

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2004

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
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CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2004

Name	Title	Term Expires
Board of Education		
(Before September 2003 Election)		
Randall Horman	Board President	2003
Vicki Connelly	Board Member	2003
Debra Griebel	Board Member	2004
Kimberly Kay	Board Member (redistricted, 2 year term)	2004
Dean Boussetlot	Board Member	2005
Bret Dosland	Board Member	2005
Todd Rohling	Board Member	2005
(After September 2003 Election)		
Debra Griebel	Board President	2004
Kimberly Kay	Board Member	2004
Dean Boussetlot	Board Member	2005
Bret Dosland	Board Member	2005
Todd Rohling	Board Member	2005
Autumn Reiling	Board Member (resigned May 2004)	2006
Nancy Kelting	Board Member	2006
Jan Muhl	Board Member (appointed July 2004)	2006
School Officials		
Charles Freese	Superintendent	2004
Marika Pewe	District Secretary/Treasurer	2004
Lane & Waterman	Attorney	2004

KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100

Muscatine, Iowa 52761

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Calamus Wheatland Community School District
Wheatland, Iowa

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Calamus Wheatland Community School District, Wheatland Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 Calamus Wheatland Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Calamus Wheatland Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated August 24, 2004 on my consideration of Calamus Wheatland Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calamus Wheatland Community School District's basic financial statements. I 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, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.


Kay L. Chapman, CPA PC
August 24, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calamus Wheatland 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

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

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,853,859 in fiscal 2003 to \$3,741,571 in fiscal 2004, while General Fund expenditures increased from \$3,764,024 in fiscal 2003 to \$3,770,716 in fiscal 2004. The District's General Fund balance decreased from \$582,056 in fiscal 2003 to \$552,911 in fiscal 2004, a 5% decrease.
- The decrease in General Fund revenue was attributable to a decrease in property tax, state aid and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$27,209 in fiscal 2003 to \$6,341 in fiscal 2004.

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 Calamus Wheatland 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 Calamus Wheatland 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 Calamus Wheatland 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 Governmental Funds.

