

WEST SIOUX COMMUNITY SCHOOL DISTRICT

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

West Sioux Community School District

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education (Before September 2004 Election)		
Dean Blom	President	2005
Armando Ortiz	Vice President	2004
Tim McKenney	Board Member	2005
Brian Parks	Board Member	2006
Doug Smit	Board Member	2006
Board of Education (After September 2004 Election)		
Dean Blom	President	2005
Armando Ortiz	Vice President	2007
Tim McKenney	Board Member	2005
Brian Parks	Board Member	2006
Doug Smit	Board Member	2006
School Officials		
Paul C. Olson	Superintendent	2005
Paula Bartunek	Treasurer and Business Manager	2005
Charlene Lill	District Secretary	June 30, 2005
James Pickner	Attorney	2005

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Officials		3
Independent Auditor's Report		4 - 5
Managements' Discussion and Analysis		6 - 15
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A	17
Statement of Activities	B	18 - 19
Government Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26 - 27
Notes to Financial Statements		28 - 37
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		40 - 41
Budget to GAAP Reconciliation		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Other Supplementary Information:		
<u>Schedule</u>		
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	48 - 49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	50
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		52 - 53
Schedule of Findings		54 - 56

Dan Heard, CPA
David O. Halse, CPA
Kyle Ebel, CPA
Aleene Williams, CPA

Telephone 712-472-4011
Fax 712-472-4014

WELLS HEARD HALSE & CO.
Certified Public Accountants
710 SOUTH UNION STREET, P.O. BOX 108
ROCK RAPIDS, IOWA 51246

Independent Auditors' Report

To the Board of Education of the
West Sioux 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 Sioux Community School District, Hawarden, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion 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 opinion.

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

In accordance with Governmental Auditing Standards, we have also our report dated September 27, 2005 on our consideration of the West Sioux Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 40 through 43 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise West Sioux Community School District's basis financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general-purpose 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 supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the 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 financial statements taken as a whole.

Wells Heard Halse & Co.

September 27, 2005

Management Discussion and Analysis

West Sioux 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 \$5,663,686 in fiscal year 2004 to \$5,720,430 in fiscal year 2005, while General Fund expenditures increased from \$5,411,456 in fiscal year 2004 to \$5,570,538 in fiscal 2005. The District's General Fund balance increased from \$646,384 in fiscal 2004 to \$796,276, a 23% increase.
- The increase in General Fund revenues was attributable to an increase in local taxes and state revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in salaries and benefits. One reason the General Fund balance increased is because the expenditures were carefully monitored during the year keeping in mind the possible decrease in revenues by legislative action.
- An increase in interest rates and investments resulted in interest earnings in the General Fund alone to increase from \$ 24,406 in fiscal year 2004 to \$36,182 in fiscal year 2005.
- Enrollment declines and increased numbers of open enrolled out pupils continue to plague the district and create financial burdens.
- A successful election was held August 12, 2003 to adopt the local option sales and services tax (SILO) which became effective January 1, 2004. Future revenues collected from SILO will reduce the annual debt service levy for taxpayers residing in the district.

Using this Annual Report

The annual report consists of series 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 Sioux 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 Sioux 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 Sioux Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District’s budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

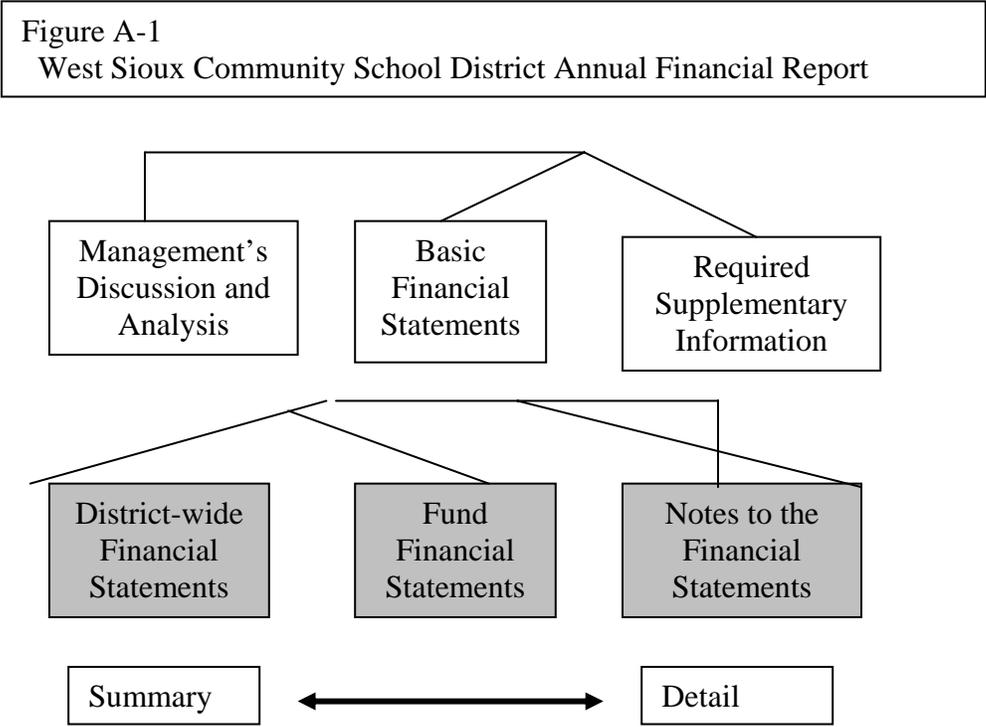


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	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 is included here
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, expenditures, and changes in fund net assets • Statement of cash flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 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 its financial position is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building 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 taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader 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 balance

- *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 Fund, one type of proprietary fund, is the same as its business-type activities, but provides 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 governmental funds include a balance sheet, a statement of revenues, expenditures and changes in fund balance 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 at June 30, 2005 compared to June 30, 2004.

