

**FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004**

**WEST LYON COMMUNITY SCHOOL  
DISTRICT 60**

# WEST LYON COMMUNITY SCHOOL DISTRICT 60

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West Lyon Community School District 60  
**SCHOOL DISTRICT OFFICIALS**  
JUNE 30, 2005

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| <u>Name</u>  | <u>Title</u>               | <u>Term Expires</u> |
|--|----------------------------|---------------------|
| <b>BOARD OF EDUCATION</b><br><b>(Before September 2004 Election)</b> |                            |                     |
| Arthur Metzger   | President                  | September 2004      |
| Gib VanHill  | Vice President             | September 2004      |
| Ken Kerkvliet  | Board Member               | September 2006      |
| Al Hassebroek  | Board Member               | September 2005      |
| Kay Twedt  | Board Member               | September 2005      |
| <b>(After September 2004 Election)</b>                               |                            |                     |
| Arthur Metzger   | President                  | September 2007      |
| Kay Twedt  | Vice President             | September 2005      |
| Ken Kerkvliet  | Board Member               | September 2006      |
| Al Hassebroek  | Board Member               | September 2005      |
| Gib VanHill  | Board Member               | September 2007      |
| <b>SCHOOL OFFICIALS</b>  |                            |                     |
| Ralph Herring  | Superintendent             | -                   |
| Robert Tracy   | Secretary/Business Manager | June 30, 2005       |
| Lyle Impecoven   | Treasurer                  | June 30, 2005       |
| Tom Whorley  | Attorney                   | Indefinite          |



CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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To the School Board  
**West Lyon Community School District 60**  
Inwood, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **West Lyon Community School District 60**, Inwood, Iowa as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **West Lyon Community School District 60's** management. 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 and provisions 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **West Lyon Community School District 60**, as of June 30, 2005, the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 3, 2005 on our consideration of the **West Lyon Community School District 60's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 13 and 33 through 35 are not a required part of the basic financial statements, but are supplementary information required by the U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **West Lyon 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. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Eide Bailey CPA". The signature is written in black ink on a light-colored, textured background.

Sioux Falls, South Dakota  
August 3, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### 2005 FINANCIAL HIGHLIGHTS

- The District experienced a reduction in anticipated state aid due to a positive special education balance in FY04 and the district's share of juvenile home.
- In December 2003, the citizens of the West Lyon Community School District passed a bond issue in the amount of \$3,800,000. The bond issue called for the construction of an addition to the school site that includes a new gymnasium, new locker rooms, new band rooms, new student commons, new restrooms, as well as the remodeling of a study hall, library, and present gymnasium. Phases 1 and 2 of the project were substantially completed as of June 30, 2005.
- West Lyon CSD has students residing in both Lyon and Sioux counties. The taxpayers of both of those counties approved a ten year increase in local option sales and services taxes. The sales tax in each county was increased 1% on applicable sales in those counties. The District intends to use the proceeds of this tax to offset future obligations for the previously noted bond issue.
- General Fund revenues increased from \$5,233,760 in FY04 to \$5,238,055 in FY05. General Fund expenditures increased from \$5,378,559 in FY04 to \$5,446,733 in FY05. The District's General Fund year end balance decreased \$208,678 or approximately 21.29% in FY05.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits for employees, unanticipated long term absences, and restricted grant expenditures. The district anticipated using its carryover fund balance to support the budgetary expenditures for FY05. This is because student enrollment trends meant that the district was to receive little "new money" (state and local funding based on student enrollment) for FY05.

- The District has long held a substantial carryover fund balance. In the past, one positive effect of having this balance was the interest that was received from the investment of these funds. As recently as FY01, the district received \$48,700 in interest on its investments. Because of a decline in interest rates, the district received \$ 21,013 on the investment of similar dollars.

## **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District. Because the District did not have Federal Awards of more than \$500,000 in FY05, this Schedule is not included in this report.

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

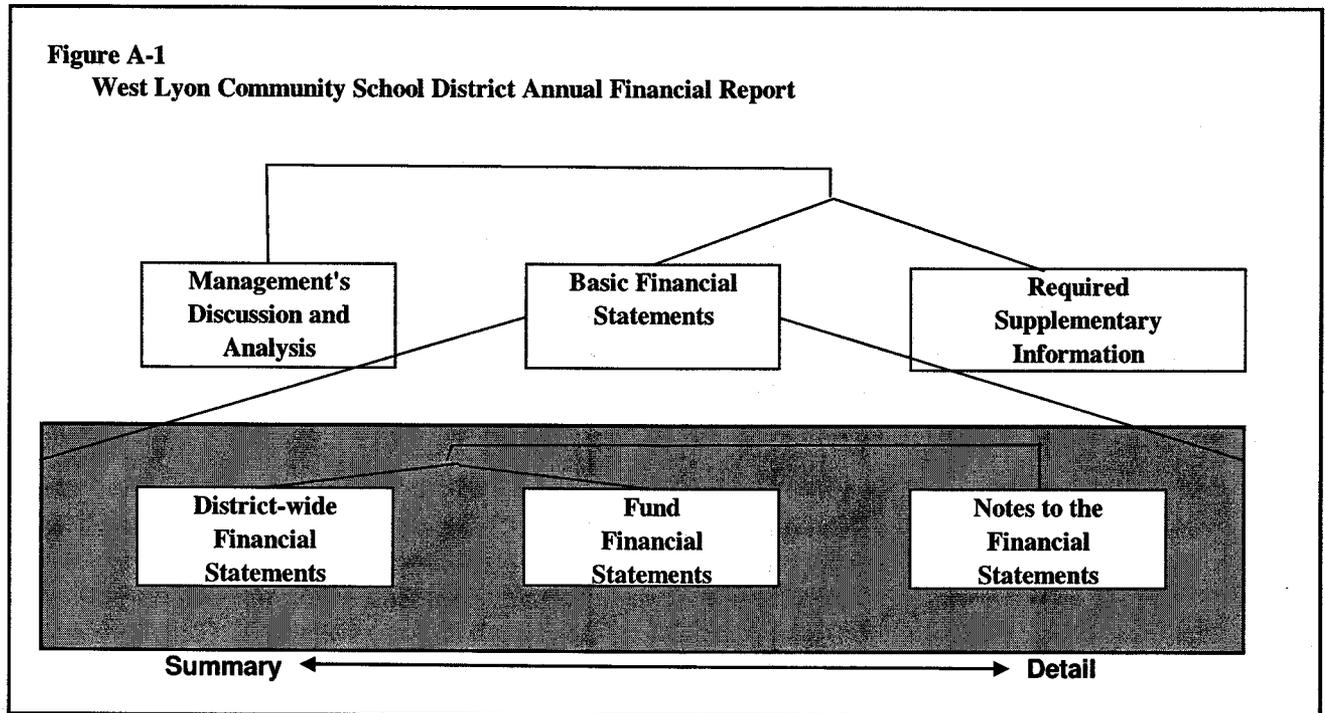


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets-the difference between the District's assets and liabilities-are one way

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Funds.

