

WEST MONONA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the West Monona Community School District in Onawa, Iowa.

The District's revenues for governmental funds totaled \$6,112,985 for the year ended June 30, 2005 and included \$2,064,037 in local tax, \$3,177,181 from the state, \$287,310 from the federal government and \$57,594 in interest on investments. The District also received proceeds from sale of equipment of \$50 that is reported as other financing sources.

Governmental fund expenditures for the year totaled \$5,754,337 and included \$3,451,169 for instruction, \$1,804,523 for support services and \$486,599 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
District-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Net Assets	H	22
Statement of Cash Flows	I	23
Notes to Financial Statements		24-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual (GAAP Basis) - All Governmental Funds and Proprietary Fund		36-37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:		
<u>Schedule</u>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	40
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		43-44
Schedule of Findings		45-47

West Monona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 election)		
Robert Skelton	President	2004
John Maule	Vice President	2004
Larry Kreger	Board Member	2005
Mary Jo Dehn	Board Member	2005
Denise Johnson	Board Member	2006
Board of Education (After September 2004 election)		
Robert Skelton	President	2007
Denise Johnson	Vice President	2006
Larry Kreger	Board Member	2005
Mary Jo Dehn	Board Member	2005
Carrie Dickman	Board Member	2007
School Officials		
Dr. John Stanton	Superintendent	2005
Kathryn Holverson	District Secretary/ Treasurer (Interim)	

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Monona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Monona Community School District, Onawa, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, the business-type activities, each major fund, and the aggregate remaining fund information of the West Monona Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2005 on our consideration of the West Monona Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West Monona Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

August 11, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,079,733 in fiscal 2004 to \$5,385,821 in fiscal 2005, while General Fund expenditures decreased from \$5,410,402 in fiscal 2004 to \$5,109,808 in fiscal 2005. The District's General Fund balance increased from a deficit \$250,870 in fiscal 2004 to a positive \$25,143 in fiscal 2005, a 110.02% increase from the prior year.
- The 2004-05 school year saw a state aid formula revenue increase due to the effect of an increase of twenty-eight (28) students from the previous year. Budget enrollment moved up from 700.4 to 728.4 students this year.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$7,586 in fiscal year 2004 to \$44,894 in fiscal year 2005.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Monona 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 Monona 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 Monona Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

