

**WESTERN DUBUQUE COUNTY
COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005**

**OFFICIAL ISSUING REPORT
DAVID A. WEGMANN, BUSINESS MANAGER
BUSINESS OFFICE**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

JUNE 30, 2005

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**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

OFFICIALS

Name -----	Title -----	Term Expires -----
Board of Education (Before September 2004 Election)		
Tom Gassman	President	2005
Tom Miner	Vice President	2004
Nancy Ludwig	Board Member	2005
Bob McCabe	Board Member	2006
Alan Manternach	Board Member	2006
Board of Education (After September 2004 Election)		
Tom Gassman	President	2005
Alan Manternach	Vice President	2006
Nancy Ludwig	Board Member	2005
Bob McCabe	Board Member	2006
Dean Knepper	Board Member	2007
School Officials		
Bev Goerd	Superintendent	Resigned
Harold Knutsen	Interim Superintendent	2005
David Wegmann	Board Secretary/ Business Manager/ District Treasurer	2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Western Dubuque County Community School District

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the District's primary government 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 that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the Western Dubuque County Community School District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the Western Dubuque County Community School District, as of June 30, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. 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 Western Dubuque 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 (none of which are presented herein) and expressed unqualified opinions on those financial statements with the exception of the year ended June 30, 2004. For the year ended June 30, 2004, we expressed an unqualified opinion on the financial statements of the primary government. However, we expressed an adverse opinion on the financial reporting entity due to the omission of the financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District's primary government. 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, Audits of State, Local Governments and Non-Profit Organizations, 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.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
December 7, 2005

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Western Dubuque County Community School District provides this Management's Discussion and Analysis as a part of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This Management Discussion and Analysis contains the following main areas beginning on the pages shown.

<u>Area</u>	<u>Page #</u>
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Financial Notes

- The 2004-2005 fiscal year was the third year of the District's five-year Instructional Support Program (ISP).

Receipts:

Property Tax	\$401,715
Income Surtax	509,500
State Aid	<u>57,884</u>
	<u>\$969,099</u>

Expenses:

Teacher Wages/Benefits	\$381,017
Textbooks-Private Schools	31,490
School Buses	<u>327,239</u>
	<u>\$739,746</u>

The Instructional Support Program was approved by voters on March 12, 2002 and will end on June 30, 2007.

- The District's General Fund Financial Solvency Ratio declined from the previous year.

2002-2003	3.5%
2003-2004	0.4%
2004-2005	0.1%
- A new construction project at Drexler Elementary was started during the year. Expenses for the project were paid from the voter approved Local Option Sales Tax and a matching Harkin Grant. Construction projects at Western Dubuque High School, Cascade High School and Peosta Elementary were started in the previous year. Retainage and other close out costs were incurred in fiscal 2005 for those projects.

The District forward funded sales tax revenues by issuing \$11,000,000 of revenue bonds in June of 2003. The proceeds from the \$11,000,000 bond issuance were used to pay for the construction costs for the above projects.

The bond is scheduled to be paid back from annual sales tax receipts in ten years. The last principal payment is due June 1, 2013.

Overview of the Financial Statements

This annual audit report is organized into three major parts that are necessary to meet state and federal audit requirements along with the Governmental Accounting Standards Board Statement No. 34 (GASB34).

1. Management Discussion & Analysis (MD&A) [This part]
2. Basic Financial Statements
3. Required Supplementary Information

Figure A-1 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. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The Government-wide 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 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, respectively.
- To assess the District’s overall health, you need to consider additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *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. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional schedules explain the relationship or differences between the two statements.
 - The District’s Governmental Funds Group includes the General Fund, Activity Fund, Management Fund, Physical Plant and Equipment Levy Fund, Debt Service Fund, Construction Fund, and Local Option Sales Tax Fund.
- *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 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.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

Financial Analysis of the District as a Whole

Net assets - Figure A-2 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to 2004.

Figure A-2
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2004	2005	2004	2005	2004	2005	
Current and other assets	26,451,838	21,778,746	278,073	293,402	26,729,911	22,072,148	(17.43%)
Capital assets	23,743,662	27,928,274	90,843	107,462	23,834,505	28,035,736	17.63%
Total assets	50,195,500	49,707,020	368,916	400,864	50,564,416	50,107,884	(0.90%)
Long-term obligations	19,059,034	18,162,519	---	---	19,059,034	18,162,519	(4.70%)
Other liabilities	18,022,193	18,489,515	1,050	4,347	18,023,243	18,493,862	2.61%
Total liabilities	37,081,227	36,652,034	1,050	4,347	37,082,277	36,656,381	(1.15%)
Net assets:							
Invested in capital assets, net of related debt	12,663,813	12,388,425	90,843	107,462	12,754,656	12,495,887	(2.03%)
Restricted	7,904,125	2,673,390	---	---	7,904,125	2,673,390	(66.18%)
Unrestricted	(7,453,665)	(2,006,829)	277,023	289,055	(7,176,642)	(1,717,774)	76.06%
Total net assets	13,114,273	13,054,986	367,866	396,517	13,482,139	13,451,503	(0.23%)

Net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, parking lots and so on.) Consequently, *unrestricted* net assets of the District's governmental activities showed a \$2,006,829 deficit at the end of this year. This deficit does not mean that Western Dubuque Schools does not have resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments that are greater than currently available resources.

The District's total assets decreased slightly in the governmental funds group from June 30, 2004 to June 30, 2005 (from \$50,195,500 to \$49,707,020).

Changes in Net Assets

Figure A-3 below shows revenues and expenses for the 2005 fiscal year compared to the 2004 fiscal year.

Figure A-3
Changes in Net Assets from Operating Results

	Governmental Activities			Business-type Activities			Total School District		
	2003-04	2004-05	Change	2003-04	2004-05	Change	2003-04	2004-05	Change
Revenues:									
Program revenues:									
Charges for service and sales	1,505,048	1,571,152	66,104	745,831	807,971	62,140	2,250,879	2,379,123	128,244
Operating grants and contributions	3,060,766	3,376,617	315,851	388,565	423,223	34,658	3,449,331	3,799,840	350,509
Capital grants and contributions	1,270,243	439,557	(830,686)	---	---	---	1,270,243	439,557	(830,686)
General Revenues:									
Property tax	9,152,362	9,505,812	353,450	---	---	---	9,152,362	9,505,812	353,450
Instructional support surtax	870,443	525,620	(344,823)	---	---	---	870,443	525,620	(344,823)
Local option sales and services tax	1,663,356	2,430,015	766,659	---	---	---	1,663,356	2,430,015	766,659
Unrestricted state grants	7,201,500	8,101,204	899,704	---	---	---	7,201,500	8,101,204	899,704
Unrestricted investment earnings	234,110	226,672	(7,438)	1,737	4,590	2,853	235,847	231,262	(4,585)
Other	178,884	77,473	(101,411)	---	---	---	178,884	77,473	(101,411)
Transfers	(4,000)	---	4,000	---	---	---	(4,000)	---	4,000
Total revenues ②	25,132,712	26,254,122	1,121,410	1,136,133	1,235,784	99,651	26,268,845	27,489,906	1,221,061
Program expenses:									
Governmental activities:									
Instruction	14,764,456	14,980,350	215,894	---	---	---	14,764,456	14,980,350	215,894
Support Services	5,884,048	6,670,798	786,750	---	---	---	5,884,048	6,670,798	786,750
Non-instructional programs	64,269	25,342	(38,927)	1,113,897	1,207,133	93,236	1,178,166	1,232,475	54,309
Other expenses	2,328,415	2,782,990	454,575	---	---	---	2,328,415	2,782,990	454,575
Total expenses ②	23,041,188	24,459,480	1,418,292	1,113,897	1,207,133	93,236	24,155,085	25,666,613	1,511,528
Change in net assets	2,091,524	1,794,642	(296,882)	22,236	28,651	6,415	2,113,760	1,823,293	(290,467)

② See Exhibit B – Statement of Activities.