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

3. *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 Funds-The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds-These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3**  
**Condensed Statement of Net Assets**

|                                | Governmental<br>Activities |             | Business type<br>Activities |          | Total<br>District |             | Total<br>Change |
|--------------------------------|----------------------------|-------------|-----------------------------|----------|-------------------|-------------|-----------------|
|                                | June 30,                   |             | June 30,                    |          | June 30,          |             | June 30,        |
|                                | 2005                       | 2004        | 2005                        | 2004     | 2005              | 2004        | 2004-<br>2005   |
| Current and other assets       | \$4,780,527                | \$7,782,113 | \$59,580                    | \$49,775 | \$4,840,107       | \$7,831,888 | -38.20%         |
| Capital assets                 | \$4,863,479                | \$2,031,812 | \$7,539                     | \$9,445  | \$4,871,018       | \$2,041,257 | 138.63%         |
| Total assets                   | \$9,644,006                | \$9,813,925 | \$67,119                    | \$59,220 | \$9,711,125       | \$9,873,145 | -1.64%          |
|                                |                            |             |                             |          | \$0               |             |                 |
| Long-term liabilities          | \$3,690,074                | \$3,832,510 | \$0                         | \$0      | \$3,690,074       | \$3,832,510 | -3.72%          |
| Other liabilities              | \$2,696,898                | \$2,742,671 | \$7,957                     | \$10,069 | \$2,704,855       | \$2,752,740 | -1.74%          |
| Total liabilities              | \$6,386,972                | \$6,575,181 | \$7,957                     | \$10,069 | \$6,394,929       | \$6,585,250 | -2.89%          |
| Net assets:                    |                            |             |                             |          |                   |             |                 |
| Invested in capital<br>assets, |                            |             |                             |          |                   |             |                 |
| net of related debt            | \$4,863,479                | \$2,031,812 | \$7,539                     | \$9,445  | \$4,871,018       | \$2,041,257 | 138.63%         |
| Restricted                     | \$90,000                   | \$75,000    | \$0                         | \$0      | \$90,000          | \$75,000    | 20.00%          |
| Unrestricted                   | (\$1,696,445)              | \$1,131,932 | \$51,623                    | \$39,706 | (\$1,644,822)     | \$1,171,638 | 240.39%         |
|                                |                            |             |                             |          | \$0               |             |                 |
| Total net assets               | \$3,257,034                | \$3,238,744 | \$59,162                    | \$49,151 | \$3,316,196       | \$3,287,895 | 0.86%           |

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior year's assets, liabilities, and changes in net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets are a result of budgeted expenditures within the Physical Plant and Equipment Levy Fund.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established on how they can be used. As noted earlier, the District was forced to use more than twenty one percent of its carryover balance to fund operations in FY05. Obviously, this had a negative effect on the unrestricted net assets of the District for this fiscal year.

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

| <b>Figure A-4</b>                                       |                          |                             |                     |
|---|--------------------------|-----------------------------|---------------------|
| <b>Changes in Net Assets</b>                            |                          |                             |                     |
|   | Government<br>Activities | Business type<br>Activities | Total<br>District   |
|   | June 30,<br>2005         | June 30,<br>2005            | June 30,<br>2005    |
| <b>Revenues:</b>  |                          |                             |                     |
| <b>Program revenues:</b>                                |                          |                             |                     |
| Charges for services                                    | \$ 10,262                | \$ 172,526                  | \$ 182,788          |
| Operating grants, contributions and restricted interest | \$ 825,634               | \$ 105,913                  | \$ 931,547          |
| Capital grants, contributions, and restricted interest  | \$ -                     | \$ -                        | \$ -                |
| <b>General Revenues:</b>                                |                          |                             |                     |
| Property tax  | \$ 2,055,550             | \$ -                        | \$ 2,055,550        |
| Local option sales and service tax                      | \$ 616,648               | \$ -                        | \$ 616,648          |
| Unrestricted state grants                               | \$ 2,495,778             | \$ -                        | \$ 2,495,778        |
| Unrestricted investment earnings                        | \$ 62,610                | \$ 159                      | \$ 62,769           |
| Other   | \$ 360,363               | \$ -                        | \$ 360,363          |
| <b>Total revenues</b>                                   | <b>\$ 6,426,845</b>      | <b>\$ 278,598</b>           | <b>\$ 6,705,443</b> |
| <b>Program expenses:</b>                                |                          |                             |                     |
| <b>Government activities:</b>                           |                          |                             |                     |
| Instruction   | \$ 4,269,784             | \$ -                        | \$ 4,269,784        |
| Support services  | \$ 1,424,010             | \$ -                        | \$ 1,424,010        |
| Other services  | \$ 514,922               | \$ -                        | \$ 514,922          |
| Non-instructional programs                              | \$ -                     | \$ 268,587                  | \$ 268,587          |
| Other expenses  | \$ 199,839               | \$ -                        | \$ 199,839          |
| <b>Total expenses</b>                                   | <b>\$ 6,408,555</b>      | <b>\$ 268,587</b>           | <b>\$ 6,677,142</b> |
|   |                          |                             | \$ -                |
| <b>Change in net assets</b>                             | <b>\$ 18,290</b>         | <b>\$ 10,011</b>            | <b>\$ 28,301</b>    |

Property taxes and unrestricted state grants account for more than 80% of the total revenue. The District's expenses primarily relate to instruction and support services which account for more than 89% of the total expenses.

## Governmental Activities

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

**Figure A-5**  
**Total and Net Cost of Government Activities**

|                  | Total Cost<br>of Services | Net Cost<br>of Services |
|------------------|---------------------------|-------------------------|
| Instruction      | \$ 4,269,784              | \$ 3,583,322            |
| Support Services | \$ 1,424,010              | \$ 1,274,576            |
| Other Services   | \$ 514,922                | \$ 514,922              |
| Other Expenses   | \$ 199,839                | \$ 199,839              |
| <b>Totals</b>    | <b>\$ 6,408,555</b>       | <b>\$ 5,572,659</b>     |

- The cost financed by users of the District's programs was \$10,262.
- Federal and state grants subsidized certain programs with grants and contributions totaling \$825,634.
- The net cost of government activities was financed with \$2,672,198 in property and other taxes and \$2,495,778 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$278,598 and expenses were \$268,587. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During FY05 the district did not increase meal prices. It did, however, have a noticeable increase in the number of breakfasts served to students, a trend that is now three years in the making.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,634,050, well below last year's ending fund balance of \$5,567,644. However, the primary reason for the decrease in combined fund balances in FY05 is due to expenses related to the general obligation bond proceeds received in FY04 and expended in FY05.

## **Governmental Fund Highlights**

- The District's General Fund financial position, though very strong in comparison with most schools in the state, is gradually deteriorating over time. This past fiscal year, the unreserved balance dropped \$208,178. The District still maintains a healthy \$977,845 in unreserved fund equity, however.
- The General Fund cash balance decreased \$125,379 in FY05, due to the negotiated salary and benefits settlement's over the past several years, the state aid reduction due to special education balances, and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy Fund balance increased by \$57,319, due mainly to reduced expenditures for the year. Revenues remained relatively comparable to previous years for the fund.
- The Capital Projects Fund balance decreased due to construction expenses related to the sale of \$3,800,000 in general obligation bonds during fiscal year 2004. The fund ended the year with a balance of \$762,266, consisting primarily of unexpended bond proceeds and local option sales tax revenues which will be expended as the construction project is completed and local option sales tax revenue are used to buy down property tax obligations related to long term debt.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$49,151 at June 30, 2004 to \$59,162 at June 30, 2005, representing an increase of 20.37%. The school promoted its breakfast program even more in FY05 and, as a result, meal participation increased substantially. The district also had tenured employees retire and replaced them with new, lower compensated employees.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Lyon Community School District amended its budget one time, on May 25, 2005. The District did so to reflect additional revenues and expenditures associated with the daily operation of the school.

State revenues in the General Fund were less than expected because of a reduction in revenues due to a special education positive balance, and juvenile home expenses pro-rated to all schools. The District also received about 40% of the budgeted revenue for interest on investments due to the extremely low rates received during the year.

Expenditures were less than budgeted primarily due to the District's Capital Projects Fund. At the time of the budget amendment, it was not known how quickly some the expenses would be incurred for the construction project. The District chose to amend the budget in an amount that would prevent it from exceeding its authorized budget. The certified budget was not exceeded in any functional area for fiscal year 2005.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$4,863,479, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, A-V equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year is \$347,694.

The original cost of the District's equipment was \$9,426,151. Governmental funds account for \$9,225,453 of that amount and \$52,698 is accounted for in the Proprietary, School Nutrition Fund.

A very large change will take place in FY2005 as construction activity related to the \$3,800,000 bond issue that was passed in FY04 was substantially completed.