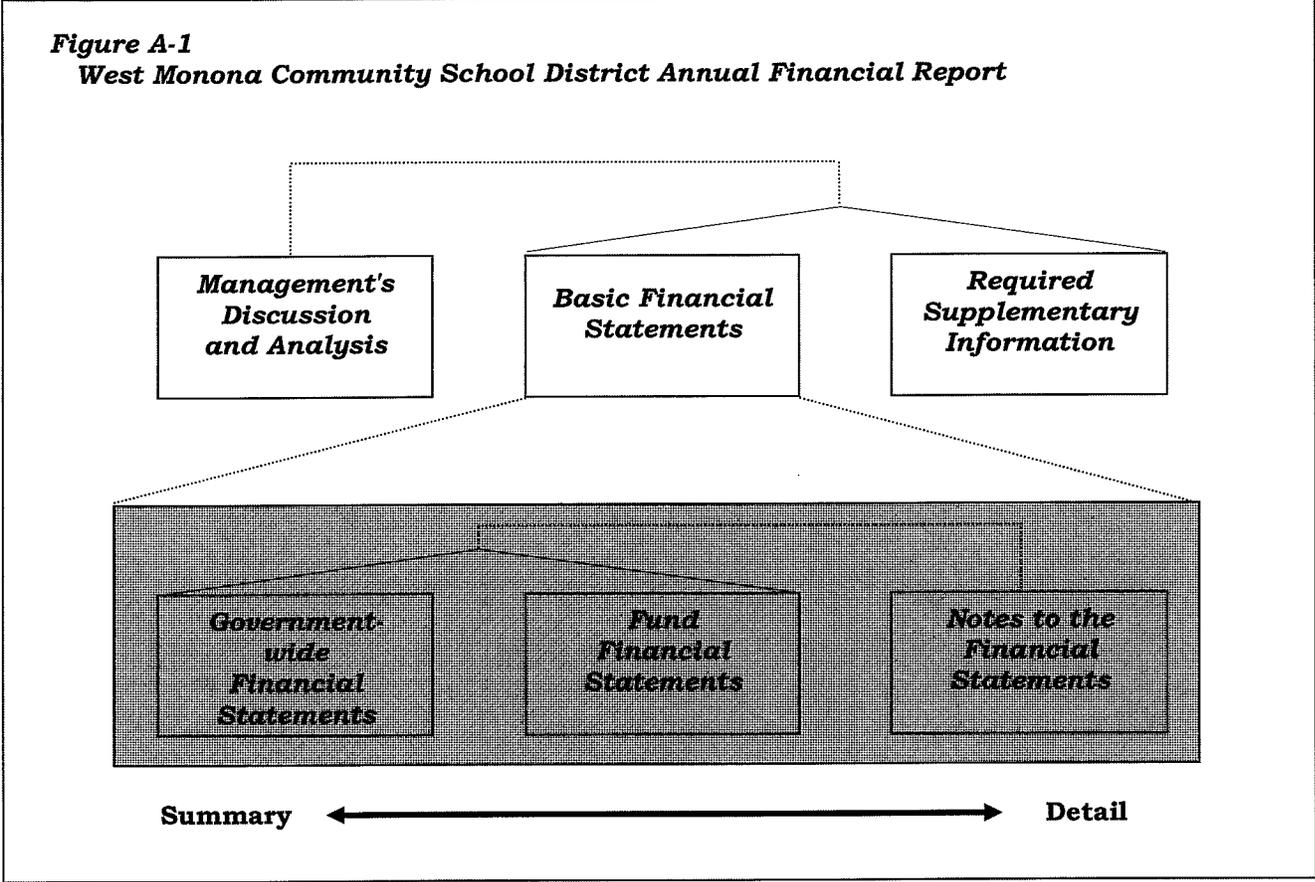


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two 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 the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 5,341,150	4,131,337	63,892	76,039	5,405,042	4,207,376	28.47%
Capital assets	1,439,446	1,483,584	16,621	6,298	1,456,067	1,489,882	-2.27%
Total assets	<u>6,780,596</u>	<u>5,614,921</u>	<u>80,513</u>	<u>82,337</u>	<u>6,861,109</u>	<u>5,697,258</u>	<u>20.43%</u>
Long-term obligations	960,406	1,109,526	0	0	960,406	1,109,526	-13.44%
Other liabilities	4,556,178	3,350,400	0	8,173	4,556,178	3,358,573	35.66%
Total liabilities	<u>5,516,584</u>	<u>4,459,926</u>	<u>0</u>	<u>8,173</u>	<u>5,516,584</u>	<u>4,468,099</u>	<u>23.47%</u>
Net assets:							
Invested in capital assets, net of related debt	1,190,865	953,446	16,621	6,298	1,207,486	959,744	25.81%
Restricted	87,969	62,216	0	0	87,969	62,216	41.39%
Unrestricted	(14,822)	139,333	63,892	67,866	49,070	207,199	-76.32%
Total net assets	<u>\$ 1,264,012</u>	<u>1,154,995</u>	<u>80,513</u>	<u>74,164</u>	<u>1,344,525</u>	<u>1,229,159</u>	<u>9.39%</u>

The District's combined net assets increased by 9.39%, or \$115,336, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$25,753, or 41.39% over the prior year. The increase was primarily a result of increased in the unspent grant revenues.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$158,129, or 76.32%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 438,805	383,891	108,492	127,148	547,297	511,039	7.09%
Operating grants and contributions and restricted interest	731,745	676,245	136,231	124,603	867,976	800,848	8.38%
Capital grants and contributions and restricted interest	1,485	30,400	0	0	1,485	30,400	-95.12%
General revenues:							
Property tax	1,728,474	1,835,592	0	0	1,728,474	1,835,592	-5.84%
Income surtax	116,826	0	0	0	116,826	0	100.00%
Local option sales and services tax	275,818	252,024	0	0	275,818	252,024	9.44%
Unrestricted state grants	2,737,771	2,531,414	0	0	2,737,771	2,531,414	8.15%
Unrestricted investment earnings	57,594	8,404	2,218	0	59,812	8,404	611.71%
Gain on sale of equipment	50	2,496	0	0	50	2,496	-98.00%
Total revenues	6,088,568	5,720,466	246,941	251,751	6,335,509	5,972,217	6.08%
Program expenses:							
Governmental activities:							
Instructional	3,471,432	3,696,737	0	0	3,471,432	3,696,737	-6.09%
Support services	1,762,979	1,773,448	0	0	1,762,979	1,773,448	-0.59%
Non-instructional programs	12,046	8,031	240,647	234,548	252,693	242,579	4.17%
Other expenses	401,006	345,350	0	0	401,006	345,350	16.12%
Total expenses	5,647,463	5,823,566	240,647	234,548	5,888,110	6,058,114	-2.81%
Changes in net assets before extraordinary items	441,105	(103,100)	6,294	17,203	447,399	(85,897)	-620.86%
Extraordinary Items:							
Reorganization settlements	81,498	0	55	0	81,553	0	100.00%
Changes in net assets	522,603	(103,100)	6,349	17,203	528,952	(85,897)	-715.80%
Beginning net assets, as restated(Note 14)	741,409	844,509	74,164	56,961	815,573	901,470	-9.53%
Ending net assets	\$ 1,264,012	741,409	80,513	74,164	1,344,525	815,573	64.86%

Property tax, income surtax, local option sales and services tax and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,088,568 and expenses were \$5,647,463.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,471,432	2,511,817
Support services	1,762,979	1,762,979
Non-instructional programs	12,046	12,046
Other expenses	401,006	188,586
Totals	<u>\$ 5,647,463</u>	<u>4,475,428</u>

- The cost financed by users of the District's programs was \$438,805.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$733,230.
- The net cost of governmental activities was financed with \$1,728,474 in property tax, \$116,826 in income surtax, \$275,818 in local option sales and services tax, \$2,737,771 in unrestricted state grants, \$57,594 in interest income and \$50 in gain on sale of equipment.

