

WESTWOOD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Westwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 election)		
Steve Jewett	President	2005
Sue Mohning	Vice President	2004
Roxie Ullrich	Board Member	2005
Dennis Gallagher	Board Member	2006
Marty Choquette	Board Member	2006
Board of Education (After September 2004 election)		
Steve Jewett	President	2005
Roxie Ullrich	Vice President	2005
Dennis Gallagher	Board Member	2006
Marty Choquette	Board Member	2006
John Kounas	Board Member	2007
School Officials		
Kirk Ahrends	Superintendent	2005
Denise Patterson	District Secretary/Treasurer	2005
Jim Hanks	Attorney	2005

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
Westwood 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 Westwood Community School District, Sloan, 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.

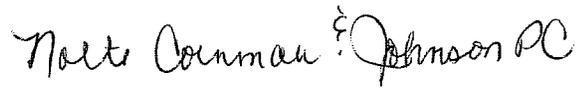
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 Westwood Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2005, on our consideration of the Westwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 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 results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 39 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 Westwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, 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.

October 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Westwood 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 \$5,010,692 in fiscal 2004 to \$5,021,337 in fiscal 2005, while General Fund expenditures also increased from \$4,865,888 in fiscal 2004 to \$4,986,100 in fiscal 2005. This resulted in an increase in the District's fund balance from \$378,378 in fiscal 2004 to \$413,970 in fiscal 2005, which was a 9.41% increase from the prior 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 \$3,866 in fiscal year 2004 to \$23,683 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 Westwood 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 Westwood 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 Westwood Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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.