Figure A-6  
Capital Assets, net of Depreciation

|                                   | Governmental Activities |             | Business type Activities |         | Total District |             | Total Change |
|-----------------------------------|-------------------------|-------------|--------------------------|---------|----------------|-------------|--------------|
|                                   | June 30,                |             | June 30,                 |         | June 30,       |             | June 30,     |
|                                   | 2005                    | 2004        | 2005                     | 2004    | 2005           | 2004        | 2004-2005    |
| Land                              | \$39,494                | \$39,494    | \$0                      | \$0     | \$39,494       | \$39,494    | 0.00%        |
| Construction in Progress          | \$0                     | \$0         | \$0                      | \$0     | \$0            | \$0         | 0.00%        |
| Buildings                         | \$4,416,967             | \$1,316,791 | \$0                      | \$0     | \$4,416,967    | \$1,316,791 | 235.43%      |
| Improvements other than buildings | \$64,175                | \$72,365    | \$0                      | \$0     | \$64,175       | \$72,365    | -11.32%      |
| Furniture and equipment           | \$342,843               | \$603,162   | \$7,539                  | \$9,445 | \$350,382      | \$612,607   | -42.80%      |
| Totals                            | \$4,863,479             | \$2,031,812 | \$7,539                  | \$9,445 | \$4,871,018    | \$2,041,257 | 138.63%      |

### Long-term Debt

At June 30, 2005, the District had \$3,690,074 in general obligation and other long-term debt outstanding. This represents a decrease from last year when the District had a total of \$3,832,510 in long-term debt. Most of the reduction in debt was related to the retirement of general obligation bonds during the fiscal year.

In December 2003, the District's voters authorized the issuance of \$3,800,000 in general obligation bonds to pay for construction of a new gymnasium, locker rooms, band rooms, student commons, restrooms, and the remodeling of a study hall, library, and current gymnasium. The debt associated with that bond issue represents the majority of the district's long term debt.

The District also has a long-term obligation for early retirement compensation of \$44,321 at the end of fiscal year 2005.

**Figure A-7  
Outstanding Long-Term Obligations**

|                          | Total District     |                     | Total Change  |
|--------------------------|--------------------|---------------------|---------------|
|                          | June 30,           |                     | June 30,      |
|                          | 2005               | 2004                | 2004-2005     |
| General Obligation Bonds | \$3,650,000        | \$ 3,800,000        | -3.95%        |
| Early Retirement         | \$ 40,074          | \$ 32,510           | 23.27%        |
| <b>Totals</b>            | <b>\$3,690,074</b> | <b>\$ 3,832,510</b> | <b>-3.72%</b> |

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Though the district's recent enrollment declines have plateaued, the Class of 2007 is significantly larger than most in the school and will likely not be replaced with a class of similar size. Given funding discussions at the state legislative level, the District could see reduced revenues sometime in the future due to decreased enrollment.
- The District negotiates salary and benefits with the West Lyon Education Association on an annual basis. Total package settlements with the WLEA have been at state average even though the District has seen little or no new money for several years. Because third party arbitrators rarely award compensation packages that are less than state average, it appears that the District will continue to settle at or near state average and, thus, struggle to balance its budget.
- The District has a fairly tenured staff. Many have indicated that retirement may be in their near future (1-5 years). But given recent lawsuits regarding early retirement policies, the district may need to adjust its thoughts on early retirement benefits. If this happens, many of these teachers may not retire. If the teachers do not retire, the district may need to reduce staff in order to make its budgets fiscally manageable. If these teachers do retire, the District will have hard choices to make in determining whether or not to replace these teachers or increase class sizes.
- While the District was very fortunate to pass a much needed bond issue, additional pressure has been placed on the General Fund as increased costs to operate the building must be included in present and future budgets.

## **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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Tracy, District Secretary and Business Manager, West Lyon Community School District, 1787 182N Street, Inwood, IA 51240.

## **Basic Financial Statements**

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

|  | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|--|----------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>                                      |                            |                             |                     |
| Cash and cash equivalents                          |                            |                             |                     |
| ISJIT  | \$ 431,460                 | \$ -                        | \$ 431,460          |
| Other  | 2,202,587                  | 57,138                      | 2,259,725           |
| Receivables  |                            |                             |                     |
| Property tax:                                      |                            |                             |                     |
| Delinquent   | 27,360                     | -                           | 27,360              |
| Succeeding year                                    | 1,885,639                  | -                           | 1,885,639           |
| Accounts   | 1,737                      | -                           | 1,737               |
| Accrued interest:                                  |                            |                             |                     |
| ISJIT  | 779                        | -                           | 779                 |
| Other  | 5,781                      | -                           | 5,781               |
| Due from other governments                         | 225,184                    | -                           | 225,184             |
| Inventories  | -                          | 2,442                       | 2,442               |
| Capital assets, net of accumulated<br>depreciation | 4,863,479                  | 7,539                       | 4,871,018           |
| <b>TOTAL ASSETS</b>                                | <b>\$ 9,644,006</b>        | <b>\$ 67,119</b>            | <b>\$ 9,711,125</b> |
| <b>LIABILITIES</b>                                 |                            |                             |                     |
| Accounts payable                                   | \$ 207,229                 | \$ 47                       | \$ 207,276          |
| Salaries and benefits payable                      | 566,299                    | 3,407                       | 569,706             |
| Deferred revenue-succeeding year<br>property tax   | 1,885,639                  | -                           | 1,885,639           |
| Deferred revenue-other                             | -                          | 4,503                       | 4,503               |
| Due to other governments                           | 26,991                     | -                           | 26,991              |
| Accrued interest payable                           | 10,740                     | -                           | 10,740              |
| Long-term liabilities                              |                            |                             |                     |
| Due within one year                                | 176,037                    | -                           | 176,037             |
| Due in more than one year                          | 3,514,037                  | -                           | 3,514,037           |
| <b>TOTAL LIABILITIES</b>                           | <b>6,386,972</b>           | <b>7,957</b>                | <b>6,394,929</b>    |
| <b>NET ASSETS</b>                                  |                            |                             |                     |
| Invested in capital assets, net of related debt    | 4,863,479                  | 7,539                       | 4,871,018           |
| Restricted for:                                    |                            |                             |                     |
| Physical plant and equipment levy                  | 90,000                     | -                           | 90,000              |
| Unrestricted                                       | (1,696,445)                | 51,623                      | (1,644,822)         |
| <b>TOTAL NET ASSETS</b>                            | <b>3,257,034</b>           | <b>59,162</b>               | <b>3,316,196</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>            | <b>\$ 9,644,006</b>        | <b>\$ 67,119</b>            | <b>\$ 9,711,125</b> |

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2005**

| <u>Functions/Programs</u>                   | <u>Program Revenues</u> |                             |  |
|---|-------------------------|-----------------------------|--|
|   | <u>Expenses</u>         | <u>Charges for Services</u> | <u>Operating Grants, Contributions and Restricted Interest</u> |
| <b>Governmental activities:</b>             |                         |                             |  |
| <b>Instruction:</b>                         |                         |                             |  |
| Regular instruction                         | \$ 2,864,254            | \$ 10,262                   | \$ 345,793   |
| Special instruction                         | 643,026                 |                             | 149,854  |
| Other instruction                           | 762,504                 |                             | 180,553  |
|   | <u>4,269,784</u>        | <u>10,262</u>               | <u>676,200</u>   |
| <b>Support services:</b>                    |                         |                             |  |
| Student services                            | 135,858                 | -                           | 86,837   |
| Instructional staff services                | 126,081                 | -                           | 26,843   |
| Administration services                     | 468,499                 | -                           | 500  |
| Operation and maintenance of plant services | 376,381                 | -                           | -  |
| Transportation services                     | 317,191                 | -                           | 35,254   |
|   | <u>1,424,010</u>        | <u>-</u>                    | <u>149,434</u>   |
| <b>Other services:</b>                      | <u>514,922</u>          | <u>-</u>                    | <u>-</u>   |
| <b>Other expenditures:</b>                  |                         |                             |  |
| Long-term debt interest                     | 62,210                  |                             | -  |
| Depreciation (unallocated)                  | 137,629                 |                             | -  |
|   | <u>199,839</u>          | <u>-</u>                    | <u>-</u>   |
| <b>Total governmental activities</b>        | <u>6,408,555</u>        | <u>10,262</u>               | <u>825,634</u>   |
| <b>Business type activities:</b>            |                         |                             |  |
| <b>Non-instructional programs:</b>          |                         |                             |  |
| Food service operations                     | 268,587                 | 172,526                     | 105,913  |
| <b>Total</b>                                | <u>\$ 6,677,142</u>     | <u>\$ 182,788</u>           | <u>\$ 931,547</u>  |
| <b>General revenues:</b>                    |                         |                             |  |
| Property tax levied for:                    |                         |                             |  |
| General purposes                            |                         |                             |  |
| Debt service                                |                         |                             |  |
| Capital outlay                              |                         |                             |  |
| Local option sale and services tax          |                         |                             |  |
| Unrestricted state grants                   |                         |                             |  |
| Unrestricted investment earnings            |                         |                             |  |
| Other                                       |                         |                             |  |
| <b>Total general revenues</b>               |                         |                             |  |
| Change in net assets                        |                         |                             |  |
| Net assets beginning of year                |                         |                             |  |
| Net assets end of year                      |                         |                             |  |