Business-Type Activities

Revenues of the District's business-type activities were \$246,941 and expenses were \$240,647. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$739,667, above last year's ending fund balances of \$381,019. The primary reason for the increase in combined fund balances in fiscal 2005 is due to the increase in General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in state and federal grants resulted in increased revenues. The increase in revenues was more than the increase in expenditures resulted in the District fund balance increasing by \$276,013.
- The General Fund balance increased from a deficit \$250,870 to \$25,143, due in part to the decrease in the negotiated salaries and benefits expenditures.
- The Debt Service Fund balance increased from \$296,285 in fiscal 2004 to \$312,258 in fiscal 2005. Part of the requirement for the revenue bonds was to reserve 10% of the bond issue to make the final payment. The District transfers local option sales and services tax monthly to the Debt Service Fund to repay the revenue bonds. The increase in the Debt Service Fund is

due to the excess amount of local option sales and services tax transferred to make the future bond payment.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$74,164 at June 30, 2004 to \$80,513 at June 30, 2005, representing an increase of 8.56%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$361,690 more than budgeted revenues, a variance of 6.11%. The most significant variance resulted from the District receiving more in state grants than originally anticipated.

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

In spite of the District’s budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to the timing of expenditures paid at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.27% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$107,327.

The original cost of the District’s capital assets was \$5.2 million. Governmental funds account for \$5.15 million with the remainder of \$.05 million in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 92,999	92,999	0	0	92,999	92,999	0.00%
Buildings	1,159,771	1,207,772	0	0	1,159,771	1,207,772	-3.97%
Land improvements	58,393	71,691	0	0	58,393	71,691	-18.55%
Machinery and equipment	128,283	111,122	16,621	6,298	144,904	117,420	23.41%
Total	\$ 1,439,446	1,483,584	16,621	6,298	1,456,067	1,489,882	-2.27%

Long-Term Debt

At June 30, 2005, the District had \$960,406 in revenue bonds and other long-term debt outstanding. This represents a decrease of 13.4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$285,000 at June 30, 2005.

The District had outstanding Revenue Bonds payable of \$655,000 at June 30, 2005.

The District had outstanding Car Lease payable from the General Fund of \$1,722 at June 30, 2005.

The District had outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$18,684 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2005	2004	Change
Capital Loan Notes	\$ 285,000	320,000	-10.9%
Revenue Bonds	655,000	765,000	-14.4%
Car Lease	1,722	5,856	-70.6%
Early Retirement	18,684	18,670	0.1%
Totals	<u>\$ 960,406</u>	<u>1,109,526</u>	<u>-13.4%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- Historically, the District has entered into annual contracts with its collective bargaining units. The District will negotiate new agreements during fiscal 2005. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- Taxable property value is expected to continue to decline because of state level policy.
- Student budget enrollment increased from 700.4 to 728.4 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathryn Holverson, Interim District Secretary/Treasurer, West Monona Community School District, 1314 15th St, Onawa, Iowa, 51040.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 2,152,329	0	2,152,329
Other	1,030,956	58,343	1,089,299
Receivables:			
Property tax:			
Delinquent	33,965	0	33,965
Succeeding year	1,967,370	0	1,967,370
Income surtax	57,081	0	57,081
Accounts	9,756	68	9,824
Accrued interest - ISCAP(Note 4)	10,548	0	10,548
Due from other governments	79,145	0	79,145
Inventories	0	5,481	5,481
Capital assets, net of accumulated depreciation(Note 5)	1,439,446	16,621	1,456,067
TOTAL ASSETS	6,780,596	80,513	6,861,109
LIABILITIES			
Accounts payable	9,560	0	9,560
Salaries and benefits payable	388,958	0	388,958
Accrued interest payable	11,776	0	11,776
ISCAP warrants payable(Note 4)	2,144,000	0	2,144,000
ISCAP accrued interest payable(Note 4)	11,401	0	11,401
ISCAP unamortized premium	23,113	0	23,113
Deferred revenue:			
Succeeding year property tax	1,967,370	0	1,967,370
Long-term liabilities(Note 6):			
Portion due within one year:			
Capital loan notes payable	35,000	0	35,000
Revenue bonds payable	115,000	0	115,000
Car lease payable	1,722	0	1,722
Early retirement payable	18,684	0	18,684
Portion due after one year:			
Capital loan notes payable	250,000	0	250,000
Revenue bonds payable	540,000	0	540,000
TOTAL LIABILITIES	5,516,584	0	5,516,584
NET ASSETS			
Investment in capital assets, net of related debt	1,190,865	16,621	1,207,486
Restricted for:			
Salary improvement program	1,644	0	1,644
Early intervention	29,317	0	29,317
Talented and gifted	7,282	0	7,282
Management levy	22,064	0	22,064
Other special revenue purposes	27,662	0	27,662
Unrestricted	(14,822)	63,892	49,070
TOTAL NET ASSETS	\$ 1,264,012	80,513	1,344,525