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

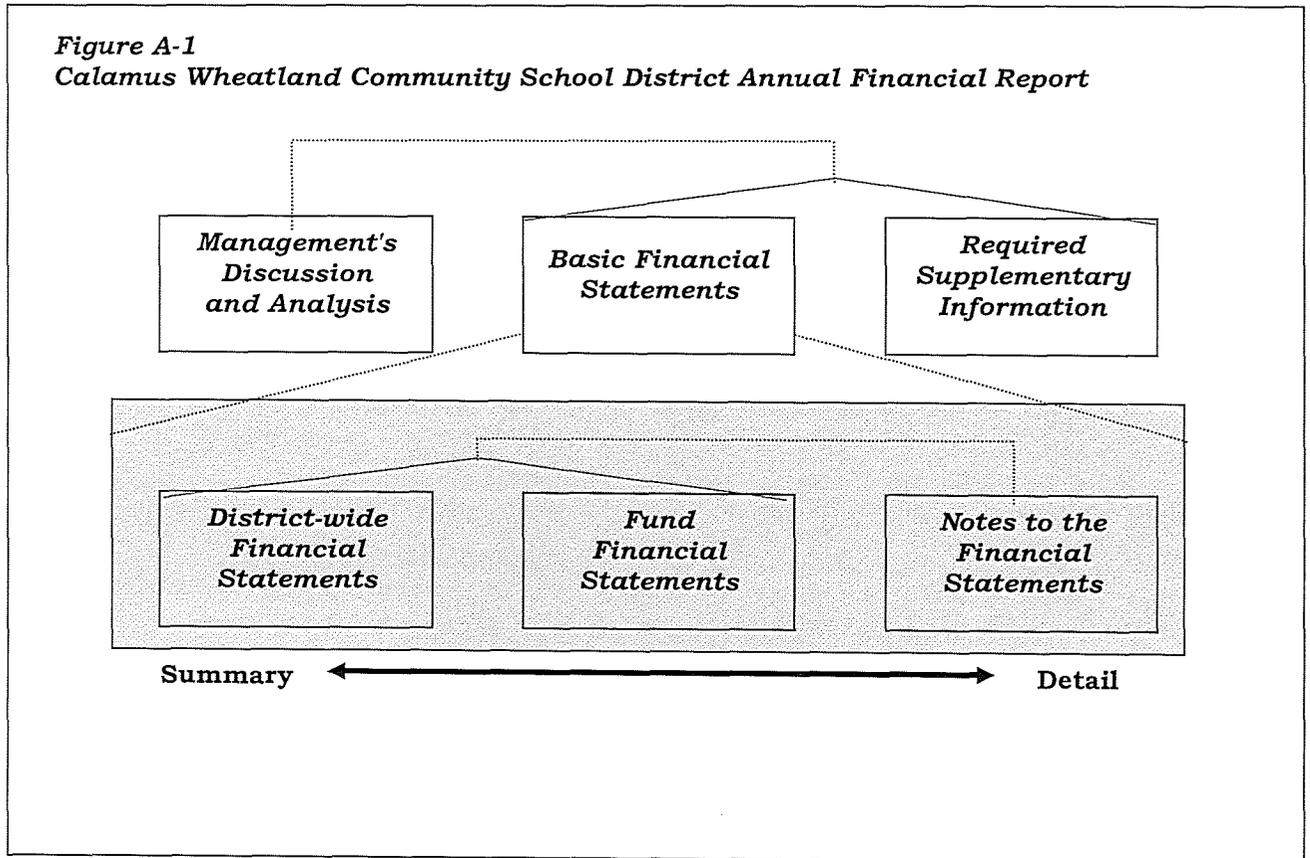


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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 fund 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, 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 establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds also account for the District's Internal Service Fund, which is an accounting device used to accumulate and allocate costs internally among the District's various functions. 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 and one Internal Service Fund, Flex-benefit 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 the trustee, or fiduciary, for assets that belong to others. These funds include a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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 at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$ 3,043,787	\$ 2,848,000	\$ 23,223	\$ 9,718	\$ 3,067,010	\$ 2,857,718	7.32%
Capital assets	<u>4,748,218</u>	<u>4,936,529</u>	-	-	<u>4,748,218</u>	<u>4,936,529</u>	-3.81%
Total assets	<u>7,792,005</u>	<u>7,784,529</u>	<u>23,223</u>	<u>9,718</u>	<u>7,815,228</u>	<u>7,794,247</u>	0.27%
Long-term obligations	2,755,000	2,975,000	-	-	2,755,000	2,975,000	0.00%
Other liabilities	<u>2,052,517</u>	<u>2,001,567</u>	<u>12,576</u>	-	<u>2,065,093</u>	<u>2,001,567</u>	3.17%
Total liabilities	<u>4,807,517</u>	<u>4,976,567</u>	<u>12,576</u>	-	<u>4,820,093</u>	<u>4,976,567</u>	-3.14%
Net assets							
Invested in capital assets, net of related debt	1,993,218	1,961,529	-	-	1,993,218	1,961,529	1.62%
Restricted	420,637	240,471	-	-	420,637	240,471	74.92%
Unrestricted	<u>570,633</u>	<u>605,962</u>	<u>10,647</u>	<u>9,718</u>	<u>581,280</u>	<u>615,680</u>	-5.59%
Total net assets	<u>\$ 2,984,488</u>	<u>\$ 2,807,962</u>	<u>\$ 10,647</u>	<u>\$ 9,718</u>	<u>\$ 2,995,135</u>	<u>\$ 2,817,680</u>	6.30%

The District's combined net assets increased by approximately 6.3 %, or \$177,455 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), 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 restricted net assets increased \$180,166, or 74.9% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund and the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$34,400, or 5.6%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

	Figure A-4 Change in Net Assets		
	Governmental Activities	Business-type Activities	Total School District
Revenues			
Program revenues			
Charges for service and sales	\$ 361,480	\$ 110,462	\$ 471,942
Operating grants, contributions and restricted interest	543,936	93,836	637,772
General revenues			
Property tax	2,038,426	-	2,038,426
Unrestricted state grants	1,655,301	-	1,655,301
Unrestricted investment earnings	9,441	108	9,549
Other	<u>3,107</u>	<u>-</u>	<u>3,107</u>
Total revenues	<u>4,611,691</u>	<u>204,406</u>	<u>4,816,097</u>
Program expenses			
Governmental activities			
Instruction	2,718,530	-	2,718,530
Support services	1,037,434	-	1,037,434
Non-instructional programs	97,486	203,477	300,963
Other expenses	<u>581,715</u>	<u>-</u>	<u>581,715</u>
Total expenses	<u>4,435,165</u>	<u>203,477</u>	<u>4,638,642</u>
Change in net assets	<u>\$ 176,526</u>	<u>\$ 929</u>	<u>\$ 177,455</u>

Property tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,611,691 and expenses were \$4,435,165.

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

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 2,718,530	\$ 1,967,848
Support services	1,037,434	1,030,288
Non-instructional programs	97,486	97,486
Other expenses	<u>581,715</u>	<u>434,127</u>
Total expenses	<u>\$ 4,435,165</u>	<u>\$ 3,529,749</u>

- The cost financed by users of the District’s programs was \$361,480.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$543,936.
- The net cost of governmental activities was financed with \$2,038,426 in property taxes and \$1,655,301 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$204,406 and expenses were \$203,477. 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 did not increase meal prices. The District does consider meal prices only when deemed necessary to meet the obligations of the School Nutrition Fund.

INDIVIDUAL FUND ANALYSIS

As previously noted, Calamus Wheatland 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 \$936,709, well above last year’s ending fund balances of \$789,053. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to increased fund balances in the restricted net asset areas.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the result of many factors. Increasing health insurance costs and the negotiated package with the Calamus Wheatland Education Association plays a major factor each fiscal year in increasing expenditures. Also, fiscal year 2004 was the last year of a three-year federal grant for the 21st Century after school program.
- The General Fund balance decreased from \$582,056 to \$552,911, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased \$133,233 from the fiscal 2003 balance of \$203,744 to the fiscal 2004 balance of \$336,977. The increase consisted primarily of Local Option Sales and Service Tax revenue that will be expended as a building project is completed in fiscal year 2005.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$9,718 at June 30, 2003 to \$10,647 at June 30, 2004, representing an increase of approximately 9%. For fiscal 2004, fewer repair expenditures were incurred resulting in the increase to the fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calamus Wheatland Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the health benefit premium increase and for the building project expenditures that were not known at the time the budget was certified.