	Governmental Activities		Business type Activities		Total Activities		Total Change June 30, 2003-2004
	June 30,		June 30,		June 30,		
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 5,628	\$ 5,389	\$ 41	\$ 20	\$ 5,669	\$ 5,409	4.81%
Capital assets	6,415	6,470	97	107	6,512	6,577	(0.99%)
Total assets	<u>12,043</u>	<u>11,859</u>	<u>138</u>	<u>127</u>	<u>12,181</u>	<u>11,986</u>	<u>1.63%</u>
Long-term Liabilities	5,406	5,777	-	-	5,406	5,777	(6.42%)
Other Liabilities	4,021	4,382	79	67	4,100	4,449	(7.84%)
Total Liabilities	<u>9,427</u>	<u>10,159</u>	<u>79</u>	<u>67</u>	<u>9,506</u>	<u>10,226</u>	<u>(7.04%)</u>
Net Assets							
Invested in capital assets, net of related debt	1,103	803	97	145	1,200	948	26.58%
Restricted	753	269	-	-	753	269	179.93%
Unrestricted	760	629	(37)	(85)	723	544	32.90%
Total net assets	<u>\$ 2,616</u>	<u>\$ 1,701</u>	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$ 2,676</u>	<u>\$ 1,761</u>	<u>51.96%</u>

The District's combined net assets increased by over 52 percent or approximately \$915,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restrict net assets increased approximately \$484,000 or 180% over the prior year. The increase was primarily a result of receipts from the local option sales and services taxes.

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 the legal requirements – increased approximately \$179,000 or 32.9 percent. This increase in unrestricted net assets was a result of reducing expenses over the past year.

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

Figure A-4 Changes in Net Assets (Expressed in Thousands)			
	Governmental	Business-type Activities	Total School District
Revenue			
Program revenue:			
Charges for service	\$ 653	\$ 133	\$ 786
Operating grants, contributions and restricted interest	788	161	949
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	2,735	-	2,735
Local option sales and service tax	496	-	496
Unrestricted state grants	2,647	-	2,647
Other	46	-	46
Total revenues	7,365	294	7,659
Program expenses:			
Governmental activities:			
Instruction	4,207	-	4,207
Support service	1,788	-	1,788
Non-instructional programs	4	294	298
Other expenses	469	-	469
Total expenses	6,468	294	6,762
Change in net assets	\$ 897	\$ -	\$ 897

Property tax and unrestricted state grants account for 70.3 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88.7 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,365,371 and expenses were \$6,468,022. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,207	\$ 3,063
Support services	1,788	1,715
Non-instructional programs	4	4
Other expenses	469	244
Totals	\$ 6,468	\$ 5,026

- The cost financed by users of the District's programs was \$653,458.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$788,416.
- The net cost of governmental activities was financed with \$3,230,943 in property and other taxes and \$2,646,700 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$292,798 and expenses were \$293,835. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District increased meal prices. The increase was used to reduce the debt and make improvements to the Food Service. Other measures also have been taken to reduce expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, West Sioux 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 \$1,591,957, well above last year's ending fund balances of \$996,958. The primary reason for the increase in combined fund balances in fiscal 2005 is due to the cost cutting measures taken during the past two years and the SILO funds received during the year.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Student enrollments have remained steady this year resulting in stable revenues. However, the District trimmed expenditures to match available revenues.
- The General Fund balance increased from \$646,384 to \$796,276, due in part to the carefully monitored spending during the last year.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$43,121 in fiscal 2004 to \$(22,869) in fiscal 2005. Revenues decreased and the purchase of a new school bus and tractor increased the expenditures for the year. The District will be monitoring the expenditure in the future in order to improve the financial condition of the fund.
- The Capital Projects Funds balance increased due to the Local Option Sales Tax revenue collected during 2005 and the Track fund contributions. The District ended fiscal 2004 with a \$127,023 balance and ended fiscal 2005 with a balance of \$602,098. The funds will be used to make bond payments and improvements to the track.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$59,520 at June 30, 2004 to \$59,299 at June 30, 2005, representing decrease of approximately .4%. The District's continuous monitoring of the expenditures and revenues have slowed the losses and believe that the next year will show additional improvement.

BUDGETARY HIGHLIGHTS

The District's receipts were \$311,014 more than budgeted receipts, with a variance of 4.4%. The most significant variance resulted from the District receiving several federal grants for the various programs which had not been budgeted for the year.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$6.4 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 represents a net decrease of 0.85% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$224,387.