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,249,567	102,256	484,000	0
Special instruction	815,682	89,000	36,810	0
Other instruction	406,183	247,549	0	0
	<u>3,471,432</u>	<u>438,805</u>	<u>520,810</u>	<u>0</u>
Support services:				
Student services	147,026	0	0	0
Instructional staff services	82,558	0	0	0
Administration services	705,564	0	0	0
Operation and maintenance of plant services	620,419	0	0	0
Transportation services	207,412	0	0	0
	<u>1,762,979</u>	<u>0</u>	<u>0</u>	<u>0</u>
Non-instructional programs	<u>12,046</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	71,774	0	0	1,485
Long-term debt interest	56,998	0	0	0
AEA flowthrough	210,935	0	210,935	0
Depreciation (unallocated)*	61,299	0	0	0
	<u>401,006</u>	<u>0</u>	<u>210,935</u>	<u>1,485</u>
Total governmental activities	<u>5,647,463</u>	<u>438,805</u>	<u>731,745</u>	<u>1,485</u>
Business-Type activities:				
Non-instructional programs:				
Nutrition services	240,647	108,492	136,231	0
Total	<u>\$ 5,888,110</u>	<u>547,297</u>	<u>867,976</u>	<u>1,485</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Income surtax
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Gain on sale of equipment

Total general revenues

Changes in net assets before extraordinary items

Extraordinary Items:

 Reorganization settlements

Changes in net assets

Net assets beginning of year, as restated (Note 14)

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,663,311)	0	(1,663,311)
(689,872)	0	(689,872)
(158,634)	0	(158,634)
<u>(2,511,817)</u>	<u>0</u>	<u>(2,511,817)</u>
(147,026)	0	(147,026)
(82,558)	0	(82,558)
(705,564)	0	(705,564)
(620,419)	0	(620,419)
(207,412)	0	(207,412)
<u>(1,762,979)</u>	<u>0</u>	<u>(1,762,979)</u>
(12,046)	0	(12,046)
(70,289)	0	(70,289)
(56,998)	0	(56,998)
0	0	0
(61,299)	0	(61,299)
<u>(188,586)</u>	<u>0</u>	<u>(188,586)</u>
(4,475,428)	0	(4,475,428)
0	4,076	4,076
<u>(4,475,428)</u>	<u>4,076</u>	<u>(4,471,352)</u>
\$ 1,629,564	0	1,629,564
98,910	0	98,910
116,826	0	116,826
275,818	0	275,818
2,737,771	0	2,737,771
57,594	2,218	59,812
50	0	50
<u>4,916,533</u>	<u>2,218</u>	<u>4,918,751</u>
441,105	6,294	447,399
81,498	55	81,553
522,603	6,349	528,952
741,409	74,164	815,573
<u>\$ 1,264,012</u>	<u>80,513</u>	<u>1,344,525</u>

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

	General	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 2,152,329	0	0	2,152,329
Other	359,577	312,258	359,121	1,030,956
Receivables:				
Property tax:				
Delinquent	29,773	0	4,192	33,965
Succeeding year	1,740,177	0	227,193	1,967,370
Income surtax	0	0	57,081	57,081
Accounts	9,756	0	0	9,756
Accrued interest - ISCAP(Note 4)	10,548	0	0	10,548
Due from other governments	35,745	0	43,400	79,145
TOTAL ASSETS	\$ 4,337,905	312,258	690,987	5,341,150
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,113	0	4,447	9,560
Salaries and benefits payable	388,958	0	0	388,958
ISCAP warrants payable(Note 4)	2,144,000	0	0	2,144,000
ISCAP accrued interest payable(Note 4)	11,401	0	0	11,401
ISCAP unamortized premium	23,113	0	0	23,113
Deferred revenue:				
Succeeding year property tax	1,740,177	0	227,193	1,967,370
Income surtax	0	0	57,081	57,081
Total liabilities	4,312,762	0	288,721	4,601,483
Fund balances:				
Reserved for:				
Debt service	0	312,258	0	312,258
Salary improvement program	1,644	0	0	1,644
Early intervention	29,317	0	0	29,317
Talented and gifted	7,282	0	0	7,282
Unreserved:				
Undesignated	(13,100)	0	402,266	389,166
Total fund balances	25,143	312,258	402,266	739,667
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,337,905	312,258	690,987	5,341,150