The District's receipts were \$141,400 more than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving more in federal aid than originally anticipated.

Total expenditures were \$450,295 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at a reasonably higher amount but less than 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.

The District's budget was not exceeded during the year ended June 30, 2004.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$4,993,171, 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 3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$262,518.

The original cost of the District's capital assets was \$8,326,452 all within the Governmental Funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's equipment totaled \$1,265,329 at June 30, 2004 compared to \$1,222,042 at June 30, 2003. The change resulted from purchases of computers for labs, cafeteria tables, a tractor mower and car, with the retirements of the used tractor mower and cafeteria tables.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
Land	\$ 248,329	\$ 248,329	\$ -	\$ -	\$ 248,329	\$ 248,329	0.00%
Buildings and improvements	4,073,698	4,187,517	-	-	4,073,698	4,187,517	-2.72%
Improvements, other than buildings	225,799	250,000	-	-	225,799	250,000	-9.68%
Furniture and equipment	<u>445,345</u>	<u>495,636</u>	<u>-</u>	<u>-</u>	<u>445,345</u>	<u>495,636</u>	-10.15%
Totals	<u>\$4,993,171</u>	<u>\$5,181,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,993,171</u>	<u>\$5,181,482</u>	-3.63%

Long-Term Debt

At June 30, 2004, the District had \$2,755,000 in general obligation and other long-term debt outstanding. This represents a decrease of 7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In May 2001, the District refunded \$3,375,000 in general obligation bonds to pay for construction and remodeling projects at the elementary and secondary buildings that were completed in 1999. The original bonds were issued in 1995.

Figure A-7

Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
General obligation bonds	\$ 2,755,000	\$ 2,975,000	-7.39%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's assessed valuation decreased 6% on 01/01/2003 due primarily to re-evaluations of agricultural land. This did not affect the revenue for operating but could reduce revenue for PPEL and future bond issues. There has been an increase in residential property assessed valuations and this will take effect in fiscal year 2006.
- Although the District has experienced stable enrollment for the past few years, the District expects a slight increase in enrollment due to smaller graduating classes and then a decline with several larger graduating classes.
- The District continually evaluates the condition of its vehicle fleet. Due to increased mileage on cars, the District will pursue replacing vehicles with funds available in the Physical Plant and Equipment Levy Fund.
- The District negotiates with the Calamus Wheatland Education Association on an annual basis. The negotiated wage and benefit package with health insurance benefits have continued to increase over the past years. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

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 Marika Pewe, District Secretary/Treasurer and Business Manager, Calamus Wheatland Community School District, 110 East Park Road, PO Box 279, Wheatland, Iowa, 52777.

Basic Financial Statements

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,330,040	\$ 12,710	\$ 1,342,750
Receivables			
Property tax			
Delinquent	22,976	-	22,976
Succeeding year	1,613,104	-	1,613,104
Accrued interest	497	-	497
Accounts receivable	32,003	-	32,003
Due from other governments	45,167	9,360	54,527
Inventories	-	1,153	1,153
Capital assets, net of accumulated depreciation	4,993,171	-	4,993,171
Total assets	8,036,958	23,223	8,060,181
 LIABILITIES			
Accounts payable	45,009	-	45,009
Salaries and benefits payable	334,815	12,576	347,391
Due to other governments	426	-	426
Accrued interest payable	9,656	-	9,656
Deferred revenue - succeeding year property tax	1,613,104	-	1,613,104
Deferred revenue - unspent grant proceeds	49,507	-	49,507
Long-term liabilities			
Portion due within one year			
Bonds payable	230,000	-	230,000
Portion due after one year			
Bonds payable	2,525,000	-	2,525,000
Total liabilities	4,807,517	12,576	4,820,093
 NET ASSETS			
Invested in capital assets, net of related debt	2,238,171	-	2,238,171
Restricted for			
Capital projects	336,977	-	336,977
Management levy	753	-	753
Physical plant and equipment levy	47,750	-	47,750
Other special revenue purposes	35,157	-	35,157
Unrestricted	570,633	10,647	581,280
Total net assets	\$ 3,229,441	\$ 10,647	\$ 3,240,088

