
State sources	211	0	282	0	493	0	493
<b>TOTAL REVENUES</b>	<b>276,789</b>	<b>565,111</b>	<b>375,086</b>	<b>15</b>	<b>1,217,001</b>	<b>0</b>	<b>1,217,001</b>
<b>EXPENDITURES:</b>							
Current:							
Instruction:							
Regular instruction	80,451	0	0	0	80,451	0	80,451
Special instruction	3,619	0	0	0	3,619	0	3,619
Other instruction	0	536,241	0	100	536,341	0	536,341
Support services:							
Student services	11,344	0	0	0	11,344	0	11,344
Instructional staff services	4,364	0	0	0	4,364	0	4,364
Administration services	11,584	0	0	0	11,584	0	11,584
Operation and maintenance of plant services	71,079	0	0	0	71,079	0	71,079
Student transportation	46,850	0	58,450	0	105,300	0	105,300
Non-instructional programs	8,177	0	0	0	8,177	0	8,177
Other expenditures:							
Facilities acquisitions	0	0	91,893	0	91,893	0	91,893
Long-term debt:							
Principal	0	0	0	0	0	273,056	273,056
Interest and fiscal charges	0	0	0	0	0	7,306	7,306
<b>TOTAL EXPENDITURES</b>	<b>237,468</b>	<b>536,241</b>	<b>150,343</b>	<b>100</b>	<b>924,152</b>	<b>280,362</b>	<b>1,204,514</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>39,321</b>	<b>28,870</b>	<b>224,743</b>	<b>(85)</b>	<b>292,849</b>	<b>(280,362)</b>	<b>12,487</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating transfers in	0	0	0	0	0	280,362	280,362
Operating transfers out	0	0	(225,510)	0	(225,510)	0	(225,510)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>(225,510)</b>	<b>0</b>	<b>(225,510)</b>	<b>280,362</b>	<b>54,852</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>39,321</b>	<b>28,870</b>	<b>(767)</b>	<b>(85)</b>	<b>67,339</b>	<b>0</b>	<b>67,339</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>149,998</b>	<b>166,568</b>	<b>104,486</b>	<b>796</b>	<b>421,848</b>	<b>0</b>	<b>421,848</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 189,319</b>	<b>195,438</b>	<b>103,719</b>	<b>711</b>	<b>489,187</b>	<b>0</b>	<b>489,187</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY 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
District-Wide Destination Imagination	\$ 6,601	2,249	350	8,500
District-Wide Interest	150	3,374	0	3,524
District-Wide Activity Tickets	831	0	831	0
Elem Vocal Music	0	158	0	158
Elem Band	0	122	0	122
Elem Book Fair	5,789	9,287	10,242	4,834
Elem Activity	31,010	15,608	35,456	11,162
Elem 5th Grade Activity	681	576	346	911
Elem Faculty Vending	1,297	3,508	3,464	1,341
Elem Resale-Pencils	1,844	541	571	1,814
Elem Playground Fundraiser	0	497	0	497
Elem Lambert Fundraising	978	25,362	0	26,340
Elem Green School Project	772	1,989	1,689	1,072
Special Programs Activity	712	0	0	712
Special Programs Learning Aids	635	0	0	635
Special Programs Special Olympics	6,891	2,136	3,065	5,962
MS Drama	0	554	454	100
MS Yearbook	0	1,810	1,733	77
MS Student Council	92	0	0	92
MS Concession Stand	8,017	32,466	29,751	10,732
MS Vocal Music	677	1,827	496	2,008
MS Band	111	1,269	44	1,336
MS Boys Basketball	0	1,436	1,436	0
MS Football	2,100	1,880	3,980	0
MS Boys Track	(427)	1,588	1,720	(559)
MS Wrestling	0	1,011	1,011	0
MS Girls Basketball	0	1,553	1,553	0
MS Volleyball	0	1,083	1,083	0
MS Softball	0	0	361	(361)
MS Girls Track	42	3,079	3,079	42
MS Girls Cross Country	44	35	79	0
MS Book Fair	2,689	4,775	4,004	3,460
MS Activity	31,526	44,875	36,878	39,523
MS Rivers Day Activity	200	645	213	632
MS Peer Helpers	2,377	744	834	2,287
MS Faculty Vending	654	2,085	1,851	888
MS FFA	55	0	0	55
HS Drama	4,672	6,568	8,443	2,797
HS Speech	1,977	7,686	8,127	1,536
HS National Honor Society	3,168	2,241	2,765	2,644
HS Yearbook	15,954	19,669	18,235	17,388
HS Student Council	2,721	7,317	6,778	3,260
HS YADC	3,049	643	790	2,902
HS FBLA	487	17,576	17,903	160
HS Vocal Music	1,001	17,405	13,564	4,842
HS Vocal Fundraisers	0	33,276	33,276	0
HS Band	4,703	9,210	11,773	2,140