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 17)	\$ 739,667
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	1,439,446
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	57,081
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.	(11,776)
Long-term liabilities, including capital loan notes payable, revenue bonds payable, car lease payable, and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(960,406)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 1,264,012</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,516,185	0	547,852	2,064,037
Tuition	191,256	0	0	191,256
Other	167,705	3,558	133,880	305,143
Intermediate sources	6,510	0	0	6,510
State sources	3,176,945	0	236	3,177,181
Federal sources	285,825	0	1,485	287,310
Total revenues	<u>5,344,426</u>	<u>3,558</u>	<u>683,453</u>	<u>6,031,437</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,169,578	0	59,726	2,229,304
Special instruction	815,682	0	0	815,682
Other instruction	281,278	0	124,905	406,183
	<u>3,266,538</u>	<u>0</u>	<u>184,631</u>	<u>3,451,169</u>
Support services:				
Student services	147,026	0	0	147,026
Instructional staff services	82,558	0	0	82,558
Administration services	618,178	0	90,893	709,071
Operation and maintenance of plant services	553,208	0	91,882	645,090
Student transportation services	220,778	0	0	220,778
	<u>1,621,748</u>	<u>0</u>	<u>182,775</u>	<u>1,804,523</u>
Non-instructional programs:				
Community service and education operations	10,587	0	0	10,587
Food service operations	0	0	1,459	1,459
	<u>10,587</u>	<u>0</u>	<u>1,459</u>	<u>12,046</u>
Other expenditures:				
Facilities acquisition	0	0	71,774	71,774
Long-term debt:				
Principal	0	145,000	0	145,000
Interest and fiscal charges	0	58,890	0	58,890
AEA flowthrough	210,935	0	0	210,935
	<u>210,935</u>	<u>203,890</u>	<u>71,774</u>	<u>486,599</u>
Total expenditures	<u>5,109,808</u>	<u>203,890</u>	<u>440,639</u>	<u>5,754,337</u>
Excess(deficiency) of revenues over(under) expenditures	234,618	(200,332)	242,814	277,100
Other financing sources(uses):				
Reorganization settlements	41,345	0	40,153	81,498
Sale of equipment	50	0	0	50
Transfers in	0	282,196	65,891	348,087
Transfers out	0	(65,891)	(282,196)	(348,087)
Total other financing sources(uses)	<u>41,395</u>	<u>216,305</u>	<u>(176,152)</u>	<u>81,548</u>
Net change in fund balances	276,013	15,973	66,662	358,648
Fund balance beginning of year, as restated(Note 14)	(250,870)	296,285	335,604	381,019
Fund balance end of year	<u>\$ 25,143</u>	<u>312,258</u>	<u>402,266</u>	<u>739,667</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 19)		\$ 358,648
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year are as follows:		
Expenditures for capital assets	\$ 60,572	
Depreciation expense	<u>(104,710)</u>	(44,138)
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		57,081
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		149,134
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,892
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early Retirement	\$ (14)	<u>(14)</u>
Changes in net assets of governmental activities (page 16)		<u>\$ 522,603</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents:	\$ 58,343
Accounts receivable	68
Inventories	5,481
Capital assets, net of accumulated depreciation(Note 5)	16,621
TOTAL ASSETS	<u>80,513</u>
NET ASSETS	
Investment in capital assets, net of related debt	16,621
Unrestricted	63,892
TOTAL NET ASSETS	<u>\$ 80,513</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 108,492
TOTAL OPERATING REVENUES	108,492
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	100,727
Benefits	13,250
Services	1,998
Supplies	122,055
Depreciation	2,617
TOTAL OPERATING EXPENSES	240,647
OPERATING LOSS	(132,155)
NON-OPERATING REVENUES:	
State sources	4,161
Federal sources	132,070
Interest income	2,218
TOTAL NON-OPERATING REVENUES	138,449
Change in net assets before extraordinary items	6,294
EXTRAORDINARY ITEMS:	
Reorganization settlements	55
Change in net assets	6,349
Net assets beginning of year	74,164
Net assets end of year	\$ 80,513

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 98,538
Cash received from miscellaneous operating activities	1,713
Cash payments to employees for services	(113,977)
Cash payments to suppliers for goods or services	(109,068)
Net cash used in operating activities	(122,794)
Cash flows from non-capital financing activities:	
State grants received	4,161
Federal grants received	116,730
Reorganization settlement	55
Net cash provided by non-capital financing activities	120,946
Cash flows from capital financing activities:	
Acquisition of capital assets	(12,940)
Net cash used in capital financing activities	(12,940)
Cash flows from investing activities:	
Interest on investments	2,218
Net cash provided by investing activities	2,218
Net decrease in cash and cash equivalents	(12,570)
Cash and cash equivalents at beginning of year	70,913
Cash and cash equivalents at end of year	\$ 58,343
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (132,155)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,340
Depreciation	2,617
Increase in inventories	(355)
Increase in accounts receivable	(68)
Decrease in deferred revenue	(8,173)
Net cash used in operating activities	\$ (122,794)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 58,343
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2005, the District received Federal commodities valued at \$15,340.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

The West Monona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Onawa, Iowa, and the predominate agricultural territory in Monona and Harrison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Monona and Harrison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the long-term debt repayment of principal and interest.