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2004

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$1,849,630	\$221,274	\$221,644	\$ -	\$(1,406,712)	\$ -	\$(1,406,712)
Special instruction	605,885	42,161	73,642	-	(490,082)	-	(490,082)
Other instruction	<u>263,015</u>	<u>91,058</u>	<u>100,903</u>	-	<u>(71,054)</u>	-	<u>(71,054)</u>
	<u>2,718,530</u>	<u>354,493</u>	<u>396,189</u>	-	<u>(1,967,848)</u>	-	<u>(1,967,848)</u>
Support services							
Student services	99,484	-	-	-	(99,484)	-	(99,484)
Instructional staff services	35,084	-	-	-	(35,084)	-	(35,084)
Administration services	372,900	-	-	-	(372,900)	-	(372,900)
Operation and maintenance of plant services	303,036	-	-	-	(303,036)	-	(303,036)
Transportation services	<u>226,930</u>	<u>6,987</u>	<u>159</u>	-	<u>(219,784)</u>	-	<u>(219,784)</u>
	<u>1,037,434</u>	<u>6,987</u>	<u>159</u>	-	<u>(1,030,288)</u>	-	<u>(1,030,288)</u>
Non-instructional programs	<u>97,486</u>	-	-	-	<u>(97,486)</u>	-	<u>(97,486)</u>
Other expenditures							
Facilities acquisition	171,619	-	-	-	(171,619)	-	(171,619)
Long-term debt interest	122,042	-	-	-	(122,042)	-	(122,042)
AEA flowthrough	147,588	-	147,588	-	-	-	-
Depreciation (unallocated) *	<u>140,466</u>	-	-	-	<u>(140,466)</u>	-	<u>(140,466)</u>
	<u>581,715</u>	-	<u>147,588</u>	-	<u>(434,127)</u>	-	<u>(434,127)</u>
Total governmental activities	<u>4,435,165</u>	<u>361,480</u>	<u>543,936</u>	-	<u>(3,529,749)</u>	-	<u>(3,529,749)</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2004

Exhibit B

<u>Functions/Programs (continued)</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Business-type activities							
Non-instructional programs							
Food service operations	\$ 203,477	\$ 110,462	\$ 93,836	\$ -	\$ -	\$ 821	\$ 821
Total	<u>\$4,638,642</u>	<u>\$471,942</u>	<u>\$ 637,772</u>	<u>\$ -</u>	<u>(3,529,749)</u>	<u>821</u>	<u>(3,528,928)</u>
 <u>General Revenues</u>							
Property tax levied for							
General purposes				1,313,927	-		1,313,927
Capital projects				385,555	-		385,555
Debt service				338,944	-		338,944
Unrestricted state grants				1,655,301	-		1,655,301
Unrestricted investment earnings				9,441	108		9,549
Other				3,107	-		3,107
Total general revenues				<u>3,706,275</u>	<u>108</u>		<u>3,706,383</u>
Change in net assets				176,526	929		177,455
Net assets, beginning of year, as restated				3,052,915	9,718		3,062,633
Net assets, end of year				<u>\$ 3,229,441</u>	<u>\$ 10,647</u>		<u>\$ 3,240,088</u>

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

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2004

	General	Capital Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 930,478	\$294,802	\$ 36,074	\$ 1,261,354
Receivables				
Property tax				
Delinquent	16,357	-	6,619	22,976
Succeeding year	1,127,162	-	485,942	1,613,104
Accounts receivable	32,003	-	-	32,003
Accrued interest	382	69	-	451
Due from other funds	-	-	4,128	4,128
Due from other governments	-	45,167	-	45,167
Total assets and other debits	<u>\$ 2,106,382</u>	<u>\$340,038</u>	<u>\$ 532,763</u>	<u>\$ 2,979,183</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 37,433	\$ 3,061	\$ -	\$ 40,494
Salaries and benefits payable	334,815	-	-	334,815
Due to other funds	4,128	-	-	4,128
Due to other governments	426	-	-	426
Deferred revenue				
Succeeding year property tax	1,127,162	-	485,942	1,613,104
Other	49,507	-	-	49,507
Total liabilities	<u>1,553,471</u>	<u>3,061</u>	<u>485,942</u>	<u>2,042,474</u>
Fund balances				
Reserved for				
Phase III	7,753	-	-	7,753
Talented and gifted	4,500	-	-	4,500
Iowa Early Intervention grant	6,930	-	-	6,930
Unreserved, undesignated	533,728	336,977	-	870,705
Special revenue	-	-	83,660	83,660
Other governmental	-	-	(36,839)	(36,839)
Total fund balances	<u>552,911</u>	<u>336,977</u>	<u>46,821</u>	<u>889,888</u>
Total liabilities and fund balances	<u>\$ 2,106,382</u>	<u>\$340,038</u>	<u>\$ 532,763</u>	<u>\$ 2,979,183</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2004

Exhibit D

Total fund balances of governmental funds	\$ 936,709
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,993,171
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	64,217
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.	(9,656)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,755,000)</u>
Net assets of governmental activities	<u>\$ 3,229,441</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 1,262,464	\$ 300,906	\$ 475,056	\$ 2,038,426
Tuition	250,049	-	-	250,049
Other	29,821	2,101	92,057	123,979
State sources	1,963,060	-	-	1,963,060
Federal sources	236,177	-	-	236,177
Total revenues	3,741,571	303,007	567,113	4,611,691
Expenditures				
Current				
Instruction				
Regular instruction	1,775,414	-	15,423	1,790,837
Special instruction	605,885	-	-	605,885
Other instruction	185,143	-	77,872	263,015
	2,566,442	-	93,295	2,659,737
Support services				
Student services	99,484	-	-	99,484
Instructional staff services	35,084	-	-	35,084
Administration services	358,610	-	14,290	372,900
Operation and maintenance of plant services	270,911	-	44,766	315,677
Transportation services	199,744	-	7,324	207,068
	963,833	-	66,380	1,030,213
Non-instructional programs	92,853	-	-	92,853
Other expenditures				
Facilities acquisition	-	169,774	21,094	190,868
Long-term debt				
Principal	-	-	220,000	220,000
Interest and fiscal charges	-	-	122,776	122,776
AEA flowthrough	147,588	-	-	147,588
	147,588	169,774	363,870	681,232
Total expenditures	3,770,716	169,774	523,545	4,464,035
Net change in fund balances	(29,145)	133,233	43,568	147,656
Fund balance, beginning of year, as restated	582,056	203,744	3,253	789,053
Fund balance, end of year	\$ 552,911	\$ 336,977	\$ 46,821	\$ 936,709