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

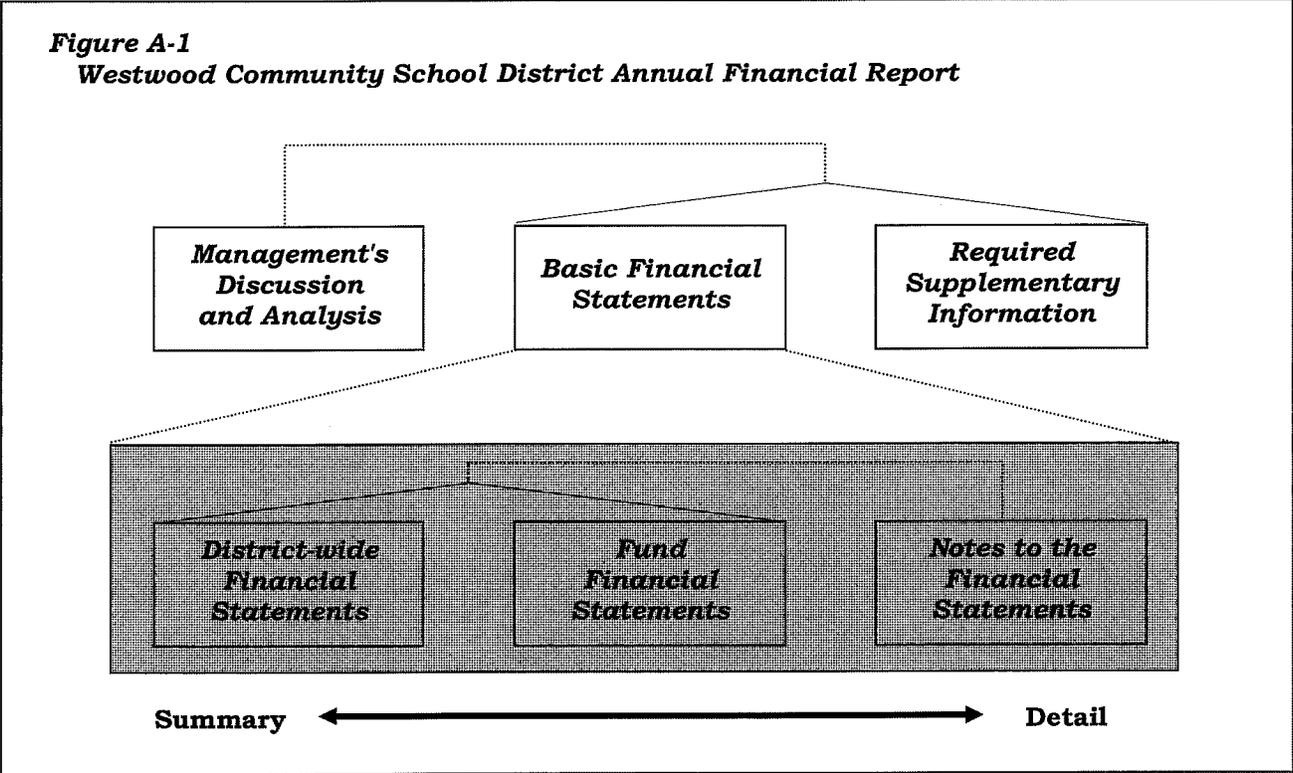


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Service 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 proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is a trustee, or fiduciary, for assets that belong to others. These funds include the Agency Fund.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other District’s.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 5,877,243	6,629,217	27,315	48,240	5,904,558	6,677,457	-11.57%
Capital assets	8,709,771	8,964,067	13,870	14,565	8,723,641	8,978,632	-2.84%
Total assets	14,587,014	15,593,284	41,185	62,805	14,628,199	15,656,089	-6.57%
Long-term obligations	3,185,000	4,200,000	0	0	3,185,000	4,200,000	-24.17%
Other liabilities	3,451,536	4,288,517	871	2,267	3,452,407	4,290,784	-19.54%
Total liabilities	6,636,536	8,488,517	871	2,267	6,637,407	8,490,784	-21.83%
Net assets:							
Invested in capital assets, net of related debt	7,320,744	6,544,532	13,870	14,565	7,334,614	6,559,097	11.82%
Restricted	105,200	101,794	0	0	105,200	101,794	3.35%
Unrestricted	524,534	458,441	26,444	45,973	550,978	504,414	9.23%
Total net assets	\$ 7,950,478	7,104,767	40,314	60,538	7,990,792	7,165,305	11.52%

The District’s combined net assets increased by 11.52%, or \$825,487, 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 \$3,406, or 3.35% over the prior year. The increase was primarily a result of increase in the Special Revenue, Student Activity Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$46,564, or 9.23%. This increase in unrestricted net assets was a result of the District’s increase 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 School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 586,497	739,484	138,864	133,117	725,361	872,601	-16.87%
Operating grants and contributions and restricted interest	545,835	580,801	129,935	125,935	675,770	706,736	-4.38%
General revenues:							
Property tax	3,441,271	3,388,399	0	0	3,441,271	3,388,399	1.56%
Local option sales and service tax	419,900	441,953	0	0	419,900	441,953	-4.99%
Unrestricted state grants	1,823,267	1,827,303	0	0	1,823,267	1,827,303	-0.22%
Unrestricted investment earnings	47,601	19,443	373	138	47,974	19,581	145.00%
Other	355	5,985	0	0	355	5,985	-94.07%
Total revenues	6,864,726	7,003,368	269,172	259,190	7,133,898	7,262,558	-1.77%
Program expenses:							
Governmental activities:							
Instructional	3,650,720	3,608,574	0	0	3,650,720	3,608,574	1.17%
Support services	1,739,921	1,603,312	0	0	1,739,921	1,603,312	8.52%
Non-instructional programs	737	704	289,396	268,364	290,133	269,068	7.83%
Other expenses	627,637	797,983	0	0	627,637	797,983	-21.35%
Total expenses	6,019,015	6,010,573	289,396	268,364	6,308,411	6,278,937	0.47%
Change in net assets	845,711	992,795	(20,224)	(9,174)	825,487	983,621	-16.08%
Beginning net assets	7,104,767	6,111,972	60,538	69,713	7,165,305	6,181,685	15.91%
Ending net assets	\$ 7,950,478	7,104,767	40,314	60,539	7,990,792	7,165,306	11.52%

Property tax, local option sales and services tax and unrestricted state grants account for 80% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Total revenues for all of the Districts' governmental activities were \$6,864,726 and expenses were \$6,019,015.

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	\$ 3,650,720	2,710,281
Support services	1,739,921	1,737,079
Non-instructional	737	737
Other expenses	627,637	438,586
Totals	\$ 6,019,015	4,886,683

- The cost financed by users of the District's programs was \$586,497.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$545,835.
- The net cost of governmental activities was financed with \$3,441,271 in property tax, \$419,900 in local option sales and services tax, \$1,823,267 in unrestricted state grants, \$47,601 in interest income and \$355 from a gain on the sale of capital assets.

Business-Type Activities

Revenues for business type activities were \$269,172 and expenses were \$289,396. The District's only business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

A strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$2,303,507, an increase of \$69,376 over last years ending fund balances of \$2,234,131.

Governmental Fund Highlights

- The increase in General Fund revenues was attributable to the Westwood Board of Education approving the Instructional Support Levy for fiscal year 2004. This provided an additional \$144,997 for General Fund purposes.
- Special education spending had been brought inline with revenues.
- The Management Fund expenditures were \$185,609 and the revenues were \$207,664 which improved the fund balance to a deficit \$28,684. Westwood Community School District plans to levy more taxes to bring this fund into a positive balance.
- The Capital Projects Fund decreased from \$1,246,704 to \$1,168,597 due to an increase in transfers to the Debt Service Fund due to revenue bond requirements.
- The Debt Service Fund increased from \$552,071 to \$639,113 due to revenue bond requirements for the reserve sinking fund to make the final debt payment.