See Notes to Financial Statements

Net (Expense) Revenue and  
Changes in Net Assets

| Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|----------------------------|-----------------------------|-----------------------|
| \$ (2,508,199)             | \$ -                        | \$ (2,508,199)        |
| (493,172)                  | -                           | (493,172)             |
| (581,951)                  | -                           | (581,951)             |
| <u>(3,583,322)</u>         | <u>-</u>                    | <u>(3,583,322)</u>    |
| (49,021)                   | -                           | (49,021)              |
| (99,238)                   | -                           | (99,238)              |
| (467,999)                  | -                           | (467,999)             |
| (376,381)                  | -                           | (376,381)             |
| (281,937)                  | -                           | (281,937)             |
| <u>(1,274,576)</u>         | <u>-</u>                    | <u>(1,274,576)</u>    |
| (514,922)                  | -                           | (514,922)             |
| (62,210)                   | -                           | (62,210)              |
| (137,629)                  | -                           | (137,629)             |
| <u>(199,839)</u>           | <u>-</u>                    | <u>(199,839)</u>      |
| (5,572,659)                | -                           | (5,572,659)           |
| -                          | 9,852                       | 9,852                 |
| <u>\$ (5,572,659)</u>      | <u>\$ 9,852</u>             | <u>\$ (5,562,807)</u> |
| \$ 1,618,879               | \$ -                        | \$ 1,618,879          |
| 291,808                    | -                           | 291,808               |
| 144,863                    | -                           | 144,863               |
| 616,648                    | -                           | 616,648               |
| 2,495,778                  | -                           | 2,495,778             |
| 62,610                     | 159                         | 62,769                |
| 360,363                    | -                           | 360,363               |
| <u>5,590,949</u>           | <u>159</u>                  | <u>5,591,108</u>      |
| 18,290                     | 10,011                      | 28,301                |
| 3,238,744                  | 49,151                      | 3,287,895             |
| <u>\$ 3,257,034</u>        | <u>\$ 59,162</u>            | <u>\$ 3,316,196</u>   |

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

|  | General             | Debt<br>Service  | Capital<br>Projects | Nonmajor<br>Special<br>Revenue | Total               |
|--|---------------------|------------------|---------------------|--------------------------------|---------------------|
| <b>Assets</b>                              |                     |                  |                     |                                |                     |
| Cash and pooled investments:               |                     |                  |                     |                                |                     |
| ISJIT                                      | \$ 4,890            | \$ -             | \$ 416,886          | \$ 9,684                       | \$ 431,460          |
| Other                                      | 1,503,081           | 5,738            | 336,476             | 357,292                        | 2,202,587           |
| Receivables:                               |                     |                  |                     |                                |                     |
| Property tax:                              |                     |                  |                     |                                |                     |
| Delinquent                                 | 21,578              | 3,858            | -                   | 1,924                          | 27,360              |
| Succeeding year                            | 1,629,619           | 79,498           | -                   | 176,522                        | 1,885,639           |
| Accounts                                   | -                   | -                | -                   | 1,737                          | 1,737               |
| Accrued interest:                          |                     |                  |                     |                                |                     |
| ISJIT                                      | -                   | -                | 779                 | -                              | 779                 |
| Other                                      | 4,976               | -                | -                   | 805                            | 5,781               |
| Due from other governments                 | 93,873              | -                | 131,311             | -                              | 225,184             |
| <b>Total assets</b>                        | <b>\$ 3,258,017</b> | <b>\$ 89,094</b> | <b>\$ 885,452</b>   | <b>\$ 547,964</b>              | <b>\$ 4,780,527</b> |
| <b>Liabilities and fund balances</b>       |                     |                  |                     |                                |                     |
| Liabilities:                               |                     |                  |                     |                                |                     |
| Accounts payable                           | \$ 57,263           | \$ -             | \$ 123,186          | \$ 26,780                      | \$ 207,229          |
| Salaries and benefits payable              | 566,299             | -                | -                   | -                              | 566,299             |
| Due to other governments                   | 26,991              | -                | -                   | -                              | 26,991              |
| Deferred revenue:                          |                     |                  |                     |                                |                     |
| Succeeding year property tax               | 1,629,619           | 79,498           | -                   | 176,522                        | 1,885,639           |
| Total liabilities                          | 2,280,172           | 79,498           | 123,186             | 203,302                        | 2,686,158           |
| Fund Balances:                             |                     |                  |                     |                                |                     |
| Reserved for debt service                  | -                   | 9,596            | -                   | -                              | 9,596               |
| Reserved for truck repair                  | -                   | -                | -                   | 90,000                         | 90,000              |
| Unreserved                                 | 977,845             | -                | 762,266             | 254,662                        | 1,994,773           |
| Total fund balances                        | 977,845             | 9,596            | 762,266             | 344,662                        | 2,094,369           |
| <b>Total liabilities and fund balances</b> | <b>\$ 3,258,017</b> | <b>\$ 89,094</b> | <b>\$ 885,452</b>   | <b>\$ 547,964</b>              | <b>\$ 4,780,527</b> |

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

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**Total fund balances of governmental funds (page 16)** \$ 2,094,369

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 4,863,479

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. funds. (10,740)

Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (3,690,074)