The original cost of the District's capital assets was \$10.9 million. Governmental funds account for \$10.7 million, with the remainder of \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51	0.00%
Construction in progress	-	-	-	-	-	-	0.00%
Buildings	8,887	8,887	-	-	8,887	8,887	0.00%
Improvements other than buildings	157	157	-	-	157	157	0.00%
Furniture and Equipment	1,638	1,469	195	195	1,833	1,664	10.16%
Totals	<u>\$ 10,733</u>	<u>\$ 10,564</u>	<u>\$ 195</u>	<u>\$ 195</u>	<u>\$ 10,928</u>	<u>\$ 10,759</u>	<u>1.57%</u>

Long-Term Debt

At June 30, 2005, the District had \$5,405,879 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 6.4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District had total outstanding bonded indebtedness at June 30, 2005 of \$5,210,000.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total School District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
General Obligation Bonds	\$ 5,060	\$ 5,340	(5.24%)
Notes Payable	150	195	(23.08%)
Early Retirement	94	110	(14.55%)
Capital Lease	102	131	(22.14%)
	<u>\$ 5,406</u>	<u>\$ 5,776</u>	<u>(6.41%)</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District enrollment increased in fiscal year 2004-2005 by 13 students to a budget enrollment of 688. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2004-2005 school year, West Sioux students who open

enroll out to other districts increased by 11 students, from 69 to 80. Because West Sioux is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Paula Bartunek, Board Secretary/Business Manager at the West Sioux Community School District, 1300 Avenue P, Hawarden, IA 51023 or 712-551-1461.

BASIC FINANCIAL STATEMENTS

West Sioux Community School District
Statement of Net Assets
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash Equivalents:			
ISCAP	\$ 1,276,738	\$ -	\$ 1,276,738
Other	1,966,177	28,913	1,995,090
Receivables:			
Property tax:			
Delinquent	51,405	-	51,405
Succeeding year	1,977,787	-	1,977,787
Local Option Sales Taxes	42,898	-	42,898
Accounts	205,186	4,647	209,833
Accrued interest:			
ISCAP	8,199	-	8,199
Other	1,251	-	1,251
Due from other governments	98,121	-	98,121
Inventories	-	7,806	7,806
Capital assets, net of accumulated depreciation	6,414,803	96,691	6,511,494
Total assets	12,042,565	138,057	12,180,622
Liabilities			
Accounts payable	199,281	1,406	200,687
Salaries and benefits payable	541,429	77,352	618,781
Accrued interest payable	21,349	-	21,349
Deferred revenue - succeeding year			
property tax	1,977,787	-	1,977,787
ISCAP warrents payable	1,272,000	-	1,272,000
ISCAP accrued interest payable	8,671	-	8,671
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	290,000	-	290,000
Note payable	50,000	-	50,000
Capital Lease	31,819	-	31,819
Early retirement	36,637	-	36,637
Portion due after one year:			
General obligation bonds payable	4,770,000	-	4,770,000
Capital Lease	69,681	-	69,681
Note payable	100,000	-	100,000
Early retirement	57,742	-	57,742
Total liabilities	\$ 9,426,396	\$ 78,758	\$ 9,505,154
Net assets			
Invested in capital assets, net of related debt	\$ 1,103,303	\$ 96,691	\$ 1,199,994
Restricted for:			
Management levy	55,772	-	55,772
Physical plant and equipment levy	-	-	-
Capital projects	602,098	-	602,098
Other special revenue purposes	95,318	-	95,318
Unrestricted	759,678	(37,392)	722,286
Total net assets	\$ 2,616,169	\$ 59,299	\$ 2,675,468

See notes to financial statements.

West Sioux Community School District
Statement of Activities
June 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,585,057	\$ 182,552	\$ 266,492	\$ -
Special instruction	855,679	41,104	209,850	-
Other instruction	766,328	391,032	53,099	-
	<u>4,207,064</u>	<u>614,688</u>	<u>529,441</u>	<u>-</u>
Support services:				
Student services	140,337	-	8,460	-
Instructional staff services	206,645	-	-	-
Administration Services	554,451	-	-	-
Operation and maintenance of plant services	639,206	33,870	-	-
Transportation services	247,135	4,900	26,033	-
	<u>1,787,774</u>	<u>38,770</u>	<u>34,493</u>	<u>-</u>
Non-instructional programs	<u>4,475</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Long-term debt interest	244,227	-	-	-
AEA flowthrough	224,482	-	224,482	-
	<u>468,709</u>	<u>-</u>	<u>224,482</u>	<u>-</u>
Total governmental activities	<u>6,468,022</u>	<u>653,458</u>	<u>788,416</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	294,520	132,521	160,962	-
Total	<u>\$ 6,762,542</u>	<u>\$ 785,979</u>	<u>\$ 949,378</u>	<u>\$ -</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (2,136,013)	\$ -	\$ (2,136,013)
(604,725)	-	(604,725)
(322,197)	-	(322,197)
<u>(3,062,935)</u>	<u>-</u>	<u>(3,062,935)</u>
(131,877)	-	(131,877)
(206,645)	-	(206,645)
(554,451)	-	(554,451)
(605,336)	-	(605,336)
(216,202)	-	(216,202)
<u>(1,714,511)</u>	<u>-</u>	<u>(1,714,511)</u>
<u>(4,475)</u>	<u>-</u>	<u>(4,475)</u>
(244,227)	-	(244,227)
-	-	-
<u>(244,227)</u>	<u>-</u>	<u>(244,227)</u>
<u>(5,026,148)</u>	<u>-</u>	<u>(5,026,148)</u>
-	(1,037)	(1,037)
<u>(5,026,148)</u>	<u>(1,037)</u>	<u>(5,027,185)</u>
2,285,672	-	2,285,672
449,146	-	449,146
496,125	-	496,125
2,646,700	-	2,646,700
36,182	-	36,182
9,672	-	9,672
<u>5,923,497</u>	<u>-</u>	<u>5,923,497</u>
897,349	(1,037)	896,312
1,700,717	60,336	1,761,053
<u>\$ 2,598,066</u>	<u>\$ 59,299</u>	<u>\$ 2,657,365</u>

West Sioux Community School District
Balance Sheet - Governmental Funds
June 30, 2005

