WAPELLO COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2004

WAPELLO COMMUNITY SCHOOL DISTRICT
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WAPELLO COMMUNITY SCHOOL DISTRICT
Officials
June 30, 2004

Name	Title		Term Expires
	Board of Education		
	(Before September, 2003 Election)		
Don Hardin	Board President		2004
Mike Delzell	Board Member	(appointed 10/10/02)	2003
Julie Ohde	Board Member		2003
Rod Fisher	Board Member		2004
Steve Dickey	Board Member		2005
	(After September, 2003 Election)		
Don Hardin	Board President		2004
Rod Fisher	Board Member		2004
Steve Dickey	Board Member		2005
Mike Delzell	Board Member		2006
Julie Ohde	Board Member		2006
	School Officials		
Doug Graber	Superintendent		2004
Virginia Maine	District Secretary		2004
Janell Heater	District Treasurer		2004
Roger Huddle	Attorney		2004

KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100
Muscatine, Iowa 52761
563-264-1385

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Wapello Community School District
Wapello, 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 Wapello Community School District, Wapello 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 Wapello 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 10 to the financial statements, during the year ended June 30, 2004, Wapello 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 July 28, 2004 on my consideration of Wapello 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 42 through 43 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 Wapello 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 7, 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
July 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapello 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 increased from $5,708,902 in fiscal 2003 to $5,640,835 in fiscal 2004, also General Fund expenditures increased from $5,596,243 in fiscal 2003 to $5,630,333 in fiscal 2004. This resulted in an increase in the District's General Fund balance from $631,782 in fiscal 2003 to $642,284 in fiscal 2004, a one percent increase from the prior year.

- The increase in General Fund revenues was attributable to additional Title I Funding in fiscal year 2004. The increase in expenditures was due primarily to an increase in the administration/non-certified salaries and benefits along with special education tuition/transportation costs.

- A decline in interest rates during the past three fiscal years, resulted in interest earnings in the General Fund alone to decrease from $28,491 in fiscal year 2003 to $8,599 in fiscal year 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 Wapello 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 Wapello 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 Wapello

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-1
Wapello Community School District Annual Financial Report