**Net assets of governmental activities** \$ 3,257,034

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

|  | General           | Debt<br>Service | Capital<br>Projects | Nonmajor<br>Special<br>Revenue | Total               |
|--|-------------------|-----------------|---------------------|--------------------------------|---------------------|
| <b>Revenues:</b>   |                   |                 |                     |                                |                     |
| Local sources:   |                   |                 |                     |                                |                     |
| Local tax  | \$ 1,850,113      | \$291,862       | \$ 419,327          | \$ 144,862                     | \$ 2,706,164        |
| Other  | 101,906           | -               | -                   | 207,701                        | 309,607             |
| State sources  | 3,044,333         | 205             | -                   | 102                            | 3,044,640           |
| Federal sources  | 241,703           | 228             | -                   | -                              | 241,931             |
| Total revenues   | <u>5,238,055</u>  | <u>292,295</u>  | <u>419,327</u>      | <u>352,665</u>                 | <u>6,302,342</u>    |
| <b>Expenditures:</b>   |                   |                 |                     |                                |                     |
| Current:   |                   |                 |                     |                                |                     |
| Instruction:   |                   |                 |                     |                                |                     |
| Regular instruction  | 2,749,704         | -               | -                   | 257,612                        | 3,007,316           |
| Special instruction  | 641,080           | -               | -                   | -                              | 641,080             |
| Other instruction  | 506,805           | -               | -                   | -                              | 506,805             |
|  | <u>3,897,589</u>  | <u>-</u>        | <u>-</u>            | <u>257,612</u>                 | <u>4,155,201</u>    |
| Support services:  |                   |                 |                     |                                |                     |
| Student services   | 144,806           | -               | -                   | -                              | 144,806             |
| Instructional staff services                                 | 41,881            | -               | -                   | -                              | 41,881              |
| Administration services                                      | 452,537           | -               | -                   | -                              | 452,537             |
| Operation and maintenance<br>of plant services               | 360,879           | -               | -                   | 15,382                         | 376,261             |
| Transportation services                                      | 313,043           | -               | -                   | -                              | 313,043             |
|  | <u>1,313,146</u>  | <u>-</u>        | <u>-</u>            | <u>15,382</u>                  | <u>1,328,528</u>    |
| Other expenditures:  |                   |                 |                     |                                |                     |
| Facilities acquisition                                       | -                 | -               | 3,234,849           | 4,453                          | 3,239,302           |
| Management fund  | -                 | -               | -                   | 40,363                         | 40,363              |
| AEA flowthrough  | 235,998           | -               | -                   | -                              | 235,998             |
| Long-term debt:  |                   |                 |                     |                                |                     |
| Principal  |                   | 150,000         |                     |                                | 150,000             |
| Interest and fiscal charges                                  |                   | 178,620         |                     |                                | 178,620             |
|  | <u>235,998</u>    | <u>328,620</u>  | <u>3,234,849</u>    | <u>44,816</u>                  | <u>3,844,283</u>    |
| Total expenditures   | <u>5,446,733</u>  | <u>328,620</u>  | <u>3,234,849</u>    | <u>317,810</u>                 | <u>9,328,012</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(208,678)</u>  | <u>(36,325)</u> | <u>(2,815,522)</u>  | <u>34,855</u>                  | <u>(3,025,670)</u>  |
| Other financing sources (uses):                              |                   |                 |                     |                                |                     |
| Sale of equipment  | 500               | -               | -                   | -                              | 500                 |
| Interfund transfer   | -                 | 27,679          | -                   | -                              | 27,679              |
| Total other financing sources (uses)                         | <u>500</u>        | <u>27,679</u>   | <u>-</u>            | <u>-</u>                       | <u>28,179</u>       |
| Net change in fund balances                                  | (208,178)         | (8,646)         | (2,815,522)         | 34,855                         | (2,997,491)         |
| Fund balances beginning of year (as restated)                | 1,186,023         | 18,242          | 3,577,788           | 309,807                        | 5,091,860           |
| Fund balances end of year                                    | <u>\$ 977,845</u> | <u>\$ 9,596</u> | <u>\$ 762,266</u>   | <u>\$ 344,662</u>              | <u>\$ 2,094,369</u> |

See Notes to Financial Statements

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT**  
**OF ACTIVITIES**  
**JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ (2,997,491)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were less than depreciation expense in the current year, as follows:

|                                 |                  |           |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 3,179,361     |           |
| Proceeds on sales               | (500)            |           |
| Gain on sale                    | 500              |           |
| Depreciation expense            | <u>(347,694)</u> | 2,831,667 |

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

|        |                |         |
|--------|----------------|---------|
| Repaid | <u>150,000</u> | 150,000 |
|--------|----------------|---------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the government funds, as follows:

|                   |  |          |
|-------------------|--|----------|
| Early retirements |  | (28,096) |
|-------------------|--|----------|

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(62,210)

**Change in net assets of governmental activities \$ (106,130)**

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2005**

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| <b>Assets</b>                                   |                             |
| Cash and cash equivalents                       | \$ 57,138                   |
| Inventories                                     | 2,442                       |
| Capital assets, net of accumulated depreciation | <u>7,539</u>                |
| Total assets                                    | <u>67,119</u>               |
| <br><b>Liabilities</b>                          |                             |
| Accounts payable                                | 47                          |
| Salaries and benefits payable                   | 3,407                       |
| Deferred revenue                                | <u>4,503</u>                |
| Total liabilities                               | <u>7,957</u>                |
| <br><b>Net assets</b>                           |                             |
| Invested in capital assets, net of related debt | 7,539                       |
| Unrestricted                                    | <u>51,623</u>               |
| Total net assets                                | <u>\$ 59,162</u>            |

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2005**

|                               | <u>School<br/>Nutrition</u> |
|-------------------------------|-----------------------------|
| Operating revenues:           |                             |
| Local sources:                |                             |
| Sale of lunches               | \$ 165,342                  |
| Miscellaneous                 | 7,184                       |
| Total operating revenues      | <u>172,526</u>              |
| Operating expenses:           |                             |
| Non-instructional programs:   |                             |
| Food service operations:      |                             |
| Salaries and benefits         | 122,042                     |
| Supplies                      | 112,334                     |
| Other                         | 9,920                       |
| Depreciation                  | 1,906                       |
| Federal food commodities used | 22,385                      |
| Total operating expenses      | <u>268,587</u>              |
| Operating loss                | <u>(96,061)</u>             |
| Non-operating revenues:       |                             |
| State sources                 | 4,191                       |
| Federal sources               | 101,722                     |
| Interest income               | 159                         |
| Total non-operating revenues  | <u>106,072</u>              |
| Change in net assets          | 10,011                      |
| Net assets beginning of year  | <u>49,151</u>               |
| Net assets end of year        | <u>\$ 59,162</u>            |

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**JUNE 30, 2005**

|   | School<br>Nutrition |
|---|---------------------|
| Cash flows used for operating activities:   |                     |
| Cash received from sale of lunches and breakfasts                                   | \$ 165,512          |
| Cash received from miscellaneous operating activities                               | 7,184               |
| Cash paid to employees for services   | (121,889)           |
| Cash paid to suppliers for goods or services  | (123,834)           |
| Net cash used for operating activities  | <u>(73,027)</u>     |
| Cash flows from non-capital financing activities:                                   |                     |
| State grants received   | 4,191               |
| Federal grants received   | 81,285              |
| Net cash used for non-capital financing activities:                                 | <u>85,476</u>       |
| Cash flows from investing activities:   |                     |
| Interest on investments   | 159                 |
| Net cash from investment activities   | <u>159</u>          |
| Net increase in cash and cash equivalents   | <u>12,608</u>       |
| Cash and cash equivalents at beginning of year                                      | <u>44,530</u>       |
| Cash and cash equivalents at end of year  | <u>\$ 57,138</u>    |
| <b>Reconciliation of operating loss to net cash used by operating activities:</b>   |                     |
| Operating loss  | \$ (96,061)         |
| Adjustments to reconcile operating loss to net cash (used in) operating activities: |                     |
| Depreciation  | 1,906               |
| Commodities used  | 22,385              |
| (Increase) in inventories   | 855                 |
| Increase in accounts payable  | (487)               |
| Increase in salaries and benefits payable   | 153                 |
| (Decrease) in deferred revenue  | (1,778)             |
| Net cash used for operating activities  | <u>\$ (73,027)</u>  |

**Noncash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received \$20,436 of federal commodities.

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The **West Lyon Community School District 60** is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Inwood, Larchwood, Lester and Alvord, Iowa and the predominate agricultural territory surrounding such in Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for School Districts through its pronouncements. The more significant accounting policies established in GAAP and used by the District is discussed below.

**A. Reporting Entity**

For financial reporting purposes, **West Lyon Community School District 60** has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The **West Lyon Community School District 60** has no component units that meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation, Basis of Accounting**

Basis of Presentation:

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities report information on all the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

## NOTES TO FINANCIAL STATEMENTS

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

The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

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

### ***C. Measurement Focus and Basis of Accounting***

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

## NOTES TO FINANCIAL STATEMENTS

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In the fund financial statements, the governmental funds are reported using the current financial resources, measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the District funds certain grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

### ***D. Assets, Liabilities and Fund Equity***

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

#### *Cash, Pooled Investments and Cash Equivalents:*

The balances of most District funds are pooled and invested. Investments are stated at amortized cost, which approximates market. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

## NOTES TO FINANCIAL STATEMENTS

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### Property Tax Receivable:

Property tax in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized in these funds on the lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the tax asking and budget certified 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. The property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2003, assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

### Due From Other Governments:

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

### Inventories:

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

### Capital Assets:

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

## NOTES TO FINANCIAL STATEMENTS

| <u>Asset Class</u>                | <u>Amount</u> |
|-----------------------------------|---------------|
| Land                              | \$ 2,000      |
| Buildings                         | 10,000        |
| Improvements other than buildings | 10,000        |
| Furniture and equipment:          |               |
| School Nutrition Fund equipment   | 500           |
| Other furniture and equipment     | 2,000         |

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

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

### Salaries and Benefits Payable:

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

### Deferred Revenue:

Although certain revenues are measurable, they are not available. Available means collectible within the current period or 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 collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end. Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it was levied.