Governmental Activities

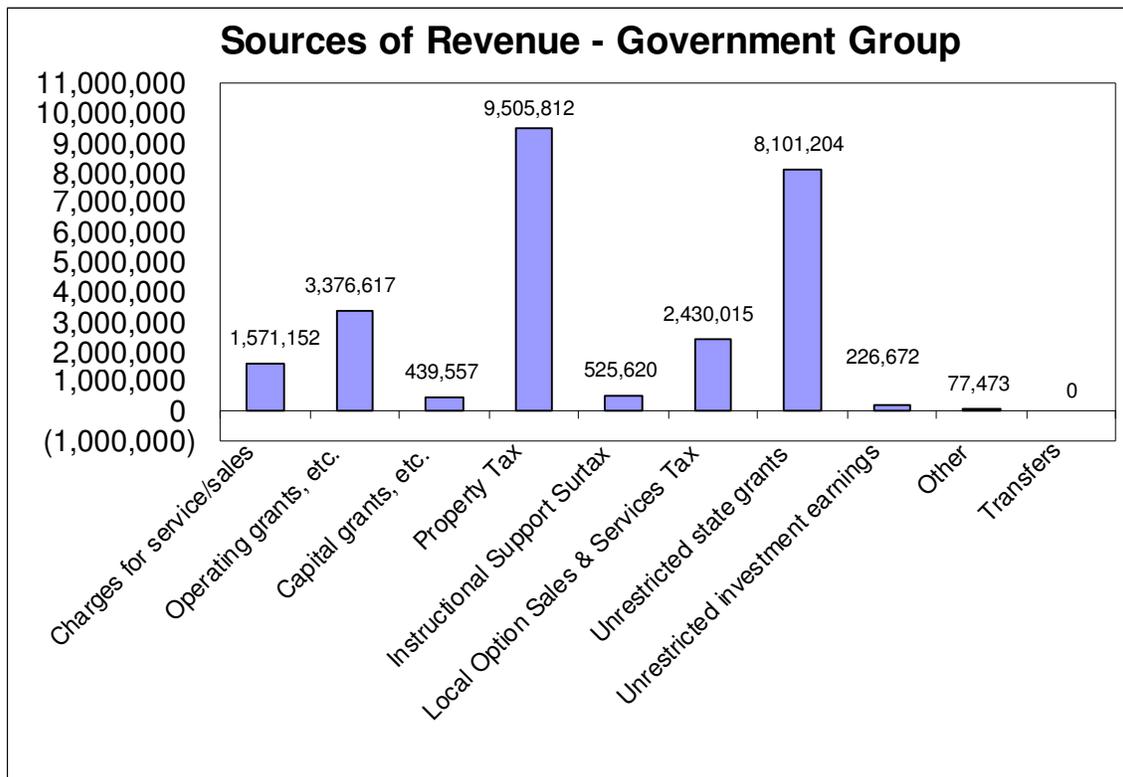
Revenues for governmental activities were \$26,254,122 while total expenses amounted to \$24,459,480.

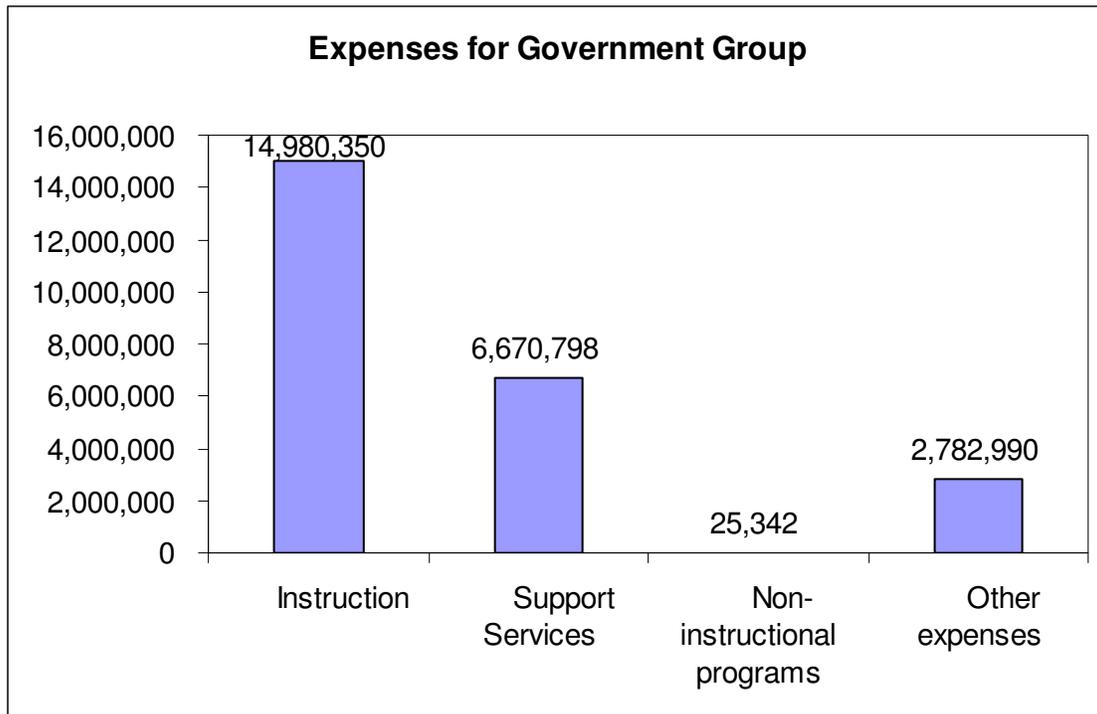
The District collects revenues from a number of sources other than state aid and property tax to fund its operations. Other significant sources include local grants, student fees, tuition, Activity Fund receipts, State grants and aid and Federal grants.

Business Type Activities

Revenues of the District’s business type activities (School Nutrition Fund) were \$1,235,784 and expenses were \$1,207,133. Revenues of these activities were comprised of a la carte sales, charges for meals, interest and federal and state reimbursements.

Bar Graph for Figure A-3 – Changes in Net Assets from Operating Results





Financial Analysis of the District's Funds

Western Dubuque Schools uses fund accounting to ensure and demonstrate compliance with state and federal legal reporting requirements.

Governmental Fund Highlights

- Following are ending balances of the various funds within the Governmental Fund group and a discussion concerning the change in balances.

Fund	Fund Name	2005 Balance	2004 Balance	Change
-----	-----	-----	-----	-----
10	General	\$ 104,787	\$ 237,108	\$ (132,321)
21	Activity	305,577	257,208	48,369
22	Management	208,873	155,522	53,351
23	Physical Plant & Equipment	280,966	404,254	(123,288)
31	Construction	314,303	459,842	(145,539)
33	Local Option Sales Tax	1,478,013	6,336,549	(4,858,536)
40	Debt Service	128,490	120,578	7,912
		-----	-----	-----
		\$ 2,821,009	\$ 7,971,061	\$(5,150,052)
		=====	=====	=====

- General Fund: The \$104,787 balance is significantly low for the size of the budget and reflects the marginal ability of the District to finance operations.
- Activity Fund: Over 90 separate funds account for the various activity organizations are accounted for in the Activity Fund. Each account group has its own revenue and expense chart of accounts. No significant changes are noted in total fund balance for all accounts.
- Management Fund: The fund is used to pay for early retirement benefits and property/liability insurance.
- Physical Plant and Equipment Levy Fund: The \$123,288 decrease is due to management's decision to expend available revenues for roof repair projects. The P.P.E.L. Fund otherwise is generally earmarked for the following three purposes.
 1. Instructional equipment.
 2. School vehicles.
 3. Buildings and Grounds projects.
- Construction Fund: The Construction Fund balance of \$314,303 on June 30, 2005 is the unexpended balance from the \$6,350,000 bond issuance in fiscal 2002 for the Cascade Elementary and Epworth Elementary projects. The \$314,303 is encumbered for landscaping, parking and related construction costs at the sites.
- Local Option Sales Tax Fund: Revenues in this fund come from the one-cent sales tax for school infrastructure from the five counties in the District. In fiscal 2005 the District received \$2,430,015 in sales tax receipts from those five counties. In June of 2003 (fiscal 2003) the District issued \$11,000,000 of revenue bonds for construction projects at Cascade High School, Dyersville Elementary, Peosta Elementary, Drexler Elementary and Western Dubuque High School.

The annual principal and interest for the repayment (10 years) of the \$11,000,000 bond issuance is paid for from annual sales tax receipts.

- Debt Service Fund: The ending balance increased slightly from \$120,578 to \$128,490.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$367,866 on June 30, 2004 to \$396,517 on June 30, 2005. Increased a la carte participation and the number of Class A meals served are responsible for the increase.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and a hearing for all funds, except its private-purpose trust funds. 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 budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District amended the Instructional, Support Services and Non-Instructional function areas of the 2004-2005 budget to reflect expected increases in revenues and corresponding expenses.

	Original Budget	Amended Budget	Actual Expense
Instruction	15,132,444	15,500,000	14,329,445
Support Services	5,842,914	6,400,000	6,791,403
Non-Instructional	1,210,455	1,375,000	1,246,952

The amendments and over expenditures were funded from existing cash balances and did not result in any use or additional levy of state or local taxes.

Capital Asset and Debt Administration

Capital Assets

The following table shows the District's capital assets, net of accumulated depreciation.

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2005	2004	2005	2004	2005	2004 - 2005
Land	137,717	240,116	---	---	137,717	240,116	74.35%
Construction in progress	3,933,515	585,122	---	---	3,933,515	585,122	(85.12%)
Buildings	15,574,078	24,548,636	---	---	15,574,078	24,548,636	57.62%
Improvements	344,792	339,067	---	---	344,792	339,067	(1.66%)
Furnishings & Equipment	3,753,560	2,215,333	90,843	107,462	3,844,403	2,322,795	(39.58%)
Total Capital Assets	23,743,662	27,928,274	90,843	107,462	23,834,505	28,035,739	17.63%

The District's current investment in capital assets of \$28,035,739 represents an increase of \$4.2 million over the previous year.

The District has seen a number of significant changes in its capital asset resources over the last several years due to new construction.

Long-Term Debt

On June 30, 2005 the District had total long-term debt obligations of \$18,308,195. The following summary schedule shows totals in the different classes of the long-term debt obligations.