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT Exhibit F
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 147,656

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. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 74,207	
Depreciation expense	<u>(262,518)</u>	(188,311)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 220,000

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (3,553)

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. 734

Change in net assets of governmental activities \$ 176,526

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Exhibit G

Statement of Net Assets
 Nonmajor Proprietary Funds
 June 30, 2004

	Business-type <u>Activity</u> Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>	<u>Total</u>
ASSETS			
Cash and pooled investments	\$ 12,710	\$ 68,686	\$ 81,396
Accrued interest	-	46	46
Inventories	1,153	-	1,153
Due from other governments	<u>9,360</u>	<u>-</u>	<u>9,360</u>
Total assets	<u>23,223</u>	<u>68,732</u>	<u>91,955</u>
LIABILITIES			
Liabilities			
Accounts payable	-	4,515	4,515
Salaries and benefits payable	<u>12,576</u>	<u>-</u>	<u>12,576</u>
Total liabilities	12,576	4,515	17,091
NET ASSETS			
Unreserved retained earnings	<u>10,647</u>	<u>64,217</u>	<u>74,864</u>
Total net assets	<u>\$ 10,647</u>	<u>\$ 64,217</u>	<u>\$ 74,864</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2004

Exhibit H

	<u>Business-type</u> <u>Activity</u> <u>Nonmajor</u> <u>Enterprise</u>	<u>Governmental</u> <u>Activity</u> <u>Internal</u> <u>Service</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 110,462	\$ 95,350	\$ 205,812
 Operating expenses			
Non-instructional programs			
Salaries	76,345	-	76,345
Benefits	29,792	-	29,792
Purchased services	2,754	98,903	101,657
Supplies	94,586	-	94,586
Total operating expenses	<u>203,477</u>	<u>98,903</u>	<u>302,380</u>
 Operating loss	<u>(93,015)</u>	<u>(3,553)</u>	<u>(96,568)</u>
 Non-operating revenue			
Interest income	108	-	108
State sources	3,462	-	3,462
Federal sources	90,374	-	90,374
Total non-operating revenue	<u>93,944</u>	<u>-</u>	<u>93,944</u>
 Change in net assets	929	(3,553)	(2,624)
 Net assets, beginning of year	<u>9,718</u>	<u>67,770</u>	<u>77,488</u>
 Net assets, end of year	<u>\$ 10,647</u>	<u>\$ 64,217</u>	<u>\$ 74,864</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows
 Nonmajor Proprietary Funds
 For the Year Ended June 30, 2004

	Business-type <u>Activity</u> Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of lunches and breakfasts	\$ 110,462	\$ -	\$ 110,462
Cash received from sale of services	-	95,360	95,360
Cash payments to employees for services	(93,561)	-	(93,561)
Cash payments to suppliers for goods and services	<u>(86,100)</u>	<u>(96,064)</u>	<u>(182,164)</u>
Net cash used in operating activities	<u>(69,199)</u>	<u>(704)</u>	<u>(69,903)</u>
Cash flows from non-capital financing activities			
State grants received	3,462	-	3,462
Federal grants received	<u>71,072</u>	<u>-</u>	<u>71,072</u>
Net cash provided by non-capital financing activities	<u>74,534</u>	<u>-</u>	<u>74,534</u>
Cash flows from investing activities			
Interest on investments	<u>108</u>	<u>-</u>	<u>108</u>
Net increase (decrease) in cash and cash equivalents	5,443	(704)	4,739
Cash and cash equivalents, beginning of year	<u>7,267</u>	<u>69,390</u>	<u>76,657</u>
Cash and cash equivalents, end of year	<u>\$ 12,710</u>	<u>\$ 68,686</u>	<u>\$ 81,396</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (93,015)	\$ (3,553)	\$ (96,568)
Adjustments to reconcile operating loss to net cash used in operating activities			
Commodities used	9,942	-	9,942
Decrease in inventories	1,298	-	1,298
Decrease in accounts receivable	-	10	10
Increase in accounts payable	-	2,839	2,839
Increase in salaries and benefits payable	<u>12,576</u>	<u>-</u>	<u>12,576</u>
Net cash used in operating activities	<u>\$ (69,199)</u>	<u>\$ (704)</u>	<u>\$ (69,903)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2004, the District received \$9,942 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2004

Exhibit J

	Private Purpose <u>Trust</u> <u>Scholarships</u>
Assets	
Cash and pooled investments	\$123,139
Accrued interest	<u>3,709</u>
Total assets	126,848
Liabilities	<u>-</u>
Net assets	
Reserved for scholarships	<u>\$126,848</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 For the Year Ended June 30, 2004

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ 3,738
Deductions	
Instruction - regular	
Scholarships awarded	<u>4,666</u>
Change in net assets	(928)
Net assets, beginning of year	<u>127,776</u>
Net assets, end of year	<u>\$ 126,848</u>

See notes to financial statements and Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

Note 1. Summary of Significant Accounting Policies

The Calamus Wheatland 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. The geographic area served includes the Cities of Calamus and Wheatland, Iowa, and the agricultural territory in Clinton and Scott 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, Calamus Wheatland 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 Calamus Wheatland Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

The District does not participate in any jointly governed organizations for which the District is financially accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading.