### Compensated Absences:

District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Vacation hours earned must be used by the end of the District's fiscal year or the hours are forfeited. Also, accumulated sick leave is forfeited upon termination, death or retirement. Accordingly, the District has not recorded a liability at June 30, 2005, for unused sick leave.

### Long-Term Liabilities:

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

## NOTES TO FINANCIAL STATEMENTS

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### Fund Equity:

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

### Restricted Net Assets:

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

### **E. Budgets and Budgetary Accounting**

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

### **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 that there will be no loss of public funds.

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

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

|   | <u>Amortized Cost</u> |
|---|-----------------------|
| Diversified Portfolio                   | \$ 373,184            |
| Direct Government Obligations Portfolio | <u>58,276</u>         |
| Total                                   | <u>\$ 431,460</u>     |

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

### Interest rate risk

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

### Credit risk

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - CAPITAL ASSETS

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

| Governmental Activities:                    | Balance<br>07/01/04 | Increases           | Decreases     | Balance<br>06/30/05 |
|---|---------------------|---------------------|---------------|---------------------|
| Capital assets not being depreciated:       |                     |                     |               |                     |
| Land  | \$ 39,494           | \$ -                | \$ -          | \$ 39,494           |
| Construction in progress                    | -                   | -                   | -             | -                   |
| Total capital assets not being depreciated  | <u>39,494</u>       | <u>-</u>            | <u>-</u>      | <u>39,494</u>       |
| Capital assets being depreciated:           |                     |                     |               |                     |
| Buildings                                   | 2,803,579           | 3,156,247           | -             | 5,959,826           |
| Improvements other than buildings           | 342,500             | -                   | -             | 342,500             |
| Machinery and equipment                     | 3,031,891           | 23,114              | 23,372        | 3,031,633           |
| Total capital assets being depreciated      | <u>6,177,970</u>    | <u>3,179,361</u>    | <u>23,372</u> | <u>9,333,959</u>    |
| Less accumulated depreciation for:          |                     |                     |               |                     |
| Buildings                                   | 1,486,788           | 56,071              | -             | 1,542,859           |
| Improvements other than buildings           | 270,135             | 8,190               | -             | 278,325             |
| Machinery and equipment                     | 2,428,729           | 283,433             | 23,372        | 2,688,790           |
| Total accumulated depreciation              | <u>4,185,652</u>    | <u>347,694</u>      | <u>23,372</u> | <u>4,509,974</u>    |
| Total capital assets being depreciated, net | <u>1,992,318</u>    | <u>2,831,667</u>    | <u>-</u>      | <u>4,823,985</u>    |
| Governmental activities capital assets, net | <u>\$ 2,031,812</u> | <u>\$ 2,831,667</u> | <u>\$ -</u>   | <u>\$ 4,863,479</u> |

**NOTES TO FINANCIAL STATEMENTS**

| Business Type Activities:                           | Balance<br>07/01/04    | Increases              | Decreases          | Balance<br>06/30/05    |
|---|------------------------|------------------------|--------------------|------------------------|
| Furniture and equipment                             | \$ 52,698              | \$ -                   | \$ -               | \$ 52,698              |
| Less accumulated depreciation                       | 43,253                 | 1,906                  | -                  | 45,159                 |
| <b>Business type activities capital assets, net</b> | <b><u>\$ 9,445</u></b> | <b><u>\$ 1,906</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 7,539</u></b> |
| Depreciation expense was charged to the             |                        |                        |                    |                        |
| Governmental activities:                            |                        |                        |                    |                        |
| Instruction:  |                        |                        |                    |                        |
| Regular   |                        |                        |                    | \$ 112,638             |
| Special   |                        |                        |                    | 1,945                  |
| Other   |                        |                        |                    |                        |
| Support Services:                                   |                        |                        |                    |                        |
| Instructional staff                                 |                        |                        |                    | 84,200                 |
| Administration                                      |                        |                        |                    | 7,015                  |
| Operation and maintenance of plant                  |                        |                        |                    | 120                    |
| Transportation                                      |                        |                        |                    | 4,147                  |
|   |                        |                        |                    | <u>210,065</u>         |
| Unallocated   |                        |                        |                    | <u>137,629</u>         |
| Total depreciation expense - governmental           |                        |                        |                    | <u>\$ 347,694</u>      |
| Business type activities:                           |                        |                        |                    |                        |
| Food service operations                             |                        |                        |                    | <u>\$ 1,906</u>        |

**NOTE 4 - LONG-TERM LIABILITIES**

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

|                          | Balance<br>07/01/04 | Increases        | Decreases           | Balance<br>06/30/05 | Due in<br>One Year |
|--------------------------|---------------------|------------------|---------------------|---------------------|--------------------|
| General obligation bonds | \$ 3,800,000        | \$ -             | \$ (150,000)        | \$ 3,650,000        | \$ 150,000         |
| Early retirement         | 32,510              | 18,374           | (10,810)            | 40,074              | 26,037             |
|                          | <u>\$ 3,832,510</u> | <u>\$ 18,374</u> | <u>\$ (160,810)</u> | <u>\$ 3,690,074</u> | <u>\$ 176,037</u>  |

## NOTES TO FINANCIAL STATEMENTS

### Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay, and subject to a maximum of \$20,000 per individual. Early retirement benefits paid during the year ended June 30, 2005, totaled \$10,810. The cost of early retirement payments expected to be liquidated currently is recorded as a liability in the General Fund. A liability has been recorded in the Government Statement of Net Assets representing the District's commitment to fund non-current early retirement, which has been discounted using an interest rate of five percent.

### General Obligation Bonds Payable

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

| Bond Issue of February 1, 2004 |                   |                     |                     |
|--------------------------------|-------------------|---------------------|---------------------|
|                                | Interest<br>Rates | Principal           | Interest            |
| 2006                           | 2.00%             | 150,000             | 130,665             |
| 2007                           | 2.00%             | 155,000             | 127,665             |
| 2008                           | 2.50%             | 160,000             | 124,565             |
| 2009                           | 2.75%             | 160,000             | 120,565             |
| 2010                           | 3.00%             | 165,000             | 116,165             |
| 2011-2015                      | 3.25-3.60%        | 930,000             | 496,190             |
| 2016-2020                      | 3.70-4.15%        | 1,125,000           | 314,560             |
| 2021-2023                      | 4.25-4.40%        | 805,000             | 71,287              |
|                                |                   | <u>\$ 3,650,000</u> | <u>\$ 1,501,663</u> |

### **NOTE 5 - 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 payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$186,051, \$183,197, and \$180,278, respectively, equal to the required contributions for each year.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 - RISK MANAGEMENT

West Lyon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. There were no reductions in insurance coverage from the prior year. 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 7 - 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 \$235,998 for the year ended June 30, 2005, and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

### NOTE 8 - CONSTRUCTION COMMITMENT

The District has entered into a contract totaling \$3,699,823 for the construction of a remodeling project. As of June 30, 2005, costs of \$3,421,647 had been incurred against the contract. The balance of \$284,205 remaining at June 30, 2005 will be paid as work on the project progresses.