	6/30/2005	6/30/2004
	-----	-----
General Obligation Bonds	7,440,000	8,160,000
Revenue Bonds	9,045,000	10,030,000
Early Retirement	1,823,195	1,032,426
	-----	-----
	18,308,195	19,222,426
	=====	=====

The District currently has three different series of registered general obligation debt. The \$11,000,000 of revenue bonds was issued in June of 2003 payable from local option sales tax.

Year	Original Amount	Unpaid Principal	Remaining Years
-----	-----	-----	-----
1997	3,620,000	1,585,000	3
2001	4,000,000	4,000,000	16
2002	2,350,000	1,855,000	7
2003	11,000,000	9,045,000	8
	-----	-----	
	20,970,000	16,485,000	
	=====	=====	

Factors Bearing on the District's Future

Following are several factors that could have a significant affect on the District's financial condition.

- District Enrollment: The District's certified resident count increased in fiscal 2005 by 71.2 students.

September 2003	2,575.1
September 2004	2,646.3

The increase is significant in that it has a direct bearing on the District's general fund revenues. Continued growth in the eastern part of the District should result in steady or increased enrollment in future years.

The District had 98 open enrolled-in students and 59 open enrolled-out students in fiscal 2005. Each student generates over \$4,800 in tuition revenue or expense. A significant change in the enrollment of these two groups would have a significant impact on revenues and expenses.

- Funding Enrollment Increases: Iowa school finance law does not provide on-time funding for costs associated with enrollment increases. Funding for the expenses comes one-year later from state aid and property taxes. In the 2004-2005 fiscal year the District's enrollment increase of 71 students equated to \$402,360 of additional and immediate expense. To pay for the added costs the District used general fund cash balances that were not replenished. The District can only replace the funds by a cash reserve property tax levy.
- Instructional Support Program: The District is in the third year of a five year voter approved Instructional Support Program. Approximately \$875,000 per year in property taxes (43%), Income Surtax (51%) and State Aid (6%) revenues result from the program. Expenditures for the program pay for the following.

1. Teacher wages	\$381,000
2. School buses	327,000
3. Private school textbooks	31,490

This program will end after the 2006-2007 school year. Voter approval will be needed to continue the program.

- Transportation: Transportation expenses continue to be a significant cost of education. Western Dubuque Schools is the largest geographic school district in Iowa. The Iowa school funding formula does not provide for any additional funds for transportation costs. If operational costs (fuel, labor and vehicles) increase at a higher rate than the District's revenue growth, changes in the services that are provided will need to be made.
- Operation of two high schools: The costs of operating two high school programs in a District the size of Western Dubuque is significant. Approximately 39% of the District's enrollment is in grades 9-12. The state average for the same grade range is 30%. The Iowa funding formula does not provide additional funding for high school students versus elementary students. As a result, the Western Dubuque District already incurs significant costs for operating two high schools. A significant change in its elementary to secondary school enrollment ratio would affect the ability to fund existing high school programs and activities.
- Wages and benefits are by far the most significant expenditure of the District's operation costs. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact on the District's General Fund Budget.

- **Financial Solvency Ratio:** A measure of a school district's financial health can be determined from its Financial Solvency Ratio. The ratio is used by lending institutions to determine a district's ability to repay borrowings. Currently the Iowa Schools Cash Anticipation Program sponsored by the Iowa Association of School Boards uses the ratio when evaluating credit ratings of school districts. The ratio is determined as follows:

$$\frac{\text{Unreserved Fund Balance}}{\text{Total Receipts} - \text{AEA Support}}$$

Following is the Financial Solvency Ratio for the Western Dubuque District for the past five years.

2000-2001	4.8%
2001-2002	3.5%
2002-2003	3.5%
2003-2004	0.4%
2004-2005	0.1%

<u>Grading:</u>	
> 5%	Good
0% to 5%	Acceptable
-3% to 0%	Concern
< -3%	Serious Concern

Two major reasons for the decline of the ratio are:

1. State aid cuts in 2003-2004.
2. Unlevied property taxes for increased enrollment in fall 2003 and 2004.

To achieve a solvency ratio of 5%, the District would need to initially levy approximately \$850,000. Thereafter, the District would need to levy for on-time enrollment increases and state aid cuts or reduce expenditures to compensate for the cash shortfalls related to the two factors.

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 David Wegmann, District Secretary/Treasurer and Business Manager, Western Dubuque County Community School District, 405 3rd Avenue NE, Farley, Iowa 52046.

BASIC FINANCIAL STATEMENTS

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities	Business Type Activities	Total
Assets	-----	-----	-----
Cash and Cash Equivalents:			
ISCAP	\$ 4,969,619	\$ ---	\$ 4,969,619
Other	4,685,984	249,545	4,935,529
Receivables:			
Property Tax:			
Delinquent	102,346	---	102,346
Succeeding year	10,672,228	---	10,672,228
Income surtax	442,924	---	442,924
Accounts	8,816	450	9,266
Accrued Interest:			
ISCAP	19,720	---	19,720
Other	3,450	---	3,450
Due from other governments	796,929	---	796,929
Deferred debt expense	76,730	---	76,730
Inventories	---	43,407	43,407
Capital assets, net of accumulated depreciation	27,928,274	107,462	28,035,736
	-----	-----	-----
Total Assets	\$ 49,707,020	\$ 400,864	\$ 50,107,884
	-----	-----	-----
Liabilities			
Accounts payable	\$ 870,363	\$ 749	\$ 871,112
Salaries and benefits payable	1,867,573	3,598	1,871,171
Accrued interest payable	51,432	---	51,432
Deferred revenue - succeeding year property tax	10,672,228	---	10,672,228
ISCAP warrants payable	4,950,000	---	4,950,000
ISCAP accrued interest payable	22,668	---	22,668
ISCAP unamortized premium	55,251	---	55,251
Long-term Liabilities:			
Portion due within one year:			
General obligation bonds payable	750,000	---	750,000
Revenue bonds payable	1,010,000	---	1,010,000
Early retirement payable	669,356	---	669,356
Portion due after one year:			
General obligation bonds payable	6,690,000	---	6,690,000
Revenue bonds payable	8,035,000	---	8,035,000
Early retirement payable	1,153,839	---	1,153,839
Unamortized bond discount	(145,676)	---	(145,676)
	-----	-----	-----
Total Liabilities	\$ 36,652,034	\$ 4,347	\$ 36,656,381
	-----	-----	-----

See notes to financial statements.

EXHIBIT "A" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities -----	Business Type Activities -----	Total -----
Net Assets			
Invested in capital assets, net of related debt	\$ 12,388,425	\$ 107,462	\$ 12,495,887
Restricted for:			
State technology	18,759	---	18,759
Iowa early intervention grant	42,682	---	42,682
Gifted and talented program	24,217	---	24,217
Management levy	208,873	---	208,873
Physical plant and equipment levy	280,966	---	280,966
Other special revenue purposes	305,577	---	305,577
School infrastructure	582,042	---	582,042
Debt payment	1,210,274	---	1,210,274
Unrestricted	(2,006,829)	289,055	(1,717,774)
	-----	-----	-----
Total Net Assets	\$ 13,054,986	\$ 396,517	\$ 13,451,503
	=====	=====	=====

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular instruction	\$ 9,225,204	\$ 582,422	\$ 1,034,140	\$ ---	\$ (7,608,642)	\$ ---	\$ (7,608,642)
Special instruction	3,098,545	185,125	866,218	---	(2,047,202)	---	(2,047,202)
Other instruction	2,656,601	633,467	32,398	---	(1,990,736)	---	(1,990,736)
Total Instruction	\$ 14,980,350	\$ 1,401,014	\$ 1,932,756	\$ ---	\$(11,646,580)	\$ ---	\$(11,646,580)
Support Services:							
Student services	\$ 733,131	\$ 231	\$ ---	\$ ---	\$ (732,900)	\$ ---	\$ (732,900)
Instructional staff services	553,355	---	15,948	---	(537,407)	---	(537,407)
Administration services	2,085,599	---	---	---	(2,085,599)	---	(2,085,599)
Operation and maintenance of plant services	1,446,924	45,793	---	---	(1,401,131)	---	(1,401,131)
Transportation services	1,851,789	124,114	524,830	---	(1,202,845)	---	(1,202,845)
Total Support Services	\$ 6,670,798	\$ 170,138	\$ 540,778	\$ ---	\$ (5,959,882)	\$ ---	\$ (5,959,882)
Noninstructional Programs	\$ 25,342	\$ ---	\$ ---	\$ ---	\$ (25,342)	\$ ---	\$ (25,342)

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs (Continued)							
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	\$ 468,673	\$ ---	\$ ---	\$ 439,557	\$ (29,116)	\$ ---	\$ (29,116)
Long-term debt interest	717,599	---	---	---	(717,599)	---	(717,599)
AEA flowthrough	903,083	---	903,083	---	---	---	---
Depreciation (unallocated)	693,635	---	---	---	(693,635)	---	(693,635)
Total Other Expenditures	\$ 2,782,990	\$ ---	\$ 903,083	\$ 439,557	\$ (1,440,350)	\$ ---	\$ (1,440,350)
Total Governmental Activities	\$ 24,459,480	\$ 1,571,152	\$ 3,376,617	\$ 439,557	\$(19,072,154)	\$ ---	\$(19,072,154)
Business Type Activities:							
Noninstructional programs:							
Nutritional services	1,207,133	807,971	423,223	---	---	24,061	24,061
Total	\$ 25,666,613	\$ 2,379,123	\$ 3,799,840	\$ 439,557	\$(19,072,154)	\$ 24,061	\$(19,048,093)