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY 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
HS Band Fundraisers	0	6,899	4,719	2,180
HS Boys Basketball	2,554	18,083	19,894	743
HS Football	7,361	61,258	57,742	10,877
HS Boys Soccer	(149)	4,319	4,319	(149)
HS Baseball	(4,804)	16,225	15,899	(4,478)
HS Boys Track	671	5,275	5,947	(1)
HS Boys Cross Country	1,815	854	1,054	1,615
HS Boys Tennis	39	0	0	39
HS Boys Golf	(54)	879	826	(1)
HS Wrestling	0	18,871	18,871	0
HS Girls Basketball	(151)	5,524	5,913	(540)
HS Volleyball	0	8,388	8,388	0
HS Girls Soccer	3,265	725	1,478	2,512
HS Softball	(669)	14,639	16,558	(2,588)
HS Girls Track	(793)	3,938	3,482	(337)
HS Girls Cross Country	763	960	1,140	583
HS Girls Golf	0	449	449	0
HS Cheerleading	4,212	9,950	8,791	5,371
HS Book Fair	280	6	0	286
HS Activity	1,797	189	1,405	581
HS Faculty Vending	1,216	2,815	2,813	1,218
HS Student Vending	4,143	6,942	10,634	451
HS Activity Tickets	0	16,524	15,939	585
HS After Prom	(560)	65	1,049	(1,544)
HS Art	0	1,721	85	1,636
HS SADD	1,306	0	0	1,306
HS AP Testing Resale	0	853	905	(52)
HS Fundraising	2,340	2,366	4,031	675
HS Foreign Language Fundraising	51	3,794	3,844	1
Class of 2004	0	239	0	239
Class of 2005	(910)	3,472	(827)	3,389
Class of 2006	(94)	35,189	31,911	3,184
Class of 2007	(92)	2	100	(190)
Class of 2008	0	3	125	(122)
HS FFA	(1,049)	23,982	20,529	2,404
<b>Total</b>	<b>\$ 166,568</b>	<b>565,111</b>	<b>536,241</b>	<b>195,438</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY 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
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,979,031	5,338,738	4,515,905	4,212,372
Tuition	424,314	375,884	272,682	272,100
Other	733,515	619,639	656,419	651,948
Intermediate sources	992	2,225	3,894	41,653
State sources	6,830,325	6,728,038	7,116,621	7,313,103
Federal sources	534,309	620,330	412,125	312,970
<b>Total</b>	<b>\$ 14,502,486</b>	<b>13,684,854</b>	<b>12,977,646</b>	<b>12,804,146</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 5,507,524	5,470,527	5,750,083	5,420,190
Special instruction	1,421,712	1,807,235	1,505,916	1,687,942
Other instruction	1,687,515	1,248,063	1,228,576	1,199,853
Support services:				
Student services	461,371	475,490	456,332	472,608
Instructional staff services	606,391	744,472	858,173	676,644
Administration services	1,139,647	1,151,947	1,200,579	1,312,502
Operation and maintenance of plant services	919,307	847,699	838,538	754,499
Transportation services	631,989	606,693	569,502	560,570
Non-instructional programs	8,177	4,000	1,151	19,251
Other expenditures:				
Facilities acquisitions	91,893	182,404	172,587	129,261
Long-term debt:				
Principal	273,056	266,233	234,070	135,000
Interest	7,306	15,339	23,958	55,553
AEA flow-through	539,265	550,205	590,036	594,957
<b>Total</b>	<b>\$ 13,295,153</b>	<b>13,370,307</b>	<b>13,429,501</b>	<b>13,018,830</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ 44,017
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	21,624
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	160,890
			<u>182,514</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6592-G	191,409
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 05	6,965
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 04	102
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 05	89,442
			<u>89,544</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES			
	84.369	FY 04	1,408
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES			
	84.369	FY 05	10,302
			<u>11,710</u>
SAFE AND DRUG-FREE SCHOOLS - STATES GRANTS			
	84.186	FY 05	8,685
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 05	2,569
TECH-PREP EDUCATION			
	84.243	FY 05	2,386
SPECIAL EDUCATION - GRANTS TO STATES (Success 4)			
	84.027	FY 05	429
SPECIAL EDUCATION - GRANTS TO STATES (Part B)			
	84.027	FY 05	89,610
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)			
	84.318	FY 05	6,005