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 0
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures in the instruction and support services functional areas exceeded the amount budgeted.

(2) Cash and Pooled Investments

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

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

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 26,481</u>

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

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

(3) Transfers

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

Transfer to	Transfer from	Amount
Capital Projects	Debt Service	\$ 65,891
Debt Service	Capital Projects	232,081
Debt Service	Special Revenue, Physical Plant and Equipment Levy	50,115
Total		<u>\$ 348,087</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/05	1/27/06	\$ 761,193	10,251	759,000	11,135
2005-06A	6/28/05	6/28/06	1,391,136	297	1,385,000	266
Total			<u>\$ 2,152,329</u>	<u>10,548</u>	<u>2,144,000</u>	<u>11,401</u>

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

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	300,000	300,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,999	0	0	92,999
Total capital assets not being depreciated	92,999	0	0	92,999
Capital assets being depreciated:				
Buildings	2,745,529	0	0	2,745,529
Land improvements	758,678	0	0	758,678
Machinery and equipment	1,496,230	60,572	0	1,556,802
Total capital assets being depreciated	5,000,437	60,572	0	5,061,009
Less accumulated depreciation for:				
Buildings	1,537,757	48,001	0	1,585,758
Land improvements	686,987	13,298	0	700,285
Machinery and equipment	1,385,108	43,411	0	1,428,519
Total accumulated depreciation	3,609,852	104,710	0	3,714,562
Total capital assets being depreciated, net	1,390,585	(44,138)	0	1,346,447
Governmental activities capital assets, net	\$ 1,483,584	(44,138)	0	1,439,446
Business-type activities:				
Machinery and equipment	\$ 21,654	32,273	0	53,927
Less accumulated depreciation	15,356	21,950	0	37,306
Business-type activities capital assets, net	\$ 6,298	10,323	0	16,621

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 21,844
Support services:		
Administration		877
Operation and maintenance of plant		6,168
Transportation		14,522
		<u>43,411</u>
Unallocated depreciation		<u>61,299</u>
Total governmental activities depreciation expense		<u>\$ 104,710</u>
Business-type activities:		
Food service operations		\$ 2,617
Total business-type activities depreciation expense		<u>\$ 2,617</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital Loan Notes	\$ 320,000	0	35,000	285,000	35,000
Revenue Bonds	765,000	0	110,000	655,000	115,000
Car Lease	5,856	0	4,134	1,722	1,722
Early Retirement	18,670	18,684	18,670	18,684	18,684
Total	<u>\$ 1,109,526</u>	<u>18,684</u>	<u>167,804</u>	<u>960,406</u>	<u>170,406</u>

Capital Loan Notes Payable

Details of the District's June 30, 2005 capital loan notes indebtedness are as follows:

Year Ending June 30,	Loan Issue of May 1, 2001			
	Interest Rate	Principal	Interest	Total
2006	4.35 %	\$ 35,000	13,285	48,285
2007	4.45	35,000	11,762	46,762
2008	4.55	40,000	10,205	50,205
2009	4.65	40,000	8,385	48,385
2010	4.75	45,000	6,525	51,525
2011	4.80	45,000	4,388	49,388
2012	4.95	45,000	2,227	47,227
Total		<u>\$ 285,000</u>	<u>56,777</u>	<u>341,777</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of July 1, 2000			
	Interest Rate	Principal	Interest	Total
2006	6.00 %	\$ 115,000	34,812	149,812
2007	6.00	125,000	27,613	152,613
2008	5.75	130,000	20,125	150,125
2009	5.75	140,000	12,362	152,362
2010	5.75	145,000	4,169	149,169
Total		\$ 655,000	99,081	754,081

Car Lease Payable

During the year ending June 30, 2003 the District entered into a lease for a 2000 Buick Century. Payments are \$334 per month for 60 months. Payments will continue until June, 2007.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees desiring to elect early retirement under this program must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is based on various percentages of their current employment contract depending on the age of the retiree at the end of the year. Early retirement benefits paid during the year ended June 30, 2005, totaled \$18,670. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$181,083, \$163,456 and \$183,413 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding

employee benefits. The Association provides coverage and protection in the following categories: medical.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-funded to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to \$2.2 million. The District's share of this assessment which was paid with the 2004-2005 premiums was \$11,152 and the remainder of the assessment is an unknown liability as of June 30, 2005 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$557,581.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$210,935 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, expenditures in the instruction and support services functional areas exceeded the amount budgeted.

(13) Extraordinary Items

On September 23, 2003, voters of the East Monona Community School District voted to dissolve the District at the end of the 2003-

2004 school year. Property of the District was divided between Charter Oak-Ute, West Monona, Boyer Valley and West Harrison Community School Districts.

The breakout of East Monona balances to other districts per the Department of Management are as follows:

School District	Percent	Total Received
Boyer Valley	8.16%	\$ 39,030.45
Charter Oak-Ute	35.23%	168,510.18
West Harrison	39.56%	189,221.19
West Monona	17.05%	81,552.62
	<u>100.00%</u>	<u>\$ 478,314.44</u>

West Monona Community School District recorded this revenue as other financing sources on the fund financial statements and as extraordinary items on the government-wide Statement of Activities.