Exhibit C

Assets	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
ISCAP	\$ 1,276,738	\$ -	\$ -	\$ -	\$ 1,276,738
Other	1,157,238	4,656	557,949	246,334	1,966,177
Receivables:					
Property tax:					
Delinquent	37,215	8,664	-	5,526	51,405
Succeeding year	-	-	-	-	-
Local Option Sales Taxes	-	-	42,898	-	42,898
Accounts	193,970	-	-	11,216	205,186
Accrued interest:					
ISCAP	8,199	-	-	-	8,199
Other	-	-	1,251	-	1,251
Due from other funds	33,872	-	-	-	33,872
Due from other governments	98,121	-	-	-	98,121
Total assets	2,805,353	13,320	602,098	263,076	3,683,847
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	186,977	-	-	12,304	199,281
Salaries and benefits payable	541,429	-	-	-	541,429
Due to other funds	-	5,700	-	28,172	33,872
ISCAP warrents payable	1,272,000	-	-	-	1,272,000
ISCAP accrued interest payable	8,671	-	-	-	8,671
Early retirement	-	-	-	36,637	36,637
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Total liabilities	2,009,077	5,700	-	77,113	2,091,890
Fund balances:					
Reserved for debt service	-	7,620	-	-	7,620
Unreserved	796,276	-	602,098	185,963	1,584,337
Total fund balances	796,276	7,620	602,098	185,963	1,591,957
Total liabilities and fund balances	\$ 2,805,353	\$ 13,320	\$ 602,098	\$ 263,076	\$ 3,683,847

See notes to financial statements.

West Sioux Community School District
 Reconciliation of Balance Sheet - Governmental Funds
 to the Statement of Net Assets
 June 30, 2005

Exhibit D

Total fund balances of governmental funds (page 22)	\$	1,591,957
<p>Amounts reported for governmental activities in the Statements of Net Assets are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,414,803
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		-
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.		(21,349)
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.		(5,369,242)
		(5,369,242)
Net assets of governmental activities (page 19)	\$	2,616,169

See notes to financial statements.

West Sioux Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2005

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,003,620	\$ 449,146	\$ 496,125	\$ 282,052	\$ 3,230,943
Tuition	144,066	-	-	-	144,066
Other	184,949	-	45,751	389,970	620,670
Intermediate sources	-	-	-	-	-
State sources	3,107,360	-	-	-	3,107,360
Federal sources	280,435	-	-	-	280,435
Total Revenues	<u>5,720,430</u>	<u>449,146</u>	<u>541,876</u>	<u>672,022</u>	<u>7,383,474</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,422,967	-	-	-	2,422,967
Special instruction	855,679	-	-	-	855,679
Other instruction	379,543	-	-	386,785	766,328
	<u>3,658,189</u>	<u>-</u>	<u>-</u>	<u>386,785</u>	<u>4,044,974</u>
Support services:					
Student services	140,337	-	-	-	140,337
Instructional staff services	245,256	-	-	-	245,256
Administration Services	554,151	-	-	-	554,151
Operation and maintenance of plant services	534,166	-	-	118,696	652,862
Transportation services	209,482	-	-	-	209,482
	<u>1,683,392</u>	<u>-</u>	<u>-</u>	<u>118,696</u>	<u>1,802,088</u>
Non-instructional programs	4,475	-	-	-	4,475
Other expenditures:					
Facilities acquisition	-	-	4,517	106,578	111,095
Long-term debt interest	-	246,101	-	-	246,101
AEA flowthrough	224,482	-	-	-	224,482
	<u>224,482</u>	<u>246,101</u>	<u>4,517</u>	<u>106,578</u>	<u>581,678</u>
Total expenditures	<u>5,570,538</u>	<u>246,101</u>	<u>4,517</u>	<u>612,059</u>	<u>6,433,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>149,892</u>	<u>203,045</u>	<u>537,359</u>	<u>59,963</u>	<u>950,259</u>
Other financing sources (uses):					
Operating transfers in (out)	-	154,463	(62,284)	(92,179)	-
General obligation bonds	-	(355,260)	-	-	(355,260)
Revenue bonds issued	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(200,797)</u>	<u>(62,284)</u>	<u>(92,179)</u>	<u>(355,260)</u>
Net Change in fund balances	149,892	2,248	475,075	(32,216)	594,999
Fund balances beginning of year	646,384	5,372	127,023	218,179	996,958
Fund balances end of year	<u>\$ 796,276</u>	<u>\$ 7,620</u>	<u>\$ 602,098</u>	<u>\$ 185,963</u>	<u>\$ 1,591,957</u>

See notes to financial statements.

West Sioux Community School District
 Reconciliation of Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Net Assets
 Year ended June 30, 2005

Exhibit F

Net change in fund balance - total governmental funds (page 22) \$ 594,999

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 exceeded
 depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 169,263	
Depreciation expense	<u>(224,387)</u>	(55,124)

Certain delinquent property tax not collected for several months
 after year end is not considered available revenue and is deferred
 in the governmental funds.

- -

Proceeds from issuing long-term liabilities provided 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:

Issued	-	
Repaid	<u>354,960</u>	354,960

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.

(21,349)

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

Early retirement	23,863	
Compensated absences	<u>-</u>	<u>23,863</u>

Change in net assets of governmental activities (page 19) \$ 897,349

See notes to financial statements.