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

The District reports no major proprietary funds. However, the District reports a nonmajor proprietary fund; an Internal Service Fund, which is utilized for employee flexible benefits.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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 and claims and judgments 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 funds 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, they 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

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 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.

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

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenses 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 receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of unspent grant proceeds as well as 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 Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures did not exceed the amounts budgeted nor did the District exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2004, 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.

The District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$722,981 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Physical Plant and Equipment Levy Fund	General Fund	\$ 4,128

The General Fund is repaying the Physical Plant and Equipment Levy Fund for chairs and tables that were incorrectly recorded during the prior year. The balance will be repaid during the year ending June 30, 2005.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 248,329	\$ -	\$ -	\$ 248,329
Capital assets being depreciated:				
Buildings and improvements	6,303,502	-	-	6,303,502
Improvements other than buildings	509,292	-	-	509,292
Furniture and equipment	<u>1,222,042</u>	<u>74,207</u>	<u>(30,920)</u>	<u>1,265,329</u>
Total capital assets being depreciated	<u>8,034,836</u>	<u>74,207</u>	<u>(30,920)</u>	<u>8,078,123</u>
Less accumulated depreciation for:				
Buildings and improvements	2,115,985	113,819	-	2,229,804
Improvements other than buildings	259,292	24,201	-	283,493
Furniture and equipment	<u>726,406</u>	<u>124,498</u>	<u>(30,920)</u>	<u>819,984</u>
Total accumulated depreciation	<u>3,101,683</u>	<u>262,518</u>	<u>(30,920)</u>	<u>3,333,281</u>
Total capital assets being depreciated, net	<u>4,933,153</u>	<u>(188,311)</u>	<u>-</u>	<u>4,744,842</u>
Governmental activities capital assets, net	<u>\$ 5,181,482</u>	<u>\$(188,311)</u>	<u>\$ -</u>	<u>\$ 4,993,171</u>

Business-type activities

None

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 81,307
Support services	
Operation and maintenance of plant	1,720
Transportation	34,392
Non-instructional programs	4,633
Unallocated depreciation	<u>140,466</u>
Total governmental activities depreciation expense	<u>\$ 262,518</u>

Business-type activities \$ -

During the year ended June 30, 2004, the District hired an outside company to perform a physical inventory of its capital assets. Also during the year ended June 30, 2004 the District changed its criteria for determining capitalized assets. Prior to the fiscal year ended June 30, 2004 the District included all assets costing more than \$500 in the General Fixed Asset Account Group. However, beginning in FY04 the District only includes items costing in excess of the limits summarized in Note 1, item D as capital assets. Due to these two changes, the District's beginning balance of capital assets in the year ended June 30, 2004 is less than the amounts reported on the financial statements of the prior fiscal year by \$701,780.

Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance, Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance, End <u>of Year</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 2,975,000	\$ -	\$(220,000)	\$ 2,755,000	\$ 230,000

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending	<u>Bond Issue of May 3, 2001</u>			
<u>June 30,</u>	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005		\$ 230,000	\$ 113,575	\$ 343,575
2006		240,000	104,275	344,275
2007		250,000	94,575	344,575
2008		255,000	84,575	339,575
2009		265,000	74,080	339,080
2010		275,000	63,010	338,010
2011		290,000	51,530	341,530
2012		300,000	38,915	338,915
2013		320,000	25,570	345,570
2014		<u>330,000</u>	<u>11,250</u>	<u>341,250</u>
Totals		<u>\$ 2,755,000</u>	<u>\$ 661,355</u>	<u>\$ 3,416,355</u>

Note 6. 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, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$137,776, \$141,877 and \$138,337 respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. 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 \$147,588 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Deficit Balance

The District had an unreserved, undesignated fund deficit of \$36,839 in the Debt Service Fund at June 30, 2004.

Note 10. Correction of Beginning Balances

During the year ended June 30, 2004 an error in the General Fund was noted. The General Fund beginning balance was decreased by \$12,709 to correct the accounts payable amount from the prior year.

Note 11. Accounting Change and Restatements

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	Capital Projects	Nonmajor Governmental	
Net assets June 30, 2003, as previously reported	\$ 582,056	\$ 203,744	\$ 3,253	\$ 789,053
GASB Interpretation 6 adjustments	-	-	-	-
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 582,056</u>	<u>\$ 203,744</u>	<u>\$ 3,253</u>	789,053
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$3,101,683				5,181,482
Long-term liabilities:				
Bonds				(2,975,000)
Accrued interest payable				(10,390)
Internal Service Fund beginning balance				<u>67,770</u>
Net assets July 1, 2003, as restated				<u>\$ 3,052,915</u>

Note 12. Subsequent Event – Construction Project

In July 2004, the District began a construction project to build an activity center and install a geothermal heating/cooling system at the building. The project is expected to be completed by December 2004 and will be paid for, in part, by a grant from the Clinton County Gaming Association for \$250,000. The remainder will be paid from the proceeds of a \$1.5 million Local Option Sales and Services Tax note issued on August 11, 2004.