Proprietary Fund Highlights

- The Nutrition Fund invested in new computer hardware and software system that will allow the financial and student breakfast and lunch data to be saved on a back-up cd.
- The Nutrition Fund also invested in a salad bar to increase participation for the staff and grades 7-12.

BUDGETARY HIGHLIGHTS

The District’s receipts were \$366,107 less than budgeted receipts, a variance of 4.88%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$8,723,641, 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) More detailed information about the District’s capital assets is presented in Note 5 to the financial statements. Depreciation expense for year was \$342,624.

The original cost of the District’s capital assets was \$12.6 million. Governmental funds account for \$12.5 million, with the remainder of \$.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Land	\$ 76,000	76,000	0	0	76,000	76,000
Buildings	8,192,054	8,406,042	0	0	8,192,054	8,406,042	-2.61%
Land improvements	165,088	181,438	0	0	165,088	181,438	-9.90%
Machinery and equipment	276,629	300,587	13,870	14,565	290,499	315,152	-8.49%
Total	\$ 8,709,771	8,964,067	13,870	14,565	8,723,641	8,978,632	-2.92%

Long-Term Debt

At June 30, 2005, the District had \$3,185,000 in general obligation and other long-term debt outstanding. This represents a decrease of 24.2% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 315,000	825,000	-61.8%
Revenue Bonds	1,205,000	1,470,000	-18.0%
Capital Loan Notes	1,665,000	1,905,000	-12.6%
Totals	<u>\$ 3,185,000</u>	<u>4,200,000</u>	<u>-24.2%</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:

- Voters in Woodbury County voted on the extension of the Local Option Sales & Services Tax in August 2004. This will provide additional funding for future Capital Project needs.
- Declining enrollment had had a negative affect on Westwood's budget. We are estimating enrollment to become stable within the next three years and experience growth within the next five years.
- The tax rate will decrease in fiscal years 2006 and 2007 due to the retirement of the general obligation bonds that were issued for our current building.

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 Denise Patterson, Business Manager, Westwood Community School District, 1000 Rebel Way, Sloan, Iowa, 51055.

BASIC FINANCIAL STATEMENTS

WESTWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 4)	\$ 277,315	0	277,315
Other	2,388,053	14,462	2,402,515
Receivables			
Property tax:			
Delinquent	24,494	0	24,494
Succeeding year	2,997,998	0	2,997,998
Income surtax	144,245	0	144,245
Accounts	1,000	0	1,000
Accrued ISCAP interest(Note 4)	59	0	59
Due from other governments	44,079	0	44,079
Inventories	0	12,853	12,853
Capital assets, net of accumulated depreciation(Note 5)	8,709,771	13,870	8,723,641
TOTAL ASSETS	14,587,014	41,185	14,628,199
LIABILITIES			
Accounts payable	42,379	277	42,656
Salaries and benefits payable	9,354	552	9,906
Early retirement payable	100,000	0	100,000
ISCAP warrants payable(Note 4)	276,000	0	276,000
ISCAP accrued interest payable(Note 4)	53	0	53
ISCAP unamortized premium	3,707	0	3,707
Accrued interest payable	22,045	0	22,045
Deferred revenue:			
Succeeding year property tax	2,997,998	0	2,997,998
Other	0	42	42
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	315,000	0	315,000
Revenue bonds	280,000	0	280,000
Capital loan notes	250,000	0	250,000
Portion due after one year:			
Revenue bonds	925,000	0	925,000
Capital loan notes	1,415,000	0	1,415,000
TOTAL LIABILITIES	6,636,536	871	6,637,407
NET ASSETS			
Investment in capital assets, net of related debt	7,320,744	13,870	7,334,614
Restricted for:			
Phase III	4,997	0	4,997
Other special revenue purposes	100,203	0	100,203
Unrestricted	524,534	26,444	550,978
TOTAL NET ASSETS	\$ 7,950,478	40,314	7,990,792