West Sioux Community School District
Statement of Net Assets - Proprietary Fund
June 30, 2005

Exhibit G

	School Nutrition
Assets	
Cash and cash equivalents	\$ 28,913
Accounts receivable	4,647
Inventories	7,806
Capital assets, net of accumulated depreciation	96,691
Total assets	138,057
 Liabilities	
Accounts payable	1,406
Salaries and benefits payable	
Interfund payable	77,352
Total Liabilities	78,758
 Net Assets	
Invested in capital assets, net of related debt	96,691
Unrestricted	(37,392)
Total net assets	\$ 59,299

See notes to financial statements.

West Sioux Community School District
Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Fund
June 30, 2005

Exhibit H

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 132,521</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	87,536
Benefits	34,044
Purchased services	799
Supplies	161,317
Depreciation	<u>10,824</u>
Total operating expenses	<u>294,520</u>
Operating loss	<u>(161,999)</u>
Non-operating revenues:	
State sources	4,005
Federal sources	156,670
Interest Income	<u>287</u>
Total non-operating revenues	<u>160,962</u>
Change in net assets	(1,037)
Net assets beginning of year	<u>60,336</u>
Net assets end of year	<u><u>\$ 59,299</u></u>

See notes to financial statements.

West Sioux Community School District
Statement of Cash Flows - Proprietary Fund
Year ended June 30, 2005

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 131,868
Cash paid to employees for services	(110,028)
Cash paid to supplies for goods or services	(133,152)
Net cash used by operating activities	(111,312)
Cash flows from non-capital financing activities:	
State grants received	4,005
Federal grants received	129,611
Net cash provided by non-capital financing activities	133,616
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,728)
Net cash used by capital and related financing activities	(6,728)
Cash flows from investing activities:	
Interest on Investments	287
Net decreases in cash and cash equivalents	15,863
Cash and cash equivalents beginning of year	13,050
Cash and cash equivalents end of year	\$ 28,913
Reconciliation of operating loss to net cash used by operating activities	
Operating Loss	\$ (161,999)
Adjustments to reconcile operating loss to net cash used by operating activities	
Commodities used	20,282
Depreciation	10,824
Equipment purchased	6,728
Decrease (Increase) in inventories	1,457
Increase (Decrease) in Family Accounts	(654)
Increase (Decrease) in accounts payable	498
Increase (Decrease) in salaries and benefits payable	11,552
Net cash used by operating activities	\$ (111,312)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$22,412 of federal commodities.

See notes to financial statements.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

The West Sioux Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Hawarden and Ireton, Iowa and the predominately agricultural territory in Sioux and Plymouth 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 conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Sioux Community School District 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 Sioux Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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 service.

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 or improvement of those assets.

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary 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 to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

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

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

Compensated Absences – District employees can not accumulate unused vacation for subsequent use. All vacation must be used before June 30 of each year. Therefore no liability is recorded in the government-wide financial statements.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the instruction and support services functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

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

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

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.

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	School Nutrition	\$ 77,352
	PPEL	28,172
	Debt Service	5,700
		<u>\$ 111,224</u>

The School Nutrition Fund is repaying the General Fund for payroll for School Nutrition that is paid out of the General Fund. The Debt Service Fund is repaying General Fund for money advanced for debt payment. The Physical Plant and Equipment fund is repaying the General Fund for money advanced for purchase of bus.

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from:</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 92,179
	Capital Projects - SILO	62,284
		<u>\$ 154,463</u>

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

(5) Iowa School Cash Anticipation Program (ISCAP)

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

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05B	1/28/2005	1/26/2006	\$ 582,000	\$ 8,538	\$ 583,681	\$ 7,908
2004-05A	6/30/2004	6/30/2005	-	-	-	143
2005-06A	6/28/2005	6/26/2006	690,000	132	693,057	148
Total			<u>\$ 1,272,000</u>	<u>\$ 8,670</u>	<u>\$ 1,276,738</u>	<u>\$ 8,199</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. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No advances from ISCAP were made during the current year.

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
2004-05B	3.000%	2.463%
2004-05A	3.500%	2.280%
2005-06A	3.500%	3.903%

6) 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	\$ 51,375	\$ -	\$ -	\$ 51,375
Total capital assets not being depreciated	51,375	-	-	51,375
Capital assets being depreciated:				
Buildings	8,886,764	-	-	8,886,764
Improvements other than buildings	156,720	-	-	156,720
Furniture and equipment	1,468,953	169,263	-	1,638,216
Total capital assets being depreciated	10,512,437	169,263	-	10,681,700
Less accumulated depreciation for:				
Buildings & Improvements	3,330,791	169,482	-	3,500,273
Furniture and equipment	763,094	54,905	-	817,999
Total accumulated depreciation	4,093,885	224,387	-	4,318,272
Total capital assets being depreciated, net	6,418,552	(55,124)	-	6,363,428
Governmental activities capital assets, net	\$ 6,469,927	\$ (55,124)	\$ -	\$ 6,414,803
Business type activities:				
Furniture and equipment	\$ 194,581	\$ 815	\$ -	\$ 195,396
less accumulated depreciation	87,881	10,824	-	98,705
Business type activities capital assets, net	\$ 106,700	\$ (10,009)	\$ -	\$ 96,691

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 174,395

Support services:

Instructional staff 7,252

Operation and maintenance of plant 5,087

Transportation 37,653

224,387

Unallocated -

Total depreciation expense - governmental activities \$ 224,387

Business type activities:

Food service operations \$ 10,824

(7) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	5,340,000	-	280,000	5,060,000	290,000
Capital Leases	131,460	-	29,960	101,500	31,819
Notes Payable	195,000	-	45,000	150,000	50,000
Early Retirement	110,262	10,920	26,803	94,379	36,637
Total	5,776,722	10,920	381,763	5,405,879	408,456

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed 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 being allowed to remain on the group's health insurance plan at a specified rate per month for individual coverage and will end when the employee is medicare eligible. Early retirement benefits paid during the year ended June 30, 2005 totaled \$35,669.