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
General Revenues:							
Property tax levied for:							
General purposes					\$ 8,160,282	\$ ---	\$ 8,160,282
Debt service					1,083,182	---	1,083,182
Capital outlay					262,348	---	262,348
Instructional support surtax					525,620	---	525,620
Local option sales and service tax					2,430,015	---	2,430,015
Unrestricted state grants					8,101,204	---	8,101,204
Unrestricted investment earnings					226,672	4,590	231,262
Other					77,473	---	77,473
Total General Revenues					\$ 20,866,796	\$ 4,590	\$ 20,871,386
Change in Net Assets					\$ 1,794,642	\$ 28,651	\$ 1,823,293
Net Assets Beginning of Year					\$ 13,114,273	\$ 367,866	\$ 13,482,139
Prior Period Adjustment					(1,853,929)	---	(1,853,929)
Net Assets Beginning of Year, as restated					\$ 11,260,344	\$ 367,866	\$ 11,628,210
Net Assets End of Year					\$ 13,054,986	\$ 396,517	\$ 13,451,503

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 4,969,619	\$ ---	\$ ---	\$ 4,969,619
Other	1,423,976	1,908,986	1,353,022	4,685,984
Receivables:				
Property tax:				
Delinquent	80,672	---	21,674	102,346
Succeeding year	8,332,009	---	2,340,219	10,672,228
Accounts	8,560	---	256	8,816
Accrued interest:				
ISCAP	19,720	---	---	19,720
Other	---	3,450	---	3,450
Due from other governments	604,908	192,021	---	796,929
	\$15,439,464	\$ 2,104,457	\$ 3,715,171	\$21,259,092
	\$15,439,464	\$ 2,104,457	\$ 3,715,171	\$21,259,092
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 107,176	\$ 626,444	\$ 136,743	\$ 870,363
Salaries and benefits payable	1,867,573	---	---	1,867,573
ISCAP warrants payable	4,950,000	---	---	4,950,000
ISCAP unamortized premium	55,251	---	---	55,251
ISCAP accrued interest payable	22,668	---	---	22,668
Deferred revenue:				
Succeeding year property tax	8,332,009	---	2,340,219	10,672,228
	\$15,334,677	\$ 626,444	\$ 2,476,962	\$18,438,083
	\$15,334,677	\$ 626,444	\$ 2,476,962	\$18,438,083
Fund Balances:				
Reserved for:				
State technology	\$ 18,759	\$ ---	\$ ---	\$ 18,759
Iowa early intervention grant	42,682	---	---	42,682
Gifted and talented program	24,217	---	---	24,217
Debt payment	---	1,210,274	---	1,210,274
Unreserved	19,129	267,739	1,238,209	1,525,077
	\$ 104,787	\$ 1,478,013	\$ 1,238,209	\$ 2,821,009
	\$ 104,787	\$ 1,478,013	\$ 1,238,209	\$ 2,821,009
Total Liabilities and Fund Balances	\$15,439,464	\$ 2,104,457	\$ 3,715,171	\$21,259,092
	\$15,439,464	\$ 2,104,457	\$ 3,715,171	\$21,259,092

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds	\$ 2,821,009
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$41,633,117, net of accumulated depreciation of (\$13,704,843) are not financial resources and, therefore, are not reported in the funds.	27,928,274
Income surtaxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	442,924
Long-term liabilities of (\$18,308,195) are not due and payable in the current period and are not reported in the funds. Other related amounts include deferred debt expense of \$76,730, bond interest payable of (\$51,432), and unamortized bond discount of \$145,676.	(18,137,221)
Net assets of governmental activities	----- \$ 13,054,986 =====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Revenues				
Local sources:				
Local tax	\$ 7,981,910	\$ 2,430,015	\$ 2,033,402	\$12,445,327
Tuition	651,757	---	---	651,757
Other	574,008	92,539	683,255	1,349,802
State sources	10,325,283	---	1,429	10,326,712
Federal sources	1,024,847	415,557	24,000	1,464,404
	-----	-----	-----	-----
Total Revenues	\$20,557,805	\$ 2,938,111	\$ 2,742,086	\$26,238,002
	-----	-----	-----	-----
Expenditures				
Current:				
Instruction:				
Regular instruction	\$ 8,162,693	\$ ---	\$ 307,270	\$ 8,469,963
Special instruction	3,099,950	---	---	3,099,950
Other instruction	2,081,644	---	585,674	2,667,318
	-----	-----	-----	-----
Total Instruction	\$13,344,287	\$ ---	\$ 892,944	\$14,237,231
	-----	-----	-----	-----
Support Services:				
Student services	\$ 687,025	\$ ---	\$ 5,435	\$ 692,460
Instructional staff services	470,506	---	82,849	553,355
Administration services	2,130,334	---	8,338	2,138,672
Operation and maintenance of plant services	1,309,105	---	162,668	1,471,773
Transportation services	1,845,786	---	157,097	2,002,883
	-----	-----	-----	-----
Total Support Services	\$ 6,442,756	\$ ---	\$ 416,387	\$ 6,859,143
	-----	-----	-----	-----
Noninstructional Programs	\$ ---	\$ ---	\$ 26,152	\$ 26,152
	-----	-----	-----	-----

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Expenditures: (Continued)				
Other Expenditures:				
Facilities acquisition	\$ ---	\$ 6,473,732	\$ 479,572	\$ 6,953,304
Long-term debt:				
Principal	---	---	1,705,000	1,705,000
Interest and fiscal charges	---	---	704,141	704,141
AEA flowthrough	903,083	---	---	903,083
	-----	-----	-----	-----
Total Other Expenditures	\$ 903,083	\$ 6,473,732	\$ 2,888,713	\$10,265,528
	-----	-----	-----	-----
Total Expenditures	\$20,690,126	\$ 6,473,732	\$ 4,224,196	\$31,388,054
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (132,321)	\$(3,535,621)	\$(1,482,110)	\$(5,150,052)
	-----	-----	-----	-----
Other Financing Sources (Uses):				
Operating transfers in	\$ ---	\$ ---	\$ 1,322,915	\$ 1,322,915
Operating transfers out	---	(1,322,915)	---	(1,322,915)
	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ ---	\$(1,322,915)	\$ 1,322,915	\$ ---
	-----	-----	-----	-----
Net Change in Fund Balances	\$ (132,321)	\$(4,858,536)	\$ (159,195)	\$(5,150,052)
	-----	-----	-----	-----
Fund Balances Beginning of Year	237,108	6,336,549	1,397,404	7,971,061
	-----	-----	-----	-----
Fund Balances End of Year	\$ 104,787	\$ 1,478,013	\$ 1,238,209	\$ 2,821,009
	=====	=====	=====	=====

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ (5,150,052)

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

Governmental funds report capital outlays as expenditures.

However, in the statements of activities, the cost of those assets
 is allocated over their estimated useful lives and reported
 as depreciation expense. This is the amount by which capital
 outlays of \$7,200,592 exceeded depreciation of \$(1,162,051)
 in the current period

6,038,541

Because income surtaxes will not be collected for several months
 after the district's fiscal year end, they are not considered "available"
 revenues and are deferred in the governmental funds. Deferred
 tax revenues increased by this amount this year.

16,120

The proceeds of debt issuances provide current financial resources
 to governmental funds, but issuing debt increases long-term
 liabilities in the statement of net assets. Repayment of debt
 principal is an expenditure in the governmental funds, but the
 repayment reduces long-term liabilities in the statement of net
 assets. This is the amount by which repayments of \$1,705,000
 exceeded amortization of bond discount of \$(17,716) and
 amortization of issuance costs of \$(10,740).

1,676,544

Some expenses reported in the statement of activities do not
 require the use of current financial resources and are not
 reported as expenditures in governmental funds. These
 include the net increase in early retirement payable of
 \$(790,769) and net decrease in accrued interest of \$4,258.