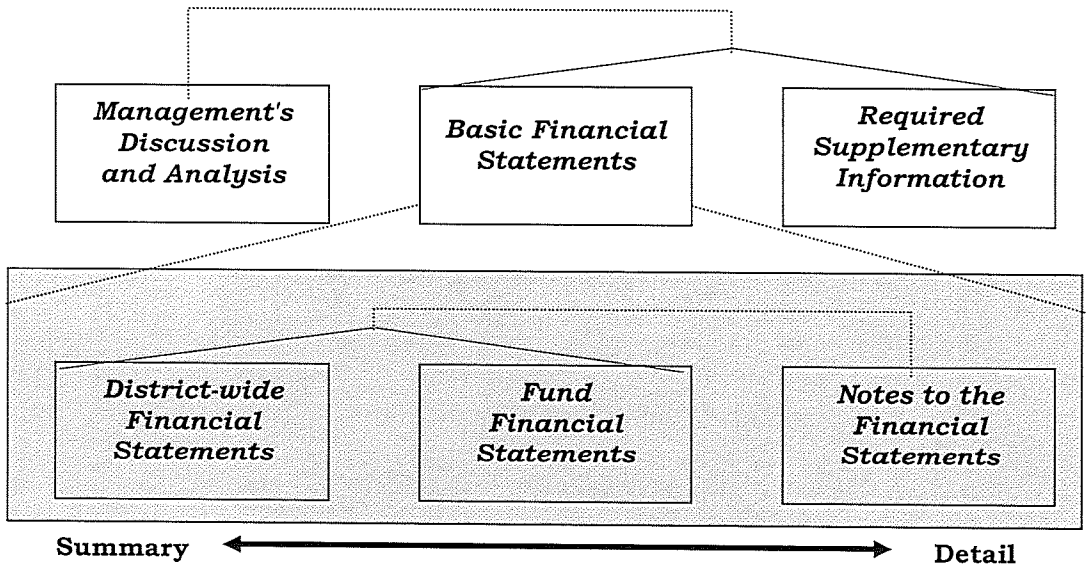

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• 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 and preschool programs are 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 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 two Enterprise Funds, the School Nutrition Fund and Preschool 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 Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	$ 3,797,225	$ 4,089,026	$ 44,390	$ 32,042	$3,841,615	$ 4,121,068	-6.78%
Capital assets	2,704,586	2,494,945	26,054	26,043	2,730,640	2,520,988	8.32%
Total assets	6,501,811	6,583,971	70,444	58,085	6,572,255	6,642,056	-1.05%
Long-term obligations	1,276,327	1,199,130	-	-	1,276,327	1,199,130	0.00%
Other liabilities	2,970,108	3,309,452	-	-	2,970,108	3,309,452	-10.25%
Total liabilities	4,246,435	4,508,582	-	-	4,246,435	4,508,582	-5.81%
Net assets							
Invested in capital assets, net of related debt	1,428,259	1,295,815	26,054	26,043	1,454,313	1,321,858	10.02%
Restricted	184,833	147,792	-	-	184,833	147,792	25.06%
Unrestricted	642,284	631,782	44,390	32,042	686,674	663,824	3.44%
Total net assets	$ 2,255,376	$ 2,075,389	$ 70,444	$ 58,085	$2,325,820	$ 2,133,474	9.02%

The District's combined net assets increased by 9.02%, or $191,318, 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 decreased $37,041, or 25.06% over the prior year. The decrease was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy 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 – increased $22,850, or 3.44%. 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	$ 513,903	$ 128,920	$ 642,823
Operating grants, contributions and restricted interest	641,861	221,231	863,092
General revenues			
Property tax	2,428,607	-	2,428,607
Unrestricted state grants	2,725,463	-	2,725,463
Unrestricted investment earnings	10,254	179	10,433
Other	485	-	485
Total revenues	6,320,573	350,330	6,670,903
Program expenses			
Governmental activities			
Instruction	4,353,975	-	4,353,975
Support services	1,387,455	-	1,387,455
Non-instructional programs	-	338,999	338,999
Other expenses	399,156	-	399,156
Total expenses	6,140,586	338,999	6,479,585
Change in net assets	$ 179,987	$ 11,331	$ 191,318

Property tax and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were $6,320,573 and expenses were $6,140,586. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 4,353,975	$ 3,423,905
Support services	1,387,455	1,382,905
Other expenses	399,156	178,012
Total expenses	$ 6,140,586	$ 4,984,822

- The cost financed by users of the District's programs was $513,903.
- Federal and state governments subsidized certain programs with grants and contributions totaling $641,861.
- The net cost of governmental activities was financed with $2,428,607 in property taxes and $2,725,463 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $350,330 and expenses were $338,999. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of $836,439, well above last year's ending fund balances of $779,574.

Governmental Fund Highlights

- The District's stable General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was adequate to meet the District's increase in General Fund expenditures.

- The General Fund balance increased from $631,782 to $642,484 due in part to the increase in Title I funding.

Proprietary Fund Highlights

The School Nutrition Fund balance increased from $59,113 at June 30, 2003 to $70,444 at June 30, 2004, representing an increase of approximately .19 percent. The A La Carte option has been a continued source of increased revenue for the lunch program along with Board action of closed lunch hours.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wapello Community School District amended its annual budget one time to reflect additional expenditures.

The District's total actual receipts were approximately $222,889 less than the total budgeted receipts.

Total expenditures were less than the certified budget 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 the actual expenditures during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested $2,730,640, 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 increase of 8% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was $187,884.

The original cost of the District's capital assets was $5,719,850. Governmental funds account for $5,671,419 with the remainder of $48,431 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled $346,918 at June 30, 2004, compared to $204,270 reported at June 30, 2003. This significant increase resulted from the 9/11/01 Voter Approved $.67 PPEL Levy, which enabled the district to pave the High School Parking Lot.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-2004
Land	$ 35,000	$ 35,000	$ -	$ -	$ 35,000	$ 35,000	0.00%
Buildings and improvements	2,087,339	2,153,012	-	-	2,087,339	2,153,012	-3.05%
Improvements, other than buildings	268,067	142,989	-	-	268,067	142,989	87.47%
Furniture and equipment	314,180	163,944	26,054	26,043	340,234	189,987	79.08%
Totals	$2,704,586	$2,494,945	$26,054	$26,043	$2,730,640	$2,520,988	8.32%

Long-Term Debt

At June 30, 2004, the District had $1,276,327 in general obligation and other long-term debt outstanding. This represents an increase of approximately 6% 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.

On June 18, 1991 the district's voters passed a bond referendum amounting to $1,950,000 for construction of a Band/Media Center. The district had total outstanding Bonded Indebtedness at June 30, 2004 of 1,025,000.00

On June 16, 2003 the District purchased the Solid Rock Church Building for $50,000 to house the Preschool Program. Outstanding debt on the note at June 30,2004 is $40,537.91.