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,256,603	241,496	322,667
Special instruction	717,390	5,818	32,295
Other instruction	676,727	338,163	0
	<u>3,650,720</u>	<u>585,477</u>	<u>354,962</u>
Support services:			
Student services	144,734	0	692
Instructional staff services	123,536	0	0
Administration services	580,160	0	0
Operation and maintenance of plant services	371,510	0	0
Transportation services	519,981	1,020	1,130
	<u>1,739,921</u>	<u>1,020</u>	<u>1,822</u>
Non-instructional programs:			
Food service operations	737	0	0
Other expenditures:			
Facilities acquisitions	20,604	0	0
Long-term debt interest	171,067	0	0
AEA flowthrough	189,051	0	189,051
Depreciation(unallocated)*	246,915	0	0
	<u>627,637</u>	<u>0</u>	<u>189,051</u>
Total governmental activities	6,019,015	586,497	545,835
Business-Type activities:			
Non-instructional programs:			
Nutrition services	289,396	138,864	129,935
Total business-type activities	<u>289,396</u>	<u>138,864</u>	<u>129,935</u>
Total	<u>\$ 6,308,411</u>	<u>725,361</u>	<u>675,770</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Local option sales and services
 Unrestricted state grants
 Unrestricted investment earnings
 Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,692,440)	0	(1,692,440)
(679,277)	0	(679,277)
(338,564)	0	(338,564)
<u>(2,710,281)</u>	<u>0</u>	<u>(2,710,281)</u>
(144,042)	0	(144,042)
(123,536)	0	(123,536)
(580,160)	0	(580,160)
(371,510)	0	(371,510)
(517,831)	0	(517,831)
<u>(1,737,079)</u>	<u>0</u>	<u>(1,737,079)</u>
(737)		(737)
(20,604)	0	(20,604)
(171,067)	0	(171,067)
0	0	0
(246,915)	0	(246,915)
<u>(438,586)</u>	<u>0</u>	<u>(438,586)</u>
(4,886,683)	0	(4,886,683)
0	(20,597)	(20,597)
0	(20,597)	(20,597)
<u>(4,886,683)</u>	<u>(20,597)</u>	<u>(4,907,280)</u>
\$ 2,518,792	0	2,518,792
536,449	0	536,449
386,030	0	386,030
419,900	0	419,900
1,823,267	0	1,823,267
47,601	373	47,974
355	0	355
<u>5,732,394</u>	<u>373</u>	<u>5,732,767</u>
845,711	(20,224)	825,487
<u>7,104,767</u>	<u>60,538</u>	<u>7,165,305</u>
<u>\$ 7,950,478</u>	<u>40,314</u>	<u>7,990,792</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Debt Service	Management	Other Nonmajor Governmental Funds	Total
ASSETS						
Cash and pooled investments:						
ISCAP(Note 4)	\$ 277,315	0	0	0	0	277,315
Other	395,546	1,177,567	635,109	69,788	110,043	2,388,053
Receivables:						
Property tax:						
Delinquent	16,081	0	4,004	1,528	2,881	24,494
Succeeding year	2,031,071	0	327,600	250,000	389,327	2,997,998
Income surtax	144,245	0	0	0	0	144,245
Accounts	1,000	0	0	0	0	1,000
Accrued ISCAP interest (Note 4)	59	0	0	0	0	59
Due from other governments	44,079	0	0	0	0	44,079
TOTAL ASSETS	\$ 2,909,396	1,177,567	966,713	321,316	502,251	5,877,243
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 30,996	8,970	0	0	2,413	42,379
Salaries and benefits payable	9,354	0	0	0	0	9,354
Early retirement payable	0	0	0	100,000	0	100,000
ISCAP warrants payable (Note 4)	276,000	0	0	0	0	276,000
ISCAP accrued interest payable (Note 4)	53	0	0	0	0	53
ISCAP unamortized premium	3,707	0	0	0	0	3,707
Deferred revenue:						
Succeeding year property tax	2,031,071	0	327,600	250,000	389,327	2,997,998
Income surtax	144,245	0	0	0	0	144,245
Total liabilities	2,495,426	8,970	327,600	350,000	391,740	3,573,736
Fund balances:						
Reserved for:						
Debt Service	0	0	639,113	0	0	639,113
Phase III	4,997	0	0	0	0	4,997
Unreserved:						
Undesignated	408,973	1,168,597	0	(28,684)	110,511	1,659,397
Total fund balances	413,970	1,168,597	639,113	(28,684)	110,511	2,303,507
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,909,396	1,177,567	966,713	321,316	502,251	5,877,243