(786,511)

Change in net assets of governmental activities

\$ 1,794,642

=====

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2005

	School Nutrition -----
Assets	
Cash and cash equivalents	\$ 249,545
Receivables:	
Accounts	450
Inventories	43,407
Capital assets, net of accumulated depreciation	107,462

Total Assets	\$ 400,864

Liabilities	
Accounts payable	\$ 749
Salaries and benefits payable	3,598

Total Liabilities	\$ 4,347

Net Assets	
Invested in capital assets, net of related debt	\$ 107,462
Unrestricted	289,055

Total Net Assets	\$ 396,517
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005**

	School Nutrition -----
Operating Revenue	
Local sources:	
Charges for services	\$ 807,971

Operating Expenses	
Noninstructional programs:	
Food service operations:	
Salaries and benefits	\$ 466,235
Benefits	116,245
Purchased services	8,483
Supplies	601,968
Depreciation	14,202

Total Operating Expenses	\$ 1,207,133

Operating Loss	\$ (399,162)

Nonoperating Revenue	
State sources	\$ 15,126
Federal sources	408,097
Interest on investments	4,590

Total Nonoperating Revenue	\$ 427,813

Change in Net Assets	\$ 28,651

Net Assets Beginning of Year	367,866

Net Assets End of Year	\$ 396,517
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005**

	School Nutrition -----
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts	\$ 807,657
Cash payments to employees for services	(579,624)
Cash payments to suppliers for goods and services	(535,758)

Net Cash Used by Operating Activities	\$ (307,725)

Cash Flows From Noncapital Financing Activities	
State grants received	\$ 15,126
Federal grants received	333,500

Net Cash Provided by Noncapital Financing Activities	\$ 348,626

Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	\$ (30,821)

Cash Flows From Investing Activities	
Interest on investments	\$ 4,741

Net Increase in Cash and Cash Equivalents	\$ 14,821

Cash and Cash Equivalents at Beginning of Year	234,724

Cash and Cash Equivalents at End of Year	\$ 249,545
	=====
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (399,162)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	74,597
Depreciation	14,202
(Increase) in inventories	(345)
(Increase) in accounts receivable	(314)
Increase in accounts payable	441
Increase in salaries and benefits payable	2,856

Net Cash Used by Operating Activities	\$ (307,725)
	=====

Non-Cash Investing, Capital and Financing Activities

During the year ended June 30, 2005, the District received \$74,597 of federal commodities.

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2005

	Private Purpose Trust
	----- Scholarship -----
Assets	
Cash and pooled investments	\$ 47,648

Liabilities	
None	\$ ---

Net Assets	
Reserved for scholarships	\$ 47,648
	=====

See notes to financial statements

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2005

	Private Purpose Trust
	----- Scholarship -----
Additions	
Local Sources:	
Gifts and contributions	\$ 5,782
Interest	883

Total Additions	\$ 6,665

Deductions	
Support Services:	
Scholarships awarded	\$ 1,419

Change in Net Assets	\$ 5,246
Net Assets Beginning of Year	42,402

Net Assets End of Year	\$ 47,648
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies:

The Western Dubuque County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Northeast Iowa including portions of the following counties; Dubuque, Delaware, Jackson, Clayton and Jones. The District is governed by a Board of Education whose members are elected on a nonpartisan 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, the 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 Western Dubuque County Community School District has two component units which meet the Governmental Accounting Standards Board criteria, the Bobcat Foundation and the C.A.R.E. Foundation. These component units have not been included in the District's financial statements.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide 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 various counties Assessor's Conference Boards and the Dubuque County Resource Enhancement and Protection Board.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

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 services.

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 activities:

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

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

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

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

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

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

The District reports the following major governmental funds:

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

The Local Option Sales Tax Fund is used to account for resources used in the acquisition and construction of capital facilities as well as accounting for resources used for repayment of revenue bonds issued to finance the acquisition of capital facilities.

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

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 nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statements 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 governmental fund types 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 year 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 becomes due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2002 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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land		All
Buildings	\$	3,000
Improvements other than buildings		3,000
Furniture and Equipment:		
School Nutrition Fund equipment		500
Other furniture and equipment		3,000

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

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax and income surtax receivable.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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 Obligations, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Balances - 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 Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the support services functional area exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

F. Estimates

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 2 - Cash and Pooled Investments:

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

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

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

	Amortized Cost
Diversified Portfolio	\$ 4,074,098

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

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

Note 3 - Interfund Transfers:

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Local Option Sales Tax	\$ 1,322,915
		=====

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

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 4 - Iowa School Cash Anticipation Program (ISCAP):

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	\$ ---	\$ 619	\$ ---	\$ ---
2004-05B	1/28/05	1/27/06	1,504,335	18,360	1,500,000	22,006
2005-06A	6/30/05	6/30/06	3,465,284	741	3,450,000	662
			\$ 4,969,619	\$ 19,720	\$4,950,000	\$ 22,668
			=====	=====	=====	=====

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ ---	\$ 3,430,000	\$ 3,430,000	\$ ---
2004-05B	---	1,210,000	1,210,000	---
	\$ ---	\$ 4,640,000	\$ 4,640,000	\$ ---
	=====	=====	=====	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 4 - Iowa School Cash Anticipation Program (ISCAP): (Continued)

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500	2.280
2005-06A	3.500	3.903

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 5 - Capital Assets:

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

	Balance Beginning of Year	Prior Period Adjustment	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----	-----
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 137,717	\$ ---	\$ 102,399	\$ ---	\$ 240,116
Construction in progress	3,933,515	---	585,122	3,933,515	585,122
	-----	-----	-----	-----	-----
Total capital assets, not being depreciated	\$ 4,071,232	\$ ---	\$ 687,521	\$ 3,933,515	\$ 825,238
	-----	-----	-----	-----	-----
Capital assets, being depreciated:					
Buildings	\$ 21,094,097	\$ 14,380	\$ 9,575,106	\$ ---	\$ 30,683,583
Improvements other than buildings	1,521,128	(14,380)	74,607	---	1,581,355
Furniture and equipment	7,727,940	18,128	796,873	---	8,542,941
	-----	-----	-----	-----	-----
Total capital assets, being depreciated	\$ 30,343,165	\$ 18,128	\$ 10,446,586	\$ ---	\$ 40,807,879
	-----	-----	-----	-----	-----
Less accumulated depreciation for:					
Buildings	\$ 5,520,019	\$ 2,253	\$ 612,675	\$ ---	\$ 6,134,947
Improvements other than buildings	1,176,336	---	65,952	---	1,242,288
Furniture and equipment	3,974,380	1,869,804	483,424	---	6,327,608
	-----	-----	-----	-----	-----
Total accumulated depreciation	\$ 10,670,735	\$ 1,872,057	\$ 1,162,051	\$ ---	\$ 13,704,843
	-----	-----	-----	-----	-----
Total capital assets, being depreciated, net	\$ 19,672,430	\$ (1,853,929)	\$ 9,284,535	\$ ---	\$ 27,103,036
	-----	-----	-----	-----	-----
Total governmental activities capital assets, net	\$ 23,743,662	\$ (1,853,929)	\$ 9,972,056	\$ 3,933,515	\$ 27,928,274
	=====	=====	=====	=====	=====
Business type activities:					
Furniture and equipment	\$ 153,824	\$ ---	\$ 30,821	\$ ---	\$ 184,645
Less accumulated depreciation	62,981	---	14,202	---	77,183
	-----	-----	-----	-----	-----
Business type activities capital assets, net	\$ 90,843	\$ ---	\$ 16,619	\$ ---	\$ 107,462
	=====	=====	=====	=====	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 5 - Capital Assets: (Continued)

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular instruction	\$ 176,303
Special instruction	297
Other instruction	16,232
Support Services:	
Student services	858
Administration services	2,494
Operation and maintenance of plant services	8,471
Transportation services	247,591
Noninstructional services	16,170
Unallocated	693,635

Total governmental activities depreciation expense	\$ 1,162,051
	=====
Business type activities:	
Food service operations	\$ 14,202
	=====

Note 6 - Long-Term Debt:

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
General obligation bonds	\$ 8,160,000	\$ ---	\$ 720,000	\$ 7,440,000	\$ 750,000
Revenue bonds	10,030,000	---	985,000	9,045,000	1,010,000
Early retirement	1,032,426	1,205,861	415,092	1,823,195	669,356
	-----	-----	-----	-----	-----
Total	\$ 19,222,426	\$ 1,205,861	\$ 2,120,092	\$ 18,308,195	\$ 2,429,356
	=====	=====	=====	=====	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 6 - Long-Term Debt: (Continued)

Bonds Payable

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

Year Ending June 30,	Bond Issue February 27, 1997			Bond Issue September 1, 2001		
	Interest Rates	Principal Amount	Interest	Interest Rates	Principal Amount	Interest
2006	4.750	490,000	76,955	4.500	---	187,499
2007	4.800	535,000	53,680	4.500	---	187,499
2008	5.000	560,000	28,000	4.500	---	187,499
2009	---	---	---	4.500	---	187,499
2010	---	---	---	4.500	---	187,499
2011-2015	---	---	---	4.500-4.625	1,305,000	859,888
2016-2020	---	---	---	4.650-4.750	2,190,000	440,935
2021	---	---	---	4.750	505,000	23,988
		1,585,000	158,635		4,000,000	2,262,306

Year Ending June 30,	Bond Issue February 1, 2002			Total	
	Interest Rates	Principal Amount	Interest	Principal	Interest
2006	3.200	260,000	71,360	750,000	335,814
2007	3.550	270,000	63,040	805,000	304,219
2008	3.800	280,000	53,455	840,000	268,954
2009	4.000	295,000	42,815	295,000	230,314
2010	4.000	305,000	31,015	305,000	218,514
2011-2015	4.200-4.300	445,000	24,190	1,750,000	884,078
2016-2020	---	---	---	2,190,000	440,935
2021	---	---	---	505,000	23,988
		1,855,000	285,875	7,440,000	2,706,816

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 6 - Long-Term Debt: (Continued)

Series 1997 bonds are due June 1, 2002-2005, inclusive, are noncallable. Bonds due June 1, 2006-2008, inclusive, are callable in part and on any date on or after June 1, 2005, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District and within any maturity by lot.

Series 2001 bonds due June 1, 2012-2021, inclusive, are callable on any date on or after June 1, 2011, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any maturities as determined by the District and within any maturity by lot.