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

Year Ending June 30,	<u>Capital Loan Notes - Dec. 1, 1997</u>			<u>Capital Lease July 12, 2000</u>		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2006	4.800%	\$ 50,000	\$ 7,350	3.055%	\$ 31,819	\$ 5,723
2007	4.900%	50,000	4,950	3.055%	33,792	3,749
2008	5.000%	50,000	2,500	3.055%	35,889	1,653
Total		\$150,000	\$14,800		\$101,500	\$11,125

Year Ending June 30,	General Obligation School Bond, Series 1998 A			Bond Totals		
	Interest	Principal	Interest	Principal	Interest	Total
	Rate					
2006	4.000%	\$ 290,000	\$ 217,833	\$371,819	\$230,906	\$602,725
2007	4.050%	305,000	206,233	388,792	214,932	603,724
2008	4.100%	320,000	193,880	405,889	198,033	603,922
2009	4.150%	335,000	180,760	335,000	180,760	515,760
2010	4.200%	350,000	166,858	350,000	166,858	516,858
2011	4.250%	365,000	152,158	365,000	152,158	517,158
2012	4.300%	380,000	136,645	380,000	136,645	516,645
2013	4.300%	400,000	120,305	400,000	120,305	520,305
2014	4.350%	420,000	103,105	420,000	103,105	523,105
2015	4.400%	440,000	84,835	440,000	84,835	524,835
2016	4.500%	460,000	65,475	460,000	65,475	525,475
2017	4.500%	485,000	44,775	485,000	44,775	529,775
2018	4.500%	510,000	22,950	510,000	22,950	532,950
Total		<u>\$5,060,000</u>	<u>\$1,695,812</u>	<u>\$5,311,500</u>	<u>\$1,721,737</u>	<u>\$7,033,237</u>

During the year ended June 30, 2005, the District made principal and interest payments totaling \$601,062 under the agreements.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit 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, IA, 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 \$181,781, \$173,639 and \$176,098 respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$224,482 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.

West Sioux Community School District

Required Supplementary Information

West Sioux Communtiy School District
 Budgetary Comparison Scheudle of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local Sources	\$ 3,806,553	\$ 132,154
Intermediate sources	-	-
State sources	3,107,360	4,005
Federal sources	280,435	129,611
Total receipts	7,194,348	265,770
Disbursements:		
Instruction	3,999,442	-
Support services	1,771,055	-
Non-instructional programs	4,475	249,907
Other expenditures	574,026	-
Total disbursements	6,348,998	249,907
Deficiency of receipts under disbursements	845,350	15,863
Other financing sources, net	(355,260)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	490,090	15,863
Balances beginning of year	1,476,087	13,050
Balances end of year	\$ 1,966,177	\$ 28,913

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 3,938,707	\$ 3,814,179	\$ 3,814,179	\$ 124,528
-	-	-	-
3,111,365	3,067,586	3,067,586	43,779
410,046	266,654	266,654	143,392
<u>7,460,118</u>	<u>7,148,419</u>	<u>7,148,419</u>	<u>311,699</u>
3,999,442	4,009,996	4,009,996	(10,554)
1,771,055	2,505,305	2,505,305	(734,250)
254,382	245,074	245,074	9,308
574,026	846,787	896,787	(322,761)
<u>6,598,905</u>	<u>7,607,162</u>	<u>7,657,162</u>	<u>(1,058,257)</u>
861,213	(458,743)	(508,743)	1,369,956
<u>(355,260)</u>	<u>56,603</u>	<u>56,603</u>	<u>(411,863)</u>
505,953	(402,140)	(452,140)	958,093
<u>1,489,137</u>	<u>799,383</u>	<u>799,383</u>	<u>689,754</u>
<u>\$ 1,995,090</u>	<u>\$ 397,243</u>	<u>\$ 347,243</u>	<u>\$ 1,647,847</u>

See accompanying independent auditor's report.

West Sioux Community School District
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Government Funds		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual Basis
Revenues	\$ 7,194,348	\$ 189,126	\$ 7,383,474
Expenditures	6,348,998	84,217	6,433,215
Net	845,350	104,909	950,259
Other financing sources, net	(355,260)	-	(355,260)
Beginning fund balances	1,476,087	(479,129)	996,958
Ending fund balances	\$ 1,966,177	\$ (374,220)	\$ 1,591,957

	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual Basis
Revenues	\$ 265,770	\$ 27,713	\$ 293,483
Expenditures	249,907	44,613	294,520
Net	15,863	(16,900)	(1,037)
Beginning fund balances	13,050	47,286	60,336
Ending fund balances	\$ 28,913	\$ 30,386	\$ 59,299

See accompanying independent auditor's report.

West Sioux 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 Standard Board Statement No. 41 for governments with significant 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, the District adopted one budget amendment increasing budgeted disbursements by \$50,000.