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD 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 16)	\$ 2,303,507
 <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 reported as assets in in the governmental funds.	8,709,771
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.	(22,045)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	144,245
Long-term liabilities, including bonds payable and capital loan notes are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,185,000)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 7,950,478</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Management	Other Nonmajor Governmental Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 2,305,556	419,900	536,449	204,790	386,030	3,852,725
Tuition	247,314	0	0	0	0	247,314
Other	100,712	12,383	9,463	2,755	262,163	387,476
State sources	2,219,455	0	312	119	224	2,220,110
Federal sources	148,300	0	0	0	0	148,300
Total revenues	<u>5,021,337</u>	<u>432,283</u>	<u>546,224</u>	<u>207,664</u>	<u>648,417</u>	<u>6,855,925</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	2,136,210	0	0	118,385	0	2,254,595
Special instruction	717,390	0	0	0	0	717,390
Other instruction	424,519	0	0	0	256,999	681,518
	<u>3,278,119</u>	<u>0</u>	<u>0</u>	<u>118,385</u>	<u>256,999</u>	<u>3,653,503</u>
Support services:						
Student services	142,968	0	0	816	950	144,734
Instructional staff services	123,156	0	0	380	0	123,536
Administration services	558,913	0	0	21,247	0	580,160
Operation and maintenance of plant services	338,537	0	0	22,493	7,802	368,832
Transportation services	355,356	0	0	21,551	59,329	436,236
	<u>1,518,930</u>	<u>0</u>	<u>0</u>	<u>66,487</u>	<u>68,081</u>	<u>1,653,498</u>
Non-instructional programs:						
Food service operations	0	0	0	737	0	737
Other expenditures:						
Facilities acquisitions	0	96,185	0	0	678	96,863
Long-term debt:						
Principal	0	0	1,015,000	0	0	1,015,000
Interest and fiscal charges	0	0	178,252	0	0	178,252
AEA flowthrough	189,051	0	0	0	0	189,051
	<u>189,051</u>	<u>96,185</u>	<u>1,193,252</u>	<u>0</u>	<u>678</u>	<u>1,479,166</u>
Total expenditures	<u>4,986,100</u>	<u>96,185</u>	<u>1,193,252</u>	<u>185,609</u>	<u>325,758</u>	<u>6,786,904</u>
Excess(deficiency) of revenues over(under) expenditures	35,237	336,098	(647,028)	22,055	322,659	69,021
Other financing sources(uses):						
Sale of equipment	355	0	0	0	0	355
Transfers in	0	6,458	740,528	0	0	746,986
Transfers out	0	(420,663)	(6,458)	0	(319,865)	(746,986)
Total other financing sources(uses)	<u>355</u>	<u>(414,205)</u>	<u>734,070</u>	<u>0</u>	<u>(319,865)</u>	<u>355</u>
Net change in fund balances	35,592	(78,107)	87,042	22,055	2,794	69,376
Fund balance beginning of year	378,378	1,246,704	552,071	(50,739)	107,717	2,234,131
Fund balance end of year	<u>\$ 413,970</u>	<u>1,168,597</u>	<u>639,113</u>	<u>(28,684)</u>	<u>110,511</u>	<u>2,303,507</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD 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 18)		\$ 69,376
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 86,582	
Depreciation expense	<u>(340,878)</u>	(254,296)
 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 repayments were as follows:		
Repaid		1,015,000
 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.		
		7,185
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		<u>8,446</u>
Changes in net assets of governmental activities (page 15)		<u><u>\$ 845,711</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

		School Nutrition
ASSETS		
Cash and pooled investments	\$	14,462
Inventories		12,853
Capital assets, net of accumulated depreciation (Note 5)		13,870
Total assets		41,185
 LIABILITIES		
Accounts payable		277
Salaries and benefits payable		552
Deferred revenue:		
Other		42
Total liabilities		871
 NET ASSETS		
Investment in capital assets		13,870
Unrestricted		26,444
Total net assets	\$	40,314

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 138,864
TOTAL OPERATING REVENUES	138,864
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	102,714
Benefits	31,505
Services	5,497
Supplies	147,934
Depreciation	1,746
TOTAL OPERATING EXPENSES	289,396
OPERATING LOSS	(150,532)
NON-OPERATING REVENUES:	
State sources	4,273
Federal sources	125,662
Interest on investments	373
TOTAL NON-OPERATING REVENUES	130,308
Change in net assets	(20,224)
Net assets beginning of year	60,538
Net assets end of year	\$ 40,314

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD 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	\$ 135,843
Cash received from miscellaneous operating activities	1,908
Cash payments to employees for services	(134,604)
Cash payments to suppliers for goods or services	(124,223)
Net cash used in operating activities	(121,076)
Cash flows from non-capital financing activities:	
State grants received	4,273
Federal grants received	98,206
Net cash provided by non-capital financing activities	102,479
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,051)
Net cash used in capital and related financing activities	(1,051)
Cash flows from investing activities:	
Interest on investments	373
Net cash provided by investing activities	373
Net decrease in cash and cash equivalents	(19,275)
Cash and cash equivalents at beginning of year	33,737
Cash and cash equivalents at end of year	\$ 14,462
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (150,532)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	27,456
Depreciation	1,746
Decrease in inventories	1,650
Increase in accounts payable	102
Decrease in salaries and benefits payable	(385)
Decrease in deferred revenue	(1,113)
Net cash used in operating activities	\$ (121,076)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 14,462

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$27,456.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ 876
Liabilities:	
Due to other groups	\$ 876

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Westwood 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 Sloan, Smithland, Hornick, Holly Springs, and Salix, Iowa, and the predominate agricultural territory in Woodbury and Monona 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, Westwood 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 Westwood 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 Woodbury and Monona Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The 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 Management Fund is utilized to account for property insurance expense.