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA			
COMSERV IOWA	94.004	FY 04	2,433
LEARN AND SERVE AMERICA			
COMSERV IOWA	94.004	FY 05	180
			<u>2,613</u>
TOTAL			<u>\$ 638,456</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the West Delaware County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on 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 Delaware County 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 Delaware County Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 21, 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 Delaware County 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 II of the accompanying Schedule of Findings and Questioned Costs.

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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Delaware County 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 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 and Questioned Costs.

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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 Delaware County Community School District and other parties to whom West Delaware County 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 Delaware County 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.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

September 21, 2005

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of the  
West Delaware County Community School District:

#### Compliance

We have audited the compliance of West Delaware County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. West Delaware County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Delaware County Community School District's management. Our responsibility is to express an opinion on West Delaware County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Delaware County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Delaware County Community School District's compliance with those requirements.

In our opinion, West Delaware County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of West Delaware County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered West Delaware County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

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relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

September 21, 2005

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 – Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Delaware County Community School District qualified as a low-risk auditee.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Activity Admissions - The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response - The District has adopted a written procedure to reconcile the receipt of cash against the issuance of tickets. Single admission tickets are pre-numbered and two people work independently at events as ticket issuers and money collectors. Activity workers are instructed in cash handling procedures. A Business Procedures Manual has been issued to all members of the administrative team for dissemination at their levels.

Conclusion - Response accepted.

II-B-05 Student Activity Fund - The District had several accounts in the Student Activity Fund with deficit balances at June 30, 2005.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - The District Activities Director will be responsible for all balances in the High School Activity Fund, verifying that receipts are on hand for purchases made during the year, and ensuring that deficit balances are eliminated. The Middle School and Elementary Principals will be responsible that their respective accounts are in balance.

Conclusion - Response accepted.

II-C-05 Board Policies - We noted during our audit that the District's Board Policies need to be updated.

Recommendation - The District's Board Policies should be reviewed and updated at least every five years.

Response - The Board has adopted a procedure to review a given number of policies at each meeting, so that in a five-year rotation, all policies will have been examined.

Conclusion - Response accepted.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No reportable conditions were reported.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-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.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, exceeded the certified budget amounts in the non-instructional programs functional area.

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

Response - We will monitor the need to amend the budget.

Conclusion - Response accepted.

IV-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.

IV-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.

IV-E-05 Business Transactions - No business transactions between the District and District Officials or employees were noted.

IV-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.

IV-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.

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

Response - We will submit the minutes on a timely basis, but have no control over the actual publication date.

Conclusion - Response accepted.

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

IV-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.

IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.