(14) Accounting Restatements

The effects of the accounting restatements in the General Fund and governmental activities are summarized as follows:

	Funds			Total
	General	Debt Service	Other Nonmajor Governmental Funds	
Net assets, June 30, 2004, as previously reported	\$ 162,716	296,285	335,604	794,605
Prior year salaries and benefits payable	(413,586)	0	0	(413,586)
Net assets, July 1, 2004, as restated for governmental funds	\$ (250,870)	296,285	335,604	381,019
Governmental-activities adjustments:				
Net assets, June 30, 2004, as previously reported				\$ 1,154,995
Prior year salaries and benefits payable				(413,586)
Net assets, July 1, 2004, as restated				<u>\$ 741,409</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 2,560,436	110,710
Intermediate sources	6,510	0
State sources	3,177,181	4,161
Federal sources	287,310	132,070
Total revenues	<u>6,031,437</u>	<u>246,941</u>
Expenditures:		
Instruction	3,451,169	0
Support services	1,804,523	0
Non-instructional programs	12,046	240,647
Other expenditures	486,599	0
Total expenditures	<u>5,754,337</u>	<u>240,647</u>
Excess(deficiency) of revenues over(under) expenditures	277,100	6,294
Other financing sources, net	<u>81,548</u>	<u>55</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	358,648	6,349
Balance beginning of year	<u>381,019</u>	<u>74,164</u>
Balance end of year	<u>\$ 739,667</u>	<u>80,513</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,671,146	2,644,397	2,644,397	26,749
6,510	0	0	6,510
3,181,342	2,991,625	2,991,625	189,717
419,380	280,666	280,666	138,714
6,278,378	5,916,688	5,916,688	361,690
3,451,169	3,232,285	3,432,285	(18,884)
1,804,523	1,800,258	1,800,258	(4,265)
252,693	320,815	320,815	68,122
486,599	571,968	571,968	85,369
5,994,984	5,925,326	6,125,326	130,342
283,394	(8,638)	(208,638)	492,032
81,603	0	0	81,603
364,997	(8,638)	(208,638)	573,635
455,183	600,936	600,936	(145,753)
820,180	592,298	392,298	427,882

WEST MONONA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$200,000.

During the year ended June 30, 2005, expenditures in the instruction and support services functional areas exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds					Capital Projects	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds		
ASSETS							
Cash and pooled investments	\$ 38,470	23,574	3,232	7,305	72,581	286,540	359,121
Receivables:							
Property tax:							
Current year delinquent	2,278	0	1,914	0	4,192	0	4,192
Succeeding year	127,356	0	99,837	0	227,193	0	227,193
Income surtax	0	0	57,081	0	57,081	0	57,081
Due from other governments	0	0	0	0	0	43,400	43,400
TOTAL ASSETS	\$ 168,104	23,574	162,064	7,305	361,047	329,940	690,987
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 0	3,217	1,230	0	4,447	0	4,447
Deferred revenue:							
Succeeding year property tax	127,356	0	99,837	0	227,193	0	227,193
Income surtax	0	0	57,081	0	57,081	0	57,081
Total liabilities	127,356	3,217	158,148	0	288,721	0	288,721
Fund equity:							
Unreserved fund balance	40,748	20,357	3,916	7,305	72,326	329,940	402,266
	40,748	20,357	3,916	7,305	72,326	329,940	402,266
TOTAL LIABILITIES AND FUND EQUITY	\$ 168,104	23,574	162,064	7,305	361,047	329,940	690,987

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Capital Projects	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant Equipment Levy	Expend- able Trust	Total Special Revenue Funds		
REVENUES:							
Local sources:							
Local tax	\$ 113,379	0	158,655	0	272,034	275,818	547,852
Other	1,194	124,723	1,365	652	127,934	5,946	133,880
State sources	129	0	107	0	236	0	236
Federal sources	0	0	1,485	0	1,485	0	1,485
TOTAL REVENUES	114,702	124,723	161,612	652	401,689	281,764	683,453
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	18,670	0	41,056	0	59,726	0	59,726
Other instruction	0	124,905	0	0	124,905	0	124,905
Support services:							
Administration services	88,918	0	1,975	0	90,893	0	90,893
Operation and maintenance of plant services	0	0	91,882	0	91,882	0	91,882
Non-instructional program:							
Food service operations	1,459	0	0	0	1,459	0	1,459
Other expenditures:							
Facilities acquisition	0	0	18,194	0	18,194	53,580	71,774
TOTAL EXPENDITURES	109,047	124,905	153,107	0	387,059	53,580	440,639
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,655	(182)	8,505	652	14,630	228,184	242,814
OTHER FINANCING SOURCES (USES):							
Reorganization settlements	(2,452)	1,378	7,126	0	6,052	34,101	40,153
Transfer in	0	0	0	0	0	65,891	65,891
Transfer out	0	0	(50,115)	0	(50,115)	(232,081)	(282,196)
TOTAL OTHER FINANCING SOURCES (USES)	(2,452)	1,378	(42,989)	0	(44,063)	(132,089)	(176,152)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	3,203	1,196	(34,484)	652	(29,433)	96,095	66,662
FUND BALANCE BEGINNING OF YEAR	37,545	19,161	38,400	6,653	101,759	233,845	335,604
FUND BALANCE END OF YEAR	\$ 40,748	20,357	3,916	7,305	72,326	329,940	402,266