Note 13. Self-funded Health Insurance

The District utilizes a partial self-funded/partial fully funded plan. This is a combination of a low self-funded single of \$300/\$600 and family \$600/\$900 and a high fully funded plan through Wellmark of single \$2,000/\$4,000 and family \$4,000/\$8,000. Payments to Wellmark are made for its premium and deposits into the Internal Service Fund are made monthly for the self-funded portion. The self-fund plan (Internal Service Fund) deposits and the independent administrator funds/pays for the claim exposure between the two or \$3,400 for single and \$7,100 for family. After the total exposure has been maximized, the fully-funded carrier pays 100%. The District estimates that 25% of those covered will reach full maximum exposure.

At June 30, 2004, the District had accumulated an excess of \$64,217 in its Internal Service Fund to cover employee health care claims. Also, the District continues to fund this plan by depositing premiums into the account on a monthly basis. The District's deposits into this fund have exceeded claims paid from the fund during the years ended June 30, 2004 and 2002. However, the claims exceeded the deposit amounts for the year ended June 30, 2003. All submitted claims had been paid or accrued at June 30, 2004. The District does not expect claims to exceed monies available in the fund during the year ending June 30, 2005.

Required Supplementary Information

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2004

	Governmental	Proprietary	Total	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual				Original	Final	
Revenues								
Local sources	\$ 2,412,454	\$ 205,920	\$ 2,618,374	\$ (95,350)	\$ 2,523,024	\$ 2,467,580	\$ 2,467,580	\$ 55,444
State sources	1,963,060	3,462	1,966,522	-	1,966,522	1,949,813	1,949,813	16,709
Federal sources	236,177	90,374	326,551	-	326,551	257,304	257,304	69,247
Total revenues	<u>4,611,691</u>	<u>299,756</u>	<u>4,911,447</u>	<u>(95,350)</u>	<u>4,816,097</u>	<u>4,674,697</u>	<u>4,674,697</u>	<u>141,400</u>
Expenditures								
Instruction	2,659,737	-	2,659,737	-	2,659,737	2,611,839	2,690,079	30,342
Support services	1,030,213	-	1,030,213	-	1,030,213	1,113,734	1,113,734	83,521
Non-instructional programs	92,853	302,380	395,233	(98,903)	296,330	287,590	307,000	10,670
Other expenditures	681,232	-	681,232	-	681,232	1,006,994	1,006,994	325,762
Total expenditures	<u>4,464,035</u>	<u>302,380</u>	<u>4,766,415</u>	<u>(98,903)</u>	<u>4,667,512</u>	<u>5,020,157</u>	<u>5,117,807</u>	<u>450,295</u>
Net change in fund balance	147,656	(2,624)	145,032	3,553	148,585	(345,460)	(443,110)	(294,525)
Balance, beginning of year, as restated	789,053	77,488	866,541	(67,770)	798,771	3,672,010	3,672,010	(2,873,239)
Balance, end of year	<u>\$ 936,709</u>	<u>\$ 74,864</u>	<u>\$ 1,011,573</u>	<u>\$ (64,217)</u>	<u>\$ 947,356</u>	<u>\$ 3,326,550</u>	<u>\$ 3,228,900</u>	<u>\$ (2,281,544)</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2004

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 Internal Service funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a basis consistent with U.S. generally accepted accounting principles.

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$97,650.

During the year ended June 30, 2004, District expenditures did not exceed the amounts budgeted in any of the four functions nor did the General Fund expenditures exceed the unspent authorized budget.

Other Supplementary Information

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2004

Schedule 1

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 36	\$ 35,157	\$ 42,443	\$ -	\$ 77,636
Receivables					
Property tax					
Current year delinquent	717	-	1,179	4,723	6,619
Succeeding year	62,000	-	80,367	343,575	485,942
Due from other fund	-	-	4,128	-	4,128
Total assets	<u>\$ 62,753</u>	<u>\$ 35,157</u>	<u>\$ 128,117</u>	<u>\$ 348,298</u>	<u>\$ 574,325</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Warrants issued in excess of bank balance	\$ -	\$ -	\$ -	\$ 41,562	\$ 41,562
Deferred revenue					
Succeeding year property tax	62,000	-	80,367	343,575	485,942
Total liabilities	<u>62,000</u>	<u>-</u>	<u>80,367</u>	<u>385,137</u>	<u>527,504</u>
Fund Equity					
Unreserved fund balances	753	35,157	47,750	(36,839)	46,821
Total liabilities and fund equity	<u>\$ 62,753</u>	<u>\$ 35,157</u>	<u>\$ 128,117</u>	<u>\$ 348,298</u>	<u>\$ 574,325</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