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

West Sioux Community School District

Other Supplementary Information

West Sioux Community School District
 Combining Balance Sheet - Nonmajor Special Revenue Funds
 June 30, 2005

Schedule 1

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and cash Equivalents:				
Other	\$ 146,740	\$ 96,835	\$ 2,759	\$ 246,334
Receivables:				
Property tax:				
Delinquent	2,982	-	2,544	5,526
Succeeding year	-	-	-	-
Accounts	429	10,787	-	11,216
Total assets	150,151	107,622	5,303	263,076
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	12,304	-	12,304
Interfund payable	-	-	28,172	28,172
Early retirement	36,637	-	-	36,637
Deferred revenue - succeeding year				
Property tax	-	-	-	-
Total liabilities	36,637	12,304	28,172	77,113
Fund equity:				
Unreserved fund balances	113,514	95,318	(22,869)	185,963
Total liabilities and fund equity	\$ 150,151	\$ 107,622	\$ 5,303	\$ 263,076

See accompanying independent auditor's report.

West Sioux Community School District
Combining Schedule of Revenues, Expenditures and Changes
in Fund Balances -Nonmajor Special Revenue Funds
Year ended June 30, 2005

Schedule 2

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 150,162	\$ -	\$ 131,890	\$ 282,052
Other	1,050	388,043	877	389,970
Total revenues	<u>151,212</u>	<u>388,043</u>	<u>132,767</u>	<u>672,022</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	-	-
Special instruction	-	-	-	-
Other instruction	-	386,785	-	386,785
Support services:				
Administration Services	-	-	-	-
Operation and maintenance of plant services	118,696	-	-	118,696
Other expenditures:				
Facilities acquisition	-	-	106,578	106,578
Total expenditures	<u>118,696</u>	<u>386,785</u>	<u>106,578</u>	<u>612,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,516</u>	<u>1,258</u>	<u>26,189</u>	<u>59,963</u>
Other financing sources (uses):				
Operating transfers out	-	-	(92,179)	(92,179)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(92,179)</u>	<u>(92,179)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	32,516	1,258	(65,990)	(32,216)
Fund balances beginning of year	<u>80,998</u>	<u>94,060</u>	<u>43,121</u>	<u>218,179</u>
Fund balances end of year	<u>\$ 113,514</u>	<u>\$ 95,318</u>	<u>\$ (22,869)</u>	<u>\$ 185,963</u>

See accompanying independent auditor's report.

West Sioux Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2005

Schedule 3

	Balance Beginning of Year	Revenues and Interfund Transfers	Expend- itures	Balance End of Year
HIGH SCHOOL				
Adult education	\$ 28	\$ -	\$ -	\$ 28
Clearing Account	-	43,051	42,957	94
Annual	1,913	3,076	4,134	855
Newspaper-Falcon Banner	251	151	178	224
Drama Club	4,516	2,402	2,573	4,345
Dance Team	1,974	5,612	4,926	2,660
Materials for Resale	1,329	12,797	14,126	-
Vocal Music Group	1,823	1,376	2,001	1,198
Band	145	4,730	4,928	(53)
High School Athletics	15,986	50,148	48,613	17,521
Concession Supplies	3,456	25,534	24,803	4,187
Future Farmers of America	2,161	10,820	7,967	5,014
Library Club	964	1,782	1,345	1,401
Student Council	4,215	13,095	13,040	4,270
Letterpersons' Club	694	1,178	1,156	716
Cheerleaders	1,268	5,705	3,853	3,120
HS Student Newspaper	94	2,176	2,265	5
Class of 2004	300	-	(7)	307
Class of 2005	-	495	425	70
Class of 2006	1,590	2,041	3,398	233
Class of 2007	843	1,035	40	1,838
Class of 2008	-	975	69	906
Remembrance	91	940	755	276
High School Art Club	188	20	-	208
National Honor Society	685	2,581	2,379	887
Volleyball Fundraiser	1,719	337	518	1,538
Softball Fundraiser	398	3,887	1,844	2,441
Boys Basketball Fundraiser	386	4,647	4,579	454
High School Miscellaneous Accounts	2,818	5,651	6,630	1,839
Football Fundraiser	658	14,393	12,085	2,966
Boys Baseball Fundraiser	2,837	3,559	6,325	71
Girls Basketball Fundraiser	3,239	5,070	3,978	4,331
Cross Country Fundraiser	2,403	922	621	2,704
District Activities Fee	1,148	2,738	1,912	1,974
Wrestling Fundraiser	534	3,050	2,392	1,192
Track Fundraiser	385	40	58	367
Band Trip Fundraiser	-	13,729	13,729	-
Math Center Fundraiser	-	621	529	92
Falcon Joe's Coffee Shop	-	1,022	25	997
Recycle Fund	-	114	31	83
FCA	444	941	950	435
Speech	431	2,098	2,079	450
Quiz Bowl	602	2,485	2,338	749
High School Interest	1,139	1,798	2,937	-
Aviation Grant	56	-	-	56
Washington, D.C. Trips	2,326	68,424	68,475	2,275
TOTAL HIGH SCHOOL	66,037	327,246	317,959	75,324