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech	\$ 3,021	4,523	3,800	3,744
Vocal	1,988	6,719	5,446	3,261
Instrumental	138	942	248	832
Band Uniform	2,583	0	0	2,583
Boys Basketball Camp	231	0	(25)	256
Girls Basketball Camp	395	1,999	1,003	1,391
Football Camp	(45)	5,317	4,362	910
Wrestling Club	569	240	0	809
Basball Camp	339	0	510	(171)
Softball Camp	197	0	15	182
Weightlifting Club	3,384	6,046	6,603	2,827
General Athletics	7,032	5,391	8,522	3,901
Basketball	1,445	6,231	4,650	3,026
Track	(3,914)	1,029	2,351	(5,236)
Cross County	192	658	392	458
Golf	(2,500)	0	633	(3,133)
Football	927	6,037	7,434	(470)
Baseball	(592)	2,217	3,600	(1,975)
Wrestling	(1,630)	7,227	2,367	3,230
Volleyball	(1,118)	6,872	5,542	212
Softball	783	1,303	5,877	(3,791)
General Class	3,768	0	0	3,768
Class of 2004	102	0	(172)	274
Class of 2005	5,223	17,957	22,762	418
Class of 2006	0	14,289	9,869	4,420
Pep Club	616	0	0	616
HS Student Council	3,356	2,232	1,892	3,696
MS Student Council	1,063	100	501	662
Spanish Club	277	0	(1)	278
Science Club	200	1,301	1,360	141
Art Club	918	1,090	892	1,116
Dance Team	(563)	1,892	979	350
Cheerleaders	208	846	1,435	(381)
Yearbook	(8,645)	6,715	9,403	(11,333)
FCCLA	1,261	3,646	3,271	1,636
Interest	74	637	0	711
Sales Tax	0	0	13	(13)
Raffle Tax	188	0	0	188
Pop/Juice	145	8,978	8,346	777
Industrial Arts	0	114	0	114
HS Reward Trips	(714)	780	609	(543)
MS Reward Trips	(1,741)	2,773	416	616
Total	\$ 19,161	126,101	124,905	20,357

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,064,037	2,087,616	1,994,065	2,024,317
Tuition	191,256	254,964	241,953	271,034
Other	305,143	137,331	245,146	177,294
Intermediate sources	6,510	0	0	0
State sources	3,177,181	3,012,213	2,725,788	2,661,756
Federal sources	287,310	225,846	156,351	150,331
Total	<u>\$ 6,031,437</u>	<u>5,717,970</u>	<u>5,363,303</u>	<u>5,284,732</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,229,304	1,938,166	2,067,631	2,030,312
Special instruction	815,682	962,651	853,912	918,180
Other instruction	406,183	371,246	426,712	396,677
Support services:				
Student services	147,026	202,449	212,599	181,567
Instructional staff services	82,558	92,142	96,222	119,742
Administration services	709,071	730,528	636,064	510,568
Operation and maintenance of plant services	645,090	574,575	509,493	554,884
Transportation services	220,778	252,215	192,408	197,218
Non-instructional programs	12,046	8,031	13,028	0
Other expenditures:				
Facilities acquisitions	71,774	40,659	30,200	59,597
Long-term debt:				
Principal	145,000	146,168	125,000	80,000
Interest and other charges	58,890	67,320	71,378	76,627
AEA flow-through	210,935	208,975	205,920	206,046
Total	<u>\$ 5,754,337</u>	<u>5,595,125</u>	<u>5,440,567</u>	<u>5,331,418</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
West Monona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Monona Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 11, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

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

Members American Institute & Iowa Society of Certified Public Accountants

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

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

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

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

August 11, 2005

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

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity and Nutrition Funds, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-05 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

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

Response - We will review our procedures.

Conclusion - Response accepted.

I-C-05 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - We will make the necessary changes.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District expenditures for the year ended June 30, 2005 exceeded the amount budgeted in the instruction and support services functional areas.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05 Business Transactions - No business transactions between the District and District officials were noted.

II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

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

II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.

Recommendation - The District should contact the appropriate bank and rectify the situation.

Response - We have contacted the bank and have received the corrected interest amount.

Conclusion - Response accepted.

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-05 Financial Condition - The District had several deficit accounts in the Special Revenue, Student Activity Fund.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Response - We will investigate alternatives to eliminate the deficit accounts.

Conclusion - Response accepted.