Series 2002 bonds due June 1, 2004 - 2008, inclusive, are noncallable. Bonds due June 1, 2009 - 2012, inclusive, are callable in whole or in part on any date after June 1, 2008 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

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

Year Ending June 30,	Bond Issue June 30, 2005		
-----	Interest Rates	Principal Amount	Interest
2006	2.600%	1,010,000	313,290
2007	2.900%	1,035,000	287,030
2008	3.200%	1,060,000	257,015
2009	3.200%	1,095,000	223,095
2010	3.600%	1,140,000	188,055
2011-2013	3.900%-4.000%	3,705,000	299,215
		\$ 9,045,000	\$ 1,567,700

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 6 - Long-Term Debt: (Continued)

The local option sales and service tax revenue bonds were issued for the purpose of providing funds to pay costs of school infrastructure. The Bonds are special limited revenue obligations of the Issuer, payable solely from the Local Option Sales and Service Tax revenues received by the Issuer under the Act and pledged to the repayment of the Bonds under the Bond Resolution. The Bonds are not general obligations of the Issuer and the general credit and taxing powers of the Issuer are not pledged to the payment of the principal thereof or interest thereon.

The resolution providing for the issuance of the local option sales and services tax revenue bonds include the following provisions:

- a) Interest on the Bonds is payable on June 1 and December 1 in each year, beginning December 1, 2003, to the registered owners thereof. The Bonds will mature serially on June 1. Bonds maturing on or after June 1, 2010, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at par plus accrued interest to date of call.
- b) The Bond Resolution establishes a Project Fund (the "Project Fund") into which the net Bond proceeds shall be deposited. Moneys in the Project Fund shall be used for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose. Any Project Fund moneys used to pay debt service on the Bonds shall be repaid to the Project Fund at the earliest opportunity.
- c) The Bond Resolution also establishes the Local Option Sales and Services Tax Revenue Fund (the "Revenue Fund"), into which shall be deposited all local option sales taxes when received from the State. Moneys in the Revenue Fund shall be disbursed to the following funds and accounts in the following order of priority.
- d) Interest and principal on the Bonds (and any Parity Obligations, as defined below) will be paid from the Sinking Fund (the "Sinking Fund"). The amount to be deposited in the Sinking Fund shall be equal to the amount of principal and interest coming due on the Bonds, and any other obligations payable from the Local Option Tax revenues on a parity with the Bonds ("Parity Obligations") during the fiscal year and shall be used solely for the purpose of paying debt service on the Bonds and any Parity Obligations.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 6 - Long-Term Debt: (Continued)

- e) The Bonds are secured by the Reserve Fund established under the Bond Resolution which Reserve Fund will be funded from proceeds of the Bonds. So long as any Bonds are outstanding, the Issuer is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the proceeds of the Bonds; (b) 125% of the average annual debt service on such Bonds and (c) the maximum annual debt service on such Bonds (the "Reserve Fund Requirement").

The District did comply with all of the provisions during the year ended June 30, 2005. The Sinking Fund and Reserve Fund requirements are accounted for in the Local Option Sales Tax Fund.

Early Retirement

The District offers the following early retirement plans to its employees.

Principals/Supervisors – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District of which the last ten years must be as an administrator or supervisor. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Cash incentive benefits are deposited with a third-party administrator on behalf of the employee. Employees are provided four years of medical insurance payments at the same employer contribution level as when they retired.

Teachers/Nurses – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days and personal leave days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided five years of medical insurance payments at the employer contribution level for family coverage at the time of retirement.

Hourly Employees – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided three years of medical insurance payments at the same employer contribution level as when they retired.

Early retirement benefits paid during the year ended June 30, 2005, totaled \$415,092.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 7 - Lease Agreement:

On October 20, 2001, the District entered an agreement to lease a building for five years. The District is to receive rent of \$36,000 per year for the first two years with the rent for the remaining three years to be negotiated. On February 12, 2003, the lease was renegotiated and the District is to receive \$37,440 for the remainder of the lease. At the end of five years, the lessee has the option to renew the lease for an additional five years.

Note 8 - Pension and Retirement Benefits:

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by the state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$755,161, \$719,052, and \$708,906, respectively, equal to the required contributions for each year.

Note 9 - Risk Management:

Western Dubuque 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.

Note 10 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$903,083 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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 11 - Construction in Progress:

In fiscal year 2005, the District entered into various contracts totaling \$1,057,760 for an addition to an existing elementary school and to replace the roof of a high school. At June 30, 2005, \$643,964 of the contracts were completed. The remaining amounts will be paid as work on the projects progresses.

Note 12 - Construction Grant:

The District has been awarded a \$1,000,000 Iowa Demonstration Construction Grant. In order to receive the grant, the District must provide matching funds and submit requests for reimbursement as construction costs are incurred. At June 30, 2005, the District had received \$439,557 under this grant.

Note 13 - Contingencies:

Compensated Absences - District employees accumulate sick leave hours for subsequent use. Since the accumulated hours do not vest, they do not become liabilities until used. The District's unrecorded contingent liability for sick leave as of June 30, 2005, is approximately \$5,074,159. The District does not have a liability for employee vacations as they do not vest and any unused vacation lapses at year-end.

Early Retirement - As of June 30, 2005, several District employee's met the eligibility criteria for early retirement but did not request it. Therefore, no liability was recorded for those individuals. The District's unrecorded contingent liability for early retirement is approximately \$441,888 as of June 30, 2005.

Note 14 - Subsequent Events:

On July 20, 2005, the District entered into a 28E Agreement with the City of Farley, Iowa. The agreement is for the purpose of constructing a high school regulation softball field. Along with the 28E Agreement, the District has entered into a lease agreement with the City of Farley for the use of the softball field. The term of the lease is 40 years with annual rent of \$1.

Note 15 - Prior Period Adjustment:

As a result of further review of a study conducted by the District, it was determined that accumulated depreciation of the capital assets of the governmental activities was understated. This adjustment adds this additional accumulated depreciation to the assets of the governmental activities. In addition, a few assets were determined to be omitted. These items have also been added as part of this adjustment. This causes the total assets and the total net assets of the governmental activities to decrease by \$1,853,929.

REQUIRED SUPPLEMENTARY INFORMATION

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
	-----	-----	-----	-----	-----	-----
				Original	Final	
	-----	-----	-----	-----	-----	-----
Receipts						
Local sources	\$ 14,388,792	\$ 812,398	\$ 15,201,190	\$ 14,344,412	\$ 14,344,412	\$ 856,778
State sources	10,282,549	15,126	10,297,675	10,344,347	10,344,347	(46,672)
Federal sources	1,485,293	408,097	1,893,390	2,235,826	2,235,826	(342,436)
	-----	-----	-----	-----	-----	-----
Total Receipts	\$ 26,156,634	\$ 1,235,621	\$ 27,392,255	\$ 26,924,585	\$ 26,924,585	\$ 467,670
	-----	-----	-----	-----	-----	-----
Disbursements						
Instruction	\$ 14,329,445	\$ ---	\$ 14,329,445	\$ 15,132,444	\$ 15,500,000	\$ 1,170,555
Support services	6,791,403	---	6,791,403	5,842,914	6,400,000	(391,403)
Noninstructional programs	26,152	1,220,800	1,246,952	1,210,455	1,375,000	128,048
Other expenditures	10,866,490	---	10,866,490	12,757,984	12,757,984	1,891,494
	-----	-----	-----	-----	-----	-----
Total Disbursements	\$ 32,013,490	\$ 1,220,800	\$ 33,234,290	\$ 34,943,797	\$ 36,032,984	\$ 2,798,694
	-----	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (5,856,856)	\$ 14,821	\$ (5,842,035)	\$ (8,019,212)	\$ (9,108,399)	\$ 3,266,364
	-----	-----	-----	-----	-----	-----
Balances Beginning of Year	10,542,840	234,724	10,777,564	10,834,797	10,834,797	(57,233)
	-----	-----	-----	-----	-----	-----
Balances End of Year	\$ 4,685,984	\$ 249,545	\$ 4,935,529	\$ 2,815,585	\$ 1,726,398	\$ 3,209,131
	=====	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005**

	Governmental Funds		
	----- Enterprise -----		
	Cash Basis	Accrual Adjustments	Accrual Basis
	-----	-----	-----
Revenue	\$ 26,156,634	\$ 81,368	\$ 26,238,002
Expenditures	32,013,490	(625,436)	31,388,054
Net	\$ (5,856,856)	\$ 706,804	\$ (5,150,052)
Beginning Fund Balances	10,542,840	(2,571,779)	7,971,061
Ending Fund Balances	\$ 4,685,984	\$ (1,864,975)	\$ 2,821,009
	=====	=====	=====
	Proprietary Fund		
	----- Enterprise -----		
	Cash Basis	Accrual Adjustments	Accrual Basis
	-----	-----	-----
Revenue	\$ 1,235,621	\$ 163	\$ 1,235,784
Expenditures	1,220,800	(13,667)	1,207,133
Net	\$ 14,821	\$ 13,830	\$ 28,651
Beginning Fund Balances	234,724	133,142	367,866
Ending Fund Balances	\$ 249,545	\$ 146,972	\$ 396,517
	=====	=====	=====

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except 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 functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,089,187.