### NOTE 9 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued four statements not yet implemented by the West Lyon Community School District 60. The statements, which might impact the West Lyon Community School District 60, are as follows:

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the District for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the District for the fiscal year ending June 30, 2009. This statement establishes uniform financial reporting standards for other post employment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the District for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the District for the fiscal year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

## NOTES TO FINANCIAL STATEMENTS

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Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34* issued December 2004, will be effective for the District for the fiscal year ending June 30, 2005. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. This statement establishes that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation or if a government has other cause for reconsideration.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, will be effective for the District for the fiscal year ending June 30, 2005. This statement establishes accounting standards for the termination benefits.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**

***REQUIRED SUPPLEMENTARY INFORMATION***

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**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<br>Funds<br>Actual | Proprietary<br>Fund<br>Actual |
|--|---------------------------------|-------------------------------|
| <b>Receipts:</b>   |                                 |                               |
| Local sources  | \$ 2,939,655                    | \$ 172,855                    |
| State sources  | 3,054,447                       | 4,191                         |
| Federal sources  | 247,205                         | 99,773                        |
| Total receipts   | <u>6,241,307</u>                | <u>276,819</u>                |
| <b>Disbursements:</b>  |                                 |                               |
| Instruction  | 4,103,180                       | -                             |
| Support services   | 1,345,716                       | -                             |
| Non-Instructional programs   | -                               | 264,211                       |
| Other expenditures   | 3,754,183                       | -                             |
| Total disbursements  | <u>9,203,079</u>                | <u>264,211</u>                |
| Deficiency of receipts under disbursements   | (2,961,772)                     | 12,608                        |
| Other financing sources, net   | <u>28,179</u>                   | -                             |
| Excess (deficiency) of receipts and other financing sources over (under)<br>disbursements and other financing uses | (2,933,593)                     | 12,608                        |
| Balances beginning of year   | <u>5,567,643</u>                | <u>44,530</u>                 |
| Balances end of year   | <u>\$ 2,634,050</u>             | <u>\$ 57,138</u>              |

| Total<br>Actual     | Budgeted Amounts    |                       | Variance with Final<br>Budget -<br>Positive (Negative) |
|---------------------|---------------------|-----------------------|--|
|                     | Original            | Final                 |  |
| \$ 3,112,510        | \$ 3,003,054        | \$ 3,020,587          | \$ 91,923  |
| 3,058,638           | 3,151,966           | 3,146,058             | (87,420)   |
| 346,978             | 323,675             | 345,000               | 1,978  |
| <u>6,518,126</u>    | <u>6,478,695</u>    | <u>6,511,645</u>      | <u>6,481</u>   |
|                     |                     |                       | -  |
| 4,103,180           | 4,212,165           | 4,309,267             | (206,087)  |
| 1,345,716           | 1,358,385           | 1,467,480             | (121,764)  |
| 264,211             | 285,000             | 300,000               | (35,789)   |
| 3,754,183           | 4,113,932           | 4,124,432             | (370,249)  |
| <u>9,467,290</u>    | <u>9,969,482</u>    | <u>10,201,179</u>     | <u>(733,889)</u>                                       |
| (2,949,164)         | (3,490,787)         | (3,689,534)           | 740,370  |
| <u>28,179</u>       | <u>1,500</u>        | <u>1,500</u>          | <u>26,679</u>  |
| (2,920,985)         | (3,489,287)         | (3,688,034)           | 767,049  |
| <u>5,612,173</u>    | <u>5,401,191</u>    | <u>521,683</u>        | <u>5,090,490</u>                                       |
| <u>\$ 2,691,188</u> | <u>\$ 1,911,904</u> | <u>\$ (3,166,351)</u> | <u>\$ 5,857,539</u>                                    |

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2005**

|                              | Governmental Funds  |                     |                        |
|------------------------------|---------------------|---------------------|------------------------|
|                              | Cash Basis          | Accrual Adjustments | Modified Accrual Basis |
| Revenues                     | \$ 6,241,307        | \$ 61,035           | \$ 6,302,342           |
| Expenditures                 | 9,203,079           | 124,933             | 9,328,012              |
| Net                          | (2,961,772)         | (63,898)            | (3,025,670)            |
| Other financing sources, net | 28,179              | -                   | 28,179                 |
| Beginning fund balances      | 5,567,643           | (475,783)           | 5,091,860              |
| Ending fund balances         | <u>\$ 2,634,050</u> | <u>\$ (539,681)</u> | <u>\$ 2,094,369</u>    |
|                              | Proprietary Fund    |                     |                        |
|                              | Enterprise          |                     |                        |
|                              | Cash Basis          | Accrual Adjustments | Accrual Basis          |
| Revenues                     | \$ 276,819          | \$ 1,779            | \$ 278,598             |
| Expenditures                 | 264,211             | 4,376               | 268,587                |
| Net                          | 12,608              | (2,597)             | 10,011                 |
| Beginning fund balances      | 44,530              | 4,621               | 49,151                 |
| Ending fund balances         | <u>\$ 57,138</u>    | <u>\$ 2,024</u>     | <u>\$ 59,162</u>       |

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**JUNE 30, 2005**

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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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005 none of the functions exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**

***OTHER SUPPLEMENTARY INFORMATION***

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2005**

|  | Student<br>Activity | Management<br>Levy | Physical Plant<br>and Equipment<br>Levy | Total             |
|--|---------------------|--------------------|---|-------------------|
| <b>Assets</b>                              |                     |                    |   |                   |
| Cash and pooled investments:               |                     |                    |   |                   |
| ISJIT                                      | \$ -                | \$ -               | \$ 9,684                                | \$ 9,684          |
| Other                                      | 55,766              | 28,515             | 273,011                                 | 357,292           |
| Receivables:                               |                     |                    |   |                   |
| Property tax:                              |                     |                    |   |                   |
| Delinquent                                 | -                   | 1,162              | 762                                     | 1,924             |
| Succeeding year                            | -                   | 118,927            | 57,595                                  | 176,522           |
| Accounts                                   | 1,737               | -                  | -                                       | 1,737             |
| Accrued interest:                          |                     |                    |   |                   |
| ISJIT                                      | -                   | -                  | 805                                     | 805               |
| Due from other governments                 | -                   | -                  | -                                       | -                 |
| <b>Total assets</b>                        | <b>\$ 57,503</b>    | <b>\$ 148,604</b>  | <b>\$ 341,857</b>                       | <b>\$ 547,964</b> |
| <b>Liabilities and fund balances</b>       |                     |                    |   |                   |
| Liabilities:                               |                     |                    |   |                   |
| Accounts payable                           | \$ 743              | \$ -               | \$ 26,037                               | \$ 26,780         |
| Deferred revenue:                          |                     |                    |   |                   |
| Succeeding year property tax               | -                   | 118,927            | 57,595                                  | 176,522           |
| Total liabilities                          | 743                 | 118,927            | 83,632                                  | 203,302           |
| Fund balances:                             |                     |                    |   |                   |
| Reserved for truck repair                  | -                   | -                  | 90,000                                  | 90,000            |
| Unreserved                                 | 56,760              | 3,640              | 194,262                                 | 254,662           |
| Total fund balances                        | 56,760              | 3,640              | 284,262                                 | 344,662           |
| <b>Total liabilities and fund balances</b> | <b>\$ 57,503</b>    | <b>\$ 122,567</b>  | <b>\$ 367,894</b>                       | <b>\$ 547,964</b> |

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2005**

|  | Student<br>Activity | Management<br>Levy | Physical Plant<br>and Equipment<br>Levy | Total             |
|--|---------------------|--------------------|---|-------------------|
| <b>Revenues:</b>   |                     |                    |   |                   |
| Local sources:   |                     |                    |   |                   |
| Local tax  | \$ -                | \$ 87,316          | \$ 57,547                               | \$ 144,863        |
| Other  | 203,364             | 152                | 4,184                                   | 207,700           |
| State sources  | -                   | 61                 | 41                                      | 102               |
| Federal sources  | -                   | -                  | -                                       | -                 |
| Total revenues   | <u>203,364</u>      | <u>87,529</u>      | <u>61,772</u>                           | <u>352,665</u>    |
| <b>Expenditures:</b>   |                     |                    |   |                   |
| Current:   |                     |                    |   | -                 |
| Instruction:   |                     |                    |   |                   |
| Regular instruction  | -                   | 53,250             | -                                       | 53,250            |
| Special instruction  | -                   | -                  | -                                       | -                 |
| Other instruction  | 204,362             | -                  | -                                       | 204,362           |
| Support services:  |                     |                    |   |                   |
| Administration services                                      | -                   | 15,382             | -                                       | 15,382            |
| Other expenditures:  |                     |                    |   |                   |
| Facilities acquisition                                       | -                   | -                  | 4,453                                   | 4,453             |
| Management fund  | -                   | 40,363             | -                                       | 40,363            |
| Total expenditures   | <u>204,362</u>      | <u>108,995</u>     | <u>4,453</u>                            | <u>317,810</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(998)</u>        | <u>(21,466)</u>    | <u>57,319</u>                           | <u>34,855</u>     |
| Fund balances beginning of year                              | <u>57,758</u>       | <u>25,106</u>      | <u>226,943</u>                          | <u>309,807</u>    |
| Fund balances end of year                                    | <u>\$ 56,760</u>    | <u>\$ 3,640</u>    | <u>\$ 284,262</u>                       | <u>\$ 344,662</u> |