Schedule 2

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Debt	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u> </u>
Revenues					
Local sources					
Local taxes	\$ 51,463	\$ -	\$ 84,649	\$ 338,944	\$ 475,056
Other	-	91,501	89	467	92,057
Total revenues	51,463	91,501	84,738	339,411	567,113
Expenditures					
Current					
Instruction					
Regular instruction	-	-	15,423	-	15,423
Other instruction	-	77,872	-	-	77,872
Support services					
Administration services	14,290	-	-	-	14,290
Operation and maintenance of plant services	30,405	-	14,361	-	44,766
Transportation services	7,324	-	-	-	7,324
Other expenditures					
Facilities acquisition	-	-	21,094	-	21,094
Long-term debt					
Principal	-	-	-	220,000	220,000
Interest and fiscal charges	-	-	-	122,776	122,776
Total expenditures	52,019	77,872	50,878	342,776	523,545
Excess (deficiency) of revenues over (under) expenditures	(556)	13,629	33,860	(3,365)	43,568
Fund balances, beginning of year	1,309	21,528	13,890	(33,474)	3,253
Fund balances, end of year	\$ 753	\$ 35,157	\$ 47,750	\$ (36,839)	\$ 46,821

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2004

Schedule 3

Account	Balance, End of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
Athletics	\$ 1,265	\$ 22,866	\$ 22,819	\$ 1,312
Student insurance accounts	1,149	7,534	392	8,291
Annual	2,623	6,884	7,921	1,586
Class of:				
2003	48	-	48	-
2004	2,431	3,011	5,434	8
2005	629	9,326	5,379	4,576
2006	78	471	30	519
2007	-	229	-	229
Juice fund	207	749	712	244
Art	55	-	-	55
Cheerleading	263	-	95	168
Dance	173	7,192	4,054	3,311
FFA club	1,497	2,984	4,300	181
Vocal	683	543	294	932
Student council	1,036	6,692	6,264	1,464
Junior high student council	151	1,334	1,296	189
Instrumental fund	735	745	22	1,458
Interest	249	175	304	120
Science club	369	-	-	369
School play	3,099	1,754	1,465	3,388
Special Olympics	102	650	650	102
Pop fund	822	5,758	5,826	754
National Honor Society	432	1,130	550	1,012
Elementary				
Student activity	311	1,924	2,135	100
Pop fund	293	1,867	1,806	354
ETCEP	837	348	-	1,185
Student pictures	1,460	1,720	1,417	1,763
Instrumental music	225	1,319	1,297	247
School	57	-	-	57
Make a Difference fund	14	-	-	14
Library	235	4,335	3,401	1,169
Totals	<u>\$ 21,528</u>	<u>\$ 91,540</u>	<u>\$ 77,911</u>	<u>\$ 35,157</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND 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			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues				
Local sources				
Local tax	\$ 2,038,426	\$ 1,965,199	\$ 1,842,083	\$ 1,540,142
Tuition	250,049	189,003	202,421	158,061
Other	123,979	158,141	270,568	173,275
State sources	1,963,060	2,015,233	2,078,984	2,049,801
Federal sources	236,177	237,172	176,412	99,139
Total revenues	<u>\$ 4,611,691</u>	<u>\$ 4,564,748</u>	<u>\$ 4,570,468</u>	<u>\$ 4,020,418</u>
Expenditures				
Instruction				
Regular instruction	1,790,837	1,733,648	1,827,544	1,714,603
Special instruction	605,885	536,589	485,686	428,316
Other instruction	263,015	294,982	307,612	299,895
Support services				
Student services	99,484	118,892	108,526	97,889
Instructional staff services	35,084	58,298	61,136	84,596
Administration services	372,900	371,245	345,153	390,841
Operation and maintenance of plant services	315,677	363,950	306,554	353,828
Transportation services	207,068	218,774	151,178	166,379
Non-instructional programs	92,853	95,888	6,350	114,782
Other expenditures				
Facilities acquisition	190,868	170,929	128,854	54,023
Long-term debt				
Principal	220,000	200,000	360,000	150,000
Interest and other charges	122,776	130,975	339,930	253,900
AEA flowthrough	147,588	158,290	159,017	148,291
Total expenditures	<u>\$ 4,464,035</u>	<u>\$ 4,452,460</u>	<u>\$ 4,587,540</u>	<u>\$ 4,257,343</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761

563-264-1385

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education
Calamus Wheatland Community School District
Wheatland, Iowa

I have audited the financial statements of the Calamus Wheatland Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated August 24, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Calamus Wheatland Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that are described below.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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. Prior year statutory comments have been resolved except for item 11. Current year statutory comments are detailed as follows:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

2. Certified Budget - Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.
3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. 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.
5. Business Transactions - No business transactions between the District and District officials were noted.
6. 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.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.
11. Financial Condition - The District had unreserved, undesignated fund deficits in the Debt Service Fund of \$36,839 at June 30, 2004.

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

Response - This deficit was due to the costs associated with the bond refinancing and delinquent property taxes. The deficit is expected to be eliminated by collection of property taxes and the savings generated from the debt refinancing over the life of the debt.

Conclusion - Response accepted.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Calamus Wheatland Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Calamus Wheatland Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Prior year reportable conditions have not been resolved. Current year reportable conditions are as follows:

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

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

Response - We will investigate available alternatives and implement as deemed necessary.

Conclusion - Response accepted.

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 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. My 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, I believe the lack of segregation of duties is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Calamus Wheatland Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Calamus Wheatland Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
August 24, 2004

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2004

This audit was performed by

Kay Chapman, CPA