During the year ended June 30, 2005, disbursements in the support services functional area exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE "1"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds					
	Management	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	Total Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 201,427	\$ 313,914	\$ 404,114	\$ 316,206	\$ 117,361	\$1,353,022
Receivables:						
Property tax:						
Delinquent	7,446	---	2,774	---	11,454	21,674
Succeeding year	974,065	---	280,340	---	1,085,814	2,340,219
Accounts	---	256	---	---	---	256
Total Assets	\$1,182,938	\$ 314,170	\$ 687,228	\$ 316,206	\$1,214,629	\$3,715,171
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ ---	\$ 8,593	\$ 125,922	\$ 1,903	\$ 325	\$ 136,743
Deferred revenue:						
Succeeding year property tax	974,065	---	280,340	---	1,085,814	2,340,219
Total Liabilities	\$ 974,065	\$ 8,593	\$ 406,262	\$ 1,903	\$1,086,139	\$2,476,962
Fund Equity:						
Unreserved fund balances	\$ 208,873	\$ 305,577	\$ 280,966	\$ 314,303	\$ 128,490	\$1,238,209
Total Liabilities and Fund Equity	\$1,182,938	\$ 314,170	\$ 687,228	\$ 316,206	\$1,214,629	\$3,715,171

See accompanying independent auditor's report.

SCHEDULE "2"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds						
	Management	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	Total Nonmajor Governmental Funds	
	-----	-----	-----	-----	-----	-----	-----
Revenues:							
Local Sources:							
Local tax	\$ 687,872	\$ ---	\$ 262,348	\$ ---	\$ 1,083,182	\$ 2,033,402	
Other	4,221	644,923	8,312	15,596	10,203	683,255	
State sources	494	---	182	---	753	1,429	
Federal sources	---	---	24,000	---	---	24,000	
	-----	-----	-----	-----	-----	-----	
Total Revenues	\$ 692,587	\$ 644,923	\$ 294,842	\$ 15,596	\$ 1,094,138	\$ 2,742,086	
	-----	-----	-----	-----	-----	-----	
Expenditures:							
Current:							
Instruction:							
Regular instruction	\$ 296,194	\$ ---	\$ 11,076	\$ ---	\$ ---	\$ 307,270	
Other instruction	---	585,674	---	---	---	585,674	
	-----	-----	-----	-----	-----	-----	
Total Instruction	\$ 296,194	\$ 585,674	\$ 11,076	\$ ---	\$ ---	\$ 892,944	
	-----	-----	-----	-----	-----	-----	
Support Services:							
Student services	\$ 5,435	\$ ---	\$ ---	\$ ---	\$ ---	\$ 5,435	
Instructional staff services	82,849	---	---	---	---	82,849	
Administration services	---	---	8,338	---	---	8,338	
Operation and maintenance of plant services	128,698	---	33,970	---	---	162,668	
Transportation services	99,908	10,880	46,309	---	---	157,097	
	-----	-----	-----	-----	-----	-----	
Total Support Services	\$ 316,890	\$ 10,880	\$ 88,617	\$ ---	\$ ---	\$ 416,387	
	-----	-----	-----	-----	-----	-----	
Noninstruction Programs	\$ 26,152	\$ ---	\$ ---	\$ ---	\$ ---	\$ 26,152	
	-----	-----	-----	-----	-----	-----	

See accompanying independent auditor's report.

SCHEDULE "2" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	
Expenditures: (Continued)						
Other Expenditures:						
Facilities acquisition	\$ ---	\$ ---	\$ 318,437	\$ 161,135	\$ ---	\$ 479,572
Long-term debt:						
Principal	---	---	---	---	1,705,000	1,705,000
Interest and fiscal charges	---	---	---	---	704,141	704,141
Total Other Expenditures	\$ ---	\$ ---	\$ 318,437	\$ 161,135	\$ 2,409,141	\$ 2,888,713
Total Expenditures	\$ 639,236	\$ 596,554	\$ 418,130	\$ 161,135	\$ 2,409,141	\$ 4,224,196
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 53,351	\$ 48,369	\$ (123,288)	\$ (145,539)	\$(1,315,003)	\$(1,482,110)
Other Financing Sources (Uses):						
Operating transfers in	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,322,915	\$ 1,322,915
Total Other Financing Sources (Uses)	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,322,915	\$ 1,322,915
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 53,351	\$ 48,369	\$ (123,288)	\$ (145,539)	\$ 7,912	\$ (159,195)
Fund Balances Beginning of Year	155,522	257,208	404,254	459,842	120,578	1,397,404
Fund Balances End of Year	\$ 208,873	\$ 305,577	\$ 280,966	\$ 314,303	\$ 128,490	\$ 1,238,209

See accompanying independent auditor's report.

SCHEDULE "3"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005**

	Balance June 30, 2004	Revenues	Expenditures	Reclass- ifications	Balance June 30, 2005
	-----	-----	-----	-----	-----
District Wide Accounts:					
Employee Awards	\$ 154	\$ ---	\$ ---	\$ ---	\$ 154
Miscellaneous	(63)	25	25	---	(63)
Western Trip	8,715	---	---	---	8,715
School Photos	245	---	---	---	245
District Wide Interest	31,516	6,579	---	---	38,095
Book Fair	268	---	---	---	268
Student/Employee Wellness	2,785	---	400	---	2,385
	-----	-----	-----	-----	-----
Total District Wide	\$ 43,620	\$ 6,604	\$ 425	\$ ---	\$ 49,799
	-----	-----	-----	-----	-----
Epworth High School:					
Computer Technology	\$ 426	\$ 355	\$ 36	---	\$ 745
Poms	440	16,979	17,905	---	(486)
Dramatics Fund	1,919	7,246	5,468	---	3,697
Speech Club	(310)	2,336	2,331	---	(305)
Vocal Music	4,950	15,836	18,545	(105)	2,136
Instrumental Music	901	5,932	4,357	400	2,876
Show Choir	(683)	4,628	4,671	---	(726)
Show Choir/Aristocrats	(786)	---	---	---	(786)
Show Choir Invitational	(1,289)	---	---	66	(1,223)
Model U.N.	106	1,182	926	---	362
Student Council	5,904	7,774	7,030	194	6,842
Future Farmers	9,297	40,608	38,261	(748)	10,896
Cheerleaders	897	701	1,000	---	598
Yearbook	205	18,097	19,347	---	(1,045)
Library Club	2,109	471	582	---	1,998
Close Up	182	---	150	---	32
Post Prom	3,095	970	2,948	1,000	2,117
National Honor Society	557	2,249	2,208	---	598
Halloween Hoot	60	---	---	(60)	---
Class of 2008	---	4,010	4,166	650	494
Class of 2007	1,191	562	306	60	1,507
Class of 2006	1,318	7,944	7,278	126	2,110
Class of 2005	4,037	1,800	1,645	---	4,192
Class of 2004	2,023	---	584	---	1,439
Class of 2003	1,526	778	---	---	2,304
Class of 2001	807	---	100	---	707
Future Business Leaders	2,773	6,055	7,207	---	1,621
Athletic Fund	31,116	104,279	97,693	(1,441)	36,261
Pop and Uniforms	7,734	19,179	12,666	(2,764)	11,483
Fundraiser	6	---	918	912	---
Band	1,178	1,320	2,178	1,000	1,320
Miscellaneous	2,523	1,410	3,641	710	1,002
	-----	-----	-----	-----	-----
Total Epworth High School	\$ 84,212	\$ 272,701	\$ 264,147	\$ ---	\$ 92,766
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Revenues	Expenditures	Reclass- ifications	Balance June 30, 2005
	-----	-----	-----	-----	-----
Cascade High School:					
Poms	\$ (912)	\$ 7,528	\$ 5,703	\$ ---	\$ 913
Dramatics/Speech	9,820	13,371	13,860	(54)	9,277
Vocal Music	155	3,544	3,151	1,000	1,548
Instrumental Music	362	14,018	11,263	---	3,117
Band	1,396	1,830	728	---	2,498
Student Council	1,649	3,580	4,248	(50)	931
Future Farmers	7,636	43,539	42,877	---	8,298
Cheerleaders	707	970	1,173	---	504
National Honor Society	948	---	341	---	607
Spanish Club	190	---	---	---	190
Junior High	477	8,106	6,500	---	2,083
Class of 2008	100	---	---	50	150
Class of 2007	100	---	---	---	100
Class of 2006	50	3,384	1,481	---	1,953
Class of 2005	1,696	3,134	4,152	(400)	278
Class of 2004	714	---	478	---	236
Athletic Fund	49,215	47,730	58,802	2,828	40,971
Pop and Uniforms	383	27,427	17,216	(2,799)	7,795
Vocal Music - Student	1,687	3,521	2,453	(1,000)	1,755
Instrument - Student	2,548	5,083	4,069	---	3,562
Yearbook	3,578	8,453	9,827	400	2,604
Miscellaneous	801	1,464	1,667	---	598
	-----	-----	-----	-----	-----
Total Cascade High School	\$ 83,300	\$ 196,682	\$ 189,989	\$ (25)	\$ 89,968
	-----	-----	-----	-----	-----
Bernard Elementary:					
Student Expenses	\$ 1,930	\$ 3,923	\$ 2,890	\$ ---	\$ 2,963
	-----	-----	-----	-----	-----
Cascade Elementary:					
Student Expenses	\$ 6,795	\$ 16,489	\$ 14,055	\$ ---	\$ 9,229
School Photos	1,496	1,251	158	---	2,589
Student Council	330	759	401	---	688
	-----	-----	-----	-----	-----
Total Cascade Elementary	\$ 8,621	\$ 18,499	\$ 14,614	\$ ---	\$ 12,506
	-----	-----	-----	-----	-----
Dyersville Elementary:					
Student Expenses	\$ 1,023	\$ 2,300	\$ 2,919	\$ ---	\$ 404
Book Fair	(154)	1,152	1,167	---	(169)
School Photos	809	219	---	---	1,028
	-----	-----	-----	-----	-----
Total Dyersville Elementary	\$ 1,678	\$ 3,671	\$ 4,086	\$ ---	\$ 1,263
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Revenues	Expenditures	Reclass- ifications	Balance June 30, 2005
	-----	-----	-----	-----	-----
Farley:					
Spring Fundraiser	\$ 13,719	\$ 11,737	\$ 3,416	\$ ---	\$ 22,040
Student Council	(4,238)	3,493	3,949	156	(4,538)
Yearbook	2,346	5,150	5,850	---	1,646
Dramatics	172	296	542	78	4
Vocal Music	3,068	14,590	15,893	(272)	1,493
Instrumental Music	1,699	1,694	3,313	272	352
Athletic Fund	1,250	2,083	9,989	8,566	1,910
Booster Club/PTO	284	---	---	---	284
Outdoor Education	930	6,367	4,769	---	2,528
Pop and Uniforms	3,420	12,265	6,948	(1,027)	7,710
Fitness Program	3,778	2,613	2,104	---	4,287
Book Fair	1,324	10,461	8,485	---	3,300
School Photos	3,043	4,833	---	(101)	7,775
Magazine/Newspaper Fundraiser	811	29,628	20,285	(9,714)	440
Grade 8 Class Trip	---	7,068	10,243	3,175	---
Various Groups	14,231	18,028	18,750	(1,108)	12,401
	-----	-----	-----	-----	-----
Total Farley	\$ 45,837	\$ 130,306	\$ 114,536	\$ 25	\$ 61,632
	-----	-----	-----	-----	-----
Epworth Elementary:					
Student Expenses	\$ 4,179	\$ 12,466	\$ 13,628	\$ ---	\$ 3,017
	-----	-----	-----	-----	-----
Total - Cash	\$ 273,377	\$ 644,852	\$ 604,315	\$ ---	\$ 313,914
	-----	-----	-----	-----	-----
Accounts Receivable - Beginning of Year	184	(184)	---	---	---
Accounts Receivable - End of Year	---	256	---	---	256
Accounts Payable - Beginning of Year	(16,353)	---	(16,353)	---	---
Accounts Payable - End of Year	---	---	8,593	---	(8,593)
	-----	-----	-----	-----	-----
	\$ 257,208	\$ 644,924	\$ 596,555	\$ ---	\$ 305,577
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "4"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FOUR YEARS**