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**YEAR ENDED JUNE 30, 2005**

| Account                | Balance<br>Beginning<br>of Year | Revenues          | Expenditures      | Balance<br>End<br>of Year |
|------------------------|---------------------------------|-------------------|-------------------|---------------------------|
| System wide athletics  | \$ 31,079                       | \$ 27,136         | \$ 26,889         | \$ 31,326                 |
| Baseball               | -                               | 505               | 505               | -                         |
| Softball               | -                               | 165               | 165               | -                         |
| Golf                   | -                               | -                 | -                 | -                         |
| Track                  | -                               | 6,425             | 6,308             | 117                       |
| Volleyball             | 108                             | 2,268             | 2,376             | -                         |
| Football               | 662                             | 21,468            | 21,308            | 823                       |
| Basketball             | 780                             | 10,639            | 11,419            | -                         |
| Wrestling              | -                               | 6,303             | 6,261             | 42                        |
| Cross country          | 226                             | 383               | 375               | 234                       |
| Vocal music            | 2,537                           | 1,357             | 1,648             | 2,246                     |
| Student council        | 743                             | 2,889             | 2,015             | 1,617                     |
| FFA                    | 4,301                           | 70,649            | 72,666            | 2,284                     |
| Annual                 | -                               | 10,610            | 7,976             | 2,634                     |
| Class of 2008          | 407                             | 53                | -                 | 460                       |
| Class of 2009          | 21                              | 20                | -                 | 41                        |
| Class of 2003          | 106                             | 18                | -                 | 124                       |
| Class of 2004          | 1                               | -                 | 1                 | -                         |
| Class of 2005          | 1,944                           | 1,085             | 2,159             | 870                       |
| Class of 2006          | 344                             | 10,502            | 9,364             | 1,482                     |
| Class of 2007          | 115                             | 331               | 261               | 185                       |
| Industrial arts        | 669                             | 1,645             | 1,577             | 736                       |
| Speech                 | 1,831                           | 2,524             | 2,261             | 2,094                     |
| Library fund           | 370                             | 20                | 30                | 360                       |
| National Honor Society | 556                             | 149               | 183               | 523                       |
| Band                   | 2,124                           | 2,694             | 4,665             | 154                       |
| FLA                    | 1,629                           | -                 | -                 | 1,629                     |
| Cheerleaders           | -                               | -                 | -                 | -                         |
| NWIMBI                 | 303                             | -                 | -                 | 303                       |
| Elementary annual      | 6,903                           | 23,528            | 23,952            | 6,479                     |
|                        | <u>\$ 57,758</u>                | <u>\$ 203,365</u> | <u>\$ 204,363</u> | <u>\$ 56,760</u>          |

See accompanying independent auditors' report.

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**YEAR ENDED JUNE 30, 2005**

|  | <u>2005</u>        | <u>2004</u>      | <u>2003</u>      | <u>2002</u>      |
|--|--------------------|------------------|------------------|------------------|
| <b>Revenues:</b>                               |                    |                  |                  |                  |
| Local sources:                                 |                    |                  |                  |                  |
| Local tax                                      | \$2,706,164        | 2,228,728        | 2,055,340        | 1,931,092        |
| Other  | 309,607            | 314,697          | 204,016          | 223,304          |
| State sources                                  | 3,044,640          | 2,864,943        | 2,935,666        | 2,956,045        |
| Federal sources                                | 241,931            | 274,532          | 322,976          | 281,977          |
| Interest                                       | -                  | 8,540            | -                | -                |
| <b>Total</b>                                   | <u>\$6,302,342</u> | <u>5,691,440</u> | <u>5,517,998</u> | <u>5,392,418</u> |
| <b>Expenditures:</b>                           |                    |                  |                  |                  |
| Current:                                       |                    |                  |                  |                  |
| Instruction:                                   |                    |                  |                  |                  |
| Regular instruction                            | \$3,007,316        | 3,007,587        | 2,635,170        | 2,676,494        |
| Special instruction                            | 641,080            | 612,352          | 638,250          | 545,807          |
| Other instruction                              | 506,805            | 502,882          | 686,958          | 716,271          |
| Support services:                              |                    |                  |                  |                  |
| Student services                               | 144,806            | 147,045          | 144,222          | 182,048          |
| Instructional staff services                   | 41,881             | 32,694           | 42,043           | 44,116           |
| Administration services                        | 452,537            | 443,620          | 445,577          | 422,211          |
| Operation and maintenance of<br>plant services | 376,261            | 350,124          | 332,767          | 334,838          |
| Transportation services                        | 313,043            | 290,490          | 327,672          | 331,842          |
| Other expenditures:                            |                    |                  |                  |                  |
| Facilities acquisition                         | 3,239,302          | 358,344          | 16,662           | 111,988          |
| Management fund                                | 40,363             | 31,822           | 37,634           | -                |
| Long-term debt:                                |                    |                  |                  |                  |
| Principal                                      | 150,000            | -                | 155,000          | 150,000          |
| Interest and fiscal charges                    | 178,620            | -                | 7,120            | 13,645           |
| AEA flowthrough                                | 235,998            | 238,407          | 254,309          | 255,717          |
| <b>Total</b>                                   | <u>\$9,328,012</u> | <u>6,015,367</u> | <u>5,723,384</u> | <u>5,784,977</u> |



CPAs & BUSINESS ADVISORS

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

To the School Board  
**West Lyon Community School District 60**  
Inwood, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **West Lyon Community School District 60**, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 3, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe the reportable condition described above is not a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Lyon Community School District 60'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

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effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 West Lyon Community School District 60. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of **West Lyon Community School District 60** and other parties to whom **West Lyon Community School District 60**, may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of **West Lyon Community School District 60**, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Eide Bailey" followed by a stylized flourish.

Sioux Falls, South Dakota  
August 3, 2005

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

*INSTANCES OF NON-COMPLIANCE*

No matters were reported.

*REPORTABLE CONDITIONS*

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible.

In the General Fund we noted that the person receiving checks and cash also prepared the bank deposit and posted the amounts in the general ledger.

In the School Nutrition Fund we noted that the person receiving the cash also prepared the bank deposit and posted the amounts in the general ledger.

In the School Activity Fund we noted that the person receiving the cash also prepared the bank deposit and was responsible for posting amounts to a receipts listing.

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

Response – We will investigate available alternatives and implement if feasible.

**PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

*II-A-01 Official Depositories*

The District has approved official depositories. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005

*II-B-01 Certified Budget*

Disbursements for the year ended June 30, 2005 did not exceed the amount budgeted.

*II-C-01 Questionable Disbursements*

We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

*II-D-01 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.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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### *II-E-01 Business Transactions*

No business transactions between the District and District officials or employees were noted, except as disclosed in the notes to financial statements.

### *II-F-01 Bond Coverage*

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage appears adequate for current operations.

### *II-G-01 Board Minutes*

We noted no transactions, requiring Board approval, which had not been approved by the Board.

### *II-H-01 Certified Enrollment*

We noted no variances in the basic enrollment data certified to the Department of Education.

### *II-I-01 Deposits and Investments*

We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

### *II-J-01 Certified Annual Report*

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

### *II-K-01 Student Activity Fund*

The Student Activity Funds had no deficit balances at June 30, 2005.