West Sioux Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2005

Schedule 3

	Balance Beginning of Year	Revenues and Interfund Transfers	Expend- itures	Balance End of Year
IRETON ELEMENTARY:				
Revolving	2,025	1,761	1,907	1,879
Kindergarten Milk	1,603	1,251	1,885	969
Pictures	1,685	249	-	1,934
Book Rent	27	-	-	27
Book Fairs	749	-	247	502
Book Fines	120	-	-	120
Pop Fund	136	-	-	136
TOTAL IRETON ELEM.	6,345	3,261	4,039	5,567
HAWARDEN ELEMENTARY:				
Miscellaneous	847	2,056	2,858	45
Pop	1,796	1,285	1,480	1,601
Picture	1,953	441	1,230	1,164
Book Fair	254	2,473	2,310	417
Library Fines	91	953	886	158
Assignment Notebooks	131	164	178	117
Interest	212	35	50	197
Computer Camp	291	755	416	630
Donations for School Supplies	702	-	87	615
Birthday Book Club	145	-	91	54
Box Tops for Education	304	867	703	468
TOTAL HAWARDEN ELEM.	6,726	9,029	10,289	5,466
MIDDLE SCHOOL:				
General	1,155	12,813	13,120	848
Pop	2,497	5,440	6,980	957
Magazines	4,791	12,466	14,628	2,629
Candy Sales	2,392	5,911	8,267	36
Pictures	321	433	-	754
Athletics	2,133	6,517	7,294	1,356
Computer Disc Resale	-	11	-	11
Interest	77	98	-	175
Assignment Notebooks	32	532	500	64
Student Participations	1,528	1,364	2,892	-
History Fair Account	26	2,922	817	2,131
TOTAL MIDDLE SCHOOL	\$ 14,952	\$ 48,507	\$ 54,498	\$ 8,961
GRAND TOTAL	\$ 94,060	\$ 388,043	\$ 386,785	\$ 95,318

See accompanying independent auditor's report.

West Sioux Community School District
 Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds
 For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 3,230,943	\$ 2,898,455	\$ 2,688,077	\$ 2,486,427
Tuition	144,066	161,039	160,197	156,949
Other	753,478	618,025	699,862	529,093
Intermediate sources	-	-	-	-
State sources	3,111,365	3,075,134	3,287,857	3,049,471
Federal sources	437,105	471,604	379,332	348,655
Total	7,676,957	7,224,257	7,215,325	6,570,595
Expenditures:				
Instruction:				
Regular instruction	2,422,967	2,207,852	2,267,697	2,134,159
Special instruction	855,679	918,168	973,038	918,615
Other instruction	766,328	639,521	285,337	285,002
Support services:				
Student services	140,337	134,220	202,592	124,842
Instructional staff services	245,256	314,336	281,388	284,659
Administration Services	554,151	526,789	516,386	551,957
Operation and maintenance of plant services	652,862	639,087	588,676	779,423
Transportation services	209,482	204,360	180,019	178,310
Central support services	-	-	5,634	2,271
Non-instructional programs	298,995	303,979	688,723	590,025
Other expenditures:				
Facilities acquisition	111,095	45,258	78,086	104,820
Long-term debt interest	246,101	260,767	564,275	565,515
AEA flowthrough	224,482	246,791	249,233	241,228
Total	\$ 6,727,735	\$ 6,441,128	\$ 6,881,084	\$ 6,760,826

See accompanying independent auditor's report.

West Sioux Community School District

Dan Heard, CPA
David O. Halse, CPA
Kyle Ebel, CPA
Aleene Williams, CPA

Telephone 712-472-4011
Fax 712-472-4014

WELLS HEARD HALSE & CO.
Certified Public Accountants
710 SOUTH UNION STREET, P.O. BOX 108
ROCK RAPIDS, IOWA 51246

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

To the Board of Education of
West Sioux 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 Sioux Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 27, 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 West Sioux Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 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-05-A is a material weakness. Prior year reportable conditions have all been resolved except for item I-05-A.

Compliance

As part of obtaining reasonable assurance about whether the West Sioux Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and 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 object 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. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit is 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 Sioux Community School District and other parties to whom West Sioux Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Wells Heard Halse & Co.

September 27, 2005

West Sioux Community School District
Schedule of Findings
Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

REPORTABLE CONDITIONS:

I-05-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that the same person did all cash receipts and disbursements and bookkeeping and deposit functions.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

West Sioux Community School District
Schedule of Findings
Year ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

- II-05-A Official Depository – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-05-B Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the non-instructional function.
Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
Response – We will amend our budget before disbursements exceed the budget.
Conclusion – Response accepted.
- II-05-C Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-05-D 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-05-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.
- II-05-F Board Minutes - No transactions requiring Board approval, which had not been approved by the Board, were noted.
- II-05-G Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Districts' investment policy were noted.
- II-05-H Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
Recommendation – The Certified Annual Report should have been filed by September 15, 2005.
Response – The District wanted the Certified Annual Report to be correct and waited until the audit was complete and any adjustments needed, made, before submitting the report.
Conclusion – Response accepted

West Sioux Community School District
 Schedule of Findings
 Year ended June 30, 2005

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

II-05-J Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ruth Ortiz Wife of Board Member	Interpreter - Spanish Language	\$ 1,314
Janet Smit Wife of Board Member	Custodian and Activity bus driver	16,638
Reinking Insurance Inc. Spouse of an Employee	Insurance	83,026
Gregg Vreeman Spouse of a Teacher	Siouxland Propane	49,971
Sue Blom Wife of Board Member	Musician for musical	400

In accordance with an Attorney General’s opinion date November 9, 1976, the transactions with Siouxland Propane Co. and Reinking Insurance do not appear to represent a conflict of interest since the transactions were competitively bid as provided by Chapter 279.7A of the Code of Iowa. Smit was an employee of the District prior to Husband’s election to the Board. Ortis is used as an interpreter only when needed by the District. Blom is used only when the District has a musical.

Recommendation - The District should follow procedures to insure competitive bidding in instances where transactions with a related individual will exceed \$1,500 per fiscal year.

Response - We will do this.

Conclusion - Response accepted.

II-05-K Deficit Balance – One student activity account had a deficit balance at June 30, 2005.

Recommendation - The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate this deficit in the student activity account at the end of the fiscal year.

Conclusion - Response accepted.