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.

The District also reports a fiduciary fund which focus's on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

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 cash is received by the District.

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 256,333</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 interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	Debt Service	\$ 6,458
Debt Service	Special Revenue, Physical Plant and Equipment Levy	319,865
Debt Service	Capital Projects	<u>420,663</u>
Total		<u>\$ 746,986</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. Bankers Trust Co. 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	1/28/05	1/27/06	\$ 92	0	0	0
2005-06A	6/28/05	6/28/06	277,223	59	276,000	53
Total			<u>\$ 277,315</u>	<u>59</u>	<u>276,000</u>	<u>53</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. 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	175,000	175,000	0

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

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

(5) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 148,295	1,051	0	149,346
Less accumulated depreciation	133,730	1,746	0	135,476
Business-type activities capital assets, net	\$ 14,565	(695)	0	13,870

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 76,000	0	0	76,000
Total capital assets not being depreciated	<u>76,000</u>	<u>0</u>	<u>0</u>	<u>76,000</u>
Capital assets being depreciated:				
Buildings	10,699,408	0	0	10,699,408
Land improvements	648,668	16,930	0	665,598
Machinery and equipment	974,267	69,652	41,011	1,002,908
Total capital assets being depreciated	<u>12,322,343</u>	<u>86,582</u>	<u>41,011</u>	<u>12,367,914</u>
Less accumulated depreciation for:				
Buildings	2,293,366	213,988	0	2,507,354
Land improvements	467,230	33,280	0	500,510
Machinery and equipment	673,680	93,610	41,011	726,279
Total accumulated depreciation	<u>3,434,276</u>	<u>340,878</u>	<u>41,011</u>	<u>3,734,143</u>
Total capital assets being depreciated, net	<u>8,888,067</u>	<u>(254,296)</u>	<u>0</u>	<u>8,633,771</u>
Governmental activities capital assets, net	<u>\$ 8,964,067</u>	<u>(254,296)</u>	<u>0</u>	<u>8,709,771</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,008
Other		532
Support services:		
Operation and maintenance of plant		7,678
Transportation		83,745
		<u>93,963</u>
Unallocated depreciation		<u>246,915</u>
Total governmental activities depreciation expense		<u>\$ 340,878</u>
Business-type activities:		
Food services		\$ 1,746
Total business-type activities depreciation expense		<u>\$ 1,746</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	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 825,000	0	510,000	315,000	315,000
Revenue Bonds	1,470,000	0	265,000	1,205,000	280,000
Capital Loan Notes	1,905,000	0	240,000	1,665,000	250,000
Total	\$ 4,200,000	0	1,015,000	3,185,000	845,000

General Obligation Bonds Payable

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

Year	Issue dated May 1, 2001			
Ending June 30,	Interest Rates	Principal	Interest	Total
2006	5.75	% \$ 315,000	12,600	327,600

Revenue Bonds

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

Year	Issue dated November 1, 2002			
Ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.00	% \$ 280,000	49,600	329,600
2007	4.00	290,000	36,075	326,075
2008	4.13	305,000	22,535	327,535
2009	4.25	320,000	8,000	328,000
2010	4.45	10,000	240	10,240
Total		\$ 1,205,000	116,450	1,321,450

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

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

- a) \$1,960,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.

c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Capital Loan Notes

The District issued \$2,590,000 on May 1, 2002 for capital improvements. The notes will be repaid by the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2005 capital loan notes indebtedness are as follows:

Year Ending June 30,	Issue dated May 1, 2002				
	Interest Rates	Principal	Interest	Total	
2006	4.00	% \$ 250,000	70,066	320,066	
2007	4.00	260,000	60,066	320,066	
2008	4.13	270,000	49,666	319,666	
2009	4.25	280,000	38,528	318,528	
2010	4.35	295,000	26,628	321,628	
2011	4.45	310,000	13,796	323,796	
Total		\$ 1,665,000	258,750	1,923,750	

(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 covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$183,780, \$180,937 and \$190,123, respectively, equal to the required contributions for each year.

(8) Risk Management

The Westwood Community School District was a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization until June 30, 2004. 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, dental, vision and prescription drugs.