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local Sources:				
Local tax	\$ 12,445,327	\$ 11,259,357	\$ 8,635,638	\$ 7,757,212
Tuition	651,757	631,073	576,731	598,362
Other	1,349,802	1,279,922	1,194,147	1,648,306
Intermediate Sources	---	4,108	80	---
State Sources	10,326,712	9,278,073	9,556,936	9,545,789
Federal Sources	1,464,404	950,399	1,552,042	776,270
	-----	-----	-----	-----
Total	\$ 26,238,002	\$ 23,402,932	\$ 21,515,574	\$ 20,325,939
	=====	=====	=====	=====
Expenditures:				
Instruction:				
Regular instruction	\$ 8,469,963	\$ 8,377,622	\$ 8,181,683	\$ 8,286,275
Special instruction	3,099,950	3,605,876	3,074,974	2,871,659
Other instruction	2,667,318	2,129,419	2,108,320	2,046,932
Support Services:				
Student services	692,460	666,742	589,805	626,819
Instructional staff services	553,355	534,905	467,647	392,662
Administration services	2,138,672	1,627,196	1,772,832	1,750,488
Operation and maintenance of plant services	1,471,773	1,299,654	1,175,562	1,136,769
Transportation services	2,002,883	1,708,369	1,435,289	1,297,138
Central support services	---	1,244	93,387	10,950
Noninstructional Programs	26,152	18,420	14,350	---
Other Expenditures:				
Facilities acquisition	6,953,304	5,427,398	5,825,035	750,806
Long-term debt:				
Principal	1,705,000	1,670,000	435,000	415,000
Interest and other charges	704,141	753,765	578,879	140,928
AEA flowthrough	903,083	872,561	920,041	918,733
	-----	-----	-----	-----
Total	\$ 31,388,054	\$ 28,693,171	\$ 26,672,804	\$ 20,645,159
	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "5"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect Programs:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY05	\$ 74,597
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY05	\$ 47,161
National School Lunch Program	10.555	FY05	286,339
			\$ 333,500
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY05	\$ 433,484
Innovative Education Program Strategies (Title V Program)	84.298	FY05	15,796
Safe and Drug Free Schools - State Grants	84.186	FY05	19,566
Vocational Education - Basic Grants to States	84.048	FY05	39,178
Title IIA, Federal Teacher Quality Program	84.367	FY05	157,165
State Assessment	84.369	FY05	15,948
Demonstration Construction Grant	84.215	FY05	439,557
Iowa Public Television:			
Star Schools	84.203	FY05	5,669
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY05	191,843
			\$ 1,318,206
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY05	\$ 146,198
Total			\$ 1,872,501

See accompanying independent auditor's report.

SCHEDULE "5"
(Continued)

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Dubuque County Community School District and is presented on 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 basic financial statements.

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Western Dubuque 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 Western Dubuque County Community School District as of and for the year ended June 30, 2005, which collectively comprises the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 7, 2005. We expressed an unqualified opinion on the financial statements of the primary government and an adverse opinion on the financial reporting entity due to the omission of the financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District's primary government. 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 Western Dubuque County Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Dubuque 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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 for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque County Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
December 7, 2005

**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
Western Dubuque County Community School District

Compliance

We have audited the compliance of Western Dubuque County Community School District with the types of compliance requirements described in the *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. Western Dubuque 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 Western Dubuque County Community School District's management. Our responsibility is to express an opinion on Western Dubuque County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with United States of America 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 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Western Dubuque 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 Western Dubuque County Community School District's compliance with those requirements.

In our opinion, Western Dubuque 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 Western Dubuque County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Western Dubuque 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 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that 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 operation 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 the Western Dubuque County Community School District and other parties to whom Western Dubuque 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.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
December 7, 2005

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

Part I: Summary of Independent Auditor's Results

- a) An unqualified opinion was issued on the financial statements of the primary government. An adverse opinion was issued on the financial statements of the reporting entity.
- b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) No material weaknesses 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 84.048 - Vocational Education - Basic Grants to States
 - CFDA Number 84.215 - Demonstration Construction Grant

 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Western Dubuque County Community School District does qualify as a low-risk auditee.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

Part II: Findings Related to the Financial Statements:

Instance of Noncompliance:

No matters were reported

Reportable Conditions:

No matters were reported

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported

Reportable Conditions:

No matters were reported

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 Official Depositories

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

IV-B-05 Certified Budget

Disbursements for the year ended June 30, 2005, exceeded the amended certified budget amounts in the support services functional area.

Recommendation - The 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 - Future budgets will be amended in sufficient amounts to ensure that the certified budget is not exceeded.

Conclusion - Response accepted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-C-05 Questionable Disbursements

No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979 were noted.

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

No transactions requiring Board approval which had not been approved by the Board were noted.

Although minutes were published, we noted an instance in which the minutes were not published within two weeks as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The District should comply with the Code of Iowa and should publish minutes as required.

Response – We will publish minutes as required.

Conclusion – Response accepted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-H-05 Certified Enrollment

The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2004 was overstated by thirteen (13) students. The District's resident public school headcount (line 1) erroneously included thirteen (13) students from the Shared Visions Program. These students were not five (5) years old on the certification date. In addition, line 12 (Total Supplementary Weighting) was overstated by 13.37. The correct number should be 25.64. Incorrect student rosters and class meeting times were used in the original weighting calculation.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter. In addition, a corrected Form 12 should be submitted to the Iowa Department of Education.

Response - We will contact the Iowa Department of Education and the Department of Management. We will have our auditors file a corrected Form 12.

Conclusion - Response accepted.

IV-I-05 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-05 Certified Annual Report

The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-05 Student Activity Fund

Several Student activity accounts had deficit balances at June 30, 2005.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-K-05 Student Activity Fund (Continued)

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.

IV-L-05 PPEL Fund

Property taxes on income producing property were paid from the PPEL fund. This does not appear to be an allowable expenditure of the PPEL fund according to Chapter 298.3 of the Code of Iowa.

Recommendation - The District should ensure property taxes are paid from the proper fund and PPEL funds are used only for approved purposes.

Response - We will comply.

Conclusion - Response accepted.