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 be \$2.2 million. The District's share of this assessment which was paid with the 2004-2005 premiums was \$4,622 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 \$231,101.

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.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$189,051 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) Deficit Fund Balances

At June 30, 2005, there were deficit undesignated fund balances in the Special Revenue, Management Fund of \$28,684.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 4,494,671	138,124
State sources	2,223,041	4,273
Federal sources	149,350	125,662
Total receipts	<u>6,867,062</u>	<u>268,059</u>
Disbursements:		
Instruction	3,697,649	0
Support services	1,657,690	0
Non-instructional programs	737	287,334
Other expenditures	1,477,773	0
Total disbursements	<u>6,833,849</u>	<u>287,334</u>
Excess(deficiency) of receipts over(under) disbursements	33,213	(19,275)
Other financing sources, net	<u>355</u>	<u>0</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements	33,568	(19,275)
Balance beginning of year	<u>2,354,485</u>	<u>33,737</u>
Balance end of year	<u>\$ 2,388,053</u>	<u>14,462</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,632,795	4,882,403	4,882,403	(249,608)
2,227,314	2,318,825	2,318,825	(91,511)
275,012	300,000	300,000	(24,988)
<u>7,135,121</u>	<u>7,501,228</u>	<u>7,501,228</u>	<u>(366,107)</u>
3,697,649	4,717,333	4,717,333	1,019,684
1,657,690	1,877,092	1,877,092	219,402
288,071	407,618	407,618	119,547
1,477,773	3,252,005	3,252,005	1,774,232
<u>7,121,183</u>	<u>10,254,048</u>	<u>10,254,048</u>	<u>3,132,865</u>
13,938	(2,752,820)	(2,752,820)	2,766,758
355	2,500	2,500	(2,145)
14,293	(2,750,320)	(2,750,320)	2,764,613
2,388,222	2,831,384	2,831,384	(443,162)
<u>2,402,515</u>	<u>81,064</u>	<u>81,064</u>	<u>2,321,451</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,867,062	(11,137)	6,855,925
Expenditures	6,833,849	(46,945)	6,786,904
Net	33,213	35,808	69,021
Other financing sources, net	355	0	355
Beginning fund balances	2,354,485	(120,354)	2,234,131
Ending fund balances	\$ 2,388,053	(84,546)	2,303,507

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 268,059	1,113	269,172
Expenditures	287,334	2,062	289,396
Net	(19,275)	(949)	(20,224)
Beginning net assets	33,737	26,801	60,538
Ending net assets	\$ 14,462	25,852	40,314

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

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

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

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

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds			
	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 71,705	7,427	30,911	110,043
Receivables:				
Property tax:				
Current year delinquent	0	2,881	0	2,881
Succeeding year	0	389,327	0	389,327
TOTAL ASSETS	\$ 71,705	399,635	30,911	502,251
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 2,413	0	0	2,413
Deferred revenue:				
Succeeding year property tax	0	389,327	0	389,327
Total liabilities	2,413	389,327	0	391,740
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	69,292	10,308	30,911	110,511
Total fund balances	69,292	10,308	30,911	110,511
TOTAL LIABILITIES AND FUND EQUITY	\$ 71,705	399,635	30,911	502,251

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	
REVENUES:				
Local sources:				
Local tax	\$ 0	386,030	0	386,030
Other	260,663	808	692	262,163
State sources	0	224	0	224
TOTAL REVENUES	260,663	387,062	692	648,417
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	256,999	0	0	256,999
Support services:				
Student support services	0	0	950	950
Operation and maintenance of plant services	0	7,802	0	7,802
Student transportation	0	59,329	0	59,329
Other expenditures:				
Facilities acquisitions	0	678	0	678
TOTAL EXPENDITURES	256,999	67,809	950	325,758
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,664	319,253	(258)	322,659
OTHER FINANCING USES:				
Transfers out	0	(319,865)	0	(319,865)
TOTAL OTHER FINANCING USES	0	(319,865)	0	(319,865)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	3,664	(612)	(258)	2,794
FUND BALANCE BEGINNING OF YEAR	65,628	10,920	31,169	107,717
FUND BALANCE END OF YEAR	\$ 69,292	10,308	30,911	110,511

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD 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
Miscellaneous Student Activity	\$ 885	1,317	1,395	807
Concession Stand	(911)	20,069	20,139	(981)
Elementary Band	73	1,315	1,388	0
Elem. Student Affairs	2,342	2,404	2,894	1,852
Elem. Student Council	1,980	841	1,716	1,105
Westwood PTO	178	0	0	178
JH Student Council	203	179	55	327
Plays	305	1,018	522	801
Madrigal	479	4,026	2,844	1,661
Music Boosters	919	6,100	6,225	794
Vocal Music	(409)	26,472	21,933	4,130
Rebelaires	325	17,254	17,579	0
Show Choir Invitational	5,568	37,683	37,946	5,305
Instrumental Music	336	4,381	2,240	2,477
Jazz Band	130	0	0	130
Cross Country	0	491	491	0
Boy's Basketball	4,245	4,150	3,538	4,857
Football	5,187	6,756	5,937	6,006
Boy's Soccer	242	1,153	1,395	0
Baseball	780	3,669	4,116	333
Boy's Track	0	1,112	1,112	0
Boy's Golf	375	293	187	481
Wrestling	2,006	3,269	4,366	909
Girl's Basketball	2,566	3,656	4,305	1,917
Volleyball	4,298	2,728	2,817	4,209
Girl's Soccer	317	813	1,130	0
Softball	(280)	4,187	3,907	0
Girl's Track	81	1,175	1,070	186
Girl's Golf	53	0	0	53
Industrial Tech. Club	860	579	1,067	372
Student Affairs	6,170	7,520	7,973	5,717
Annual	5,905	6,879	9,371	3,413
HS Special Olympics	374	0	0	374
Science-Math Club	54	0	0	54
National Honor Society	1,192	3,431	4,287	336
Quiz Bowl	0	20	(505)	525
Future Problem Solving	1,187	2,389	2,891	685
Weight Room	227	246	300	173
FFA	0	18,379	15,216	3,163
FFA Trust	3,892	37	0	3,929
FHA	246	1,239	1,121	364
Business Education Club	943	0	80	863
Athletic Boosters	5,403	13,286	12,889	5,800
Season Passes	462	7,846	7,038	1,270
Class of 2002	374	0	374	0
Class of 2004	25	40	65	0
Class of 2005	814	3,390	4,204	0
Class of 2006	0	4,711	4,474	237
HS Student Council	102	5,920	5,805	217
Cheerleaders	0	45	45	0
Basketball Cheerleaders	0	50	0	50
Wrestling Cheerleading	0	274	181	93
Drill Team	1,568	18,528	19,953	143
After Prom Party	3,557	9,343	8,923	3,977
Total	<u>\$ 65,628</u>	<u>260,663</u>	<u>256,999</u>	<u>69,292</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 1,878	41,980	42,982	876
LIABILITIES				
Due to other groups	\$ 1,878	41,980	42,982	876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD 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	\$ 3,852,725	3,694,553	3,012,354	2,915,228
Tuition	247,314	303,419	266,687	235,554
Other	387,476	454,843	854,811	922,823
State sources	2,220,110	2,235,401	2,206,482	2,236,908
Federal sources	148,300	173,376	148,096	102,886
Total	<u>\$ 6,855,925</u>	<u>6,861,592</u>	<u>6,488,430</u>	<u>6,413,399</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,254,595	2,299,687	2,100,000	2,169,526
Special instruction	717,390	795,993	843,859	752,425
Other instruction	681,518	539,839	605,042	580,664
Support services:				
Student services	144,734	137,146	131,550	132,044
Instructional staff services	123,536	97,427	89,112	111,433
Administration services	580,160	570,496	543,775	522,739
Operation and maintenance of plant services	368,832	355,605	340,318	278,145
Transportation services	436,236	454,468	403,213	419,117
Central services	0	0	0	5,324
Non-instructional programs	737	704	599	480
Other expenditures:				
Facilities acquisitions	96,863	145,996	1,139,743	3,592,363
Long-term debt:				
Principal	1,015,000	965,000	935,000	685,000
Interest and other charges	178,252	218,792	256,814	254,926
AEA flow-through	189,051	193,525	206,578	208,929
Total	<u>\$ 6,786,904</u>	<u>6,774,678</u>	<u>7,595,603</u>	<u>9,713,115</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
Westwood 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 Westwood 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 October 20, 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 Westwood Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part 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 Westwood 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

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immaterial instances of non-compliance or other matters 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 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 Westwood Community School District and other parties to whom Westwood 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 Westwood 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.

October 20, 2005

WESTWOOD 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 internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its 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.

I-B-05 Authorized Check Signatures - We noted during the audit that check signers were not authorized by the board to sign Activity Fund checks.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District in compliance with Chapter 291.1 and 291.8 of the Code of Iowa. However, the Board President may designate an individual to sign warrants. The District should review procedures, and adopt necessary changes to ensure two authorized signatures on each check.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

WESTWOOD 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 disbursements for the year ended June 30, 2005 did not exceed the certified budget amounts.
- 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 deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 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 a deficit unreserved fund balance of \$28,684 in the Management Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will monitor this fund and investigate any available options to eliminate this deficit.

Conclusion - Response accepted.