Figure A-7

Outstanding Long-term Obligations

	Total School District		Total Change
	2004	2003	2003-2004
General obligation bonds	$ 1,025,000	$ 1,145,000	-10.48%
Capital lease	57,500	-	0.00%
Bank loan	193,827	50,000	287.65%
Total	$ 1,276,327	$ 1,195,000	6.81%

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 Wapello High School grounds was improved during FY04 with the paving of the parking lot. Total cost of the project amounted to $141,151. A ten year loan through the PPEL Fund has been set up to pay for this project.

- The District's assessed valuation has dropped $12,254,388 (7.8%) in January 2004 due to rollbacks and re-valuation of agriculture land. This affects revenue for operating along with PPEL Funds.

- The passing of the SILO Tax on March 2, 2004 was a positive fiscal highlight for FY04 for the Wapello Community School District. Bringing in revenue for the Capital Project Fund of approximately $200,000 each year. Because the election was held after May 30, 2003, funds can be used according to PPEL Guidelines.

- The District has experienced stable enrollment for the past several years and expects this to continue.

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 Eric Small, District Secretary/ Business Manager, Wapello Community School District, 445 N. Cedar Street, Wapello, Iowa 52653.

Basic Financial Statements

WAPELLO COMMUNITY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents			
ISCAP	$ 485,951	$ -	$ 485,951
Other	787,641	29,998	817,639
Receivables			
Property tax			
Delinquent	40,769	-	40,769
Succeeding year	2,454,247	-	2,454,247
Accrued interest			
ISCAP	1,315	-	1,315
Other	758	-	758
Due from other governments	26,544	8,642	35,186
Inventories	-	5,750	5,750
Capital assets, net of accumulated depreciation	2,704,586	26,054	2,730,640
Total assets	6,501,811	70,444	6,572,255
LIABILITIES			
Accounts payable	2,847	-	2,847
Accrued interest payable	9,322	-	9,322
Deferred revenue - succeeding year property tax	2,454,247	-	2,454,247
Deferred revenue - unspent grant proceeds	14,172	-	14,172
ISCAP warrants payable	483,000	-	483,000
ISCAP accrued interest payable	1,993	-	1,993
ISCAP unamortized premium	4,527	-	4,527
Long-term liabilities			
Portion due within one year			
Notes payable	22,349	-	22,349
Bonds payable	125,000	-	125,000
Capital leases payable	57,500	-	57,500
Portion due after one year			
Notes payable	171,478	-	171,478
Bonds payable	900,000	-	900,000
Total liabilities	4,246,435	-	4,246,435

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

Exhibit A

	Governmental Activities	Business-type Activities	Total
NET ASSETS			
Invested in capital assets, net of related debt	$ 1,428,259	$ 26,054	$ 1,454,313
Restricted for			
Management levy	13,143	-	13,143
Physical plant and equipment levy	72,176	-	72,176
Other special revenue purposes	92,765	-	92,765
Capital outlay	1,630		1,630
Debt service	5,119	-	5,119
Unrestricted	642,284	44,390	686,674
Total net assets	$ 2,255,376	$ 70,444	$ 2,325,820

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Activites
For the Year Ended June 30, 2004

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities							
Instruction							
Regular instruction	$2,800,179	$ 180,087	$ 245,244	$ -	$(2,374,848)	$ -	$(2,374,848)
Special instruction	863,058	51,678	168,574	-	(642,806)	-	(642,806)
Other instruction	690,738	277,588	6,899	-	(406,251)	-	(406,251)
	4,353,975	509,353	420,717	-	(3,423,905)	-	(3,423,905)
Support services							
Student services	98,238	-	-	-	(98,238)	-	(98,238)
Instructional staff services	100,355	-	-	-	(100,355)	-	(100,355)
Administration services	510,924	-	-	-	(510,924)	-	(510,924)
Operation and maintenance of plant services	405,107	4,550	-	-	(400,557)	-	(400,557)
Transportation services	272,831	-	-	-	(272,831)	-	(272,831)
	1,387,455	4,550	-	-	(1,382,905)	-	(1,382,905)
Other expenditures							
Facilities acquisition	29,753	-	-	-	(29,753)	-	(29,753)
Long-term debt interest	65,016	-	-	-	(65,016)	-	(65,016)
AEA flowthrough	221,144	-	221,144	-	-	-	-
Depreciation (unallocated) *	83,243	-	-	-	(83,243)	-	(83,243)
	399,156	-	221,144	-	(178,012)	-	(178,012)
Total governmental activities	6,140,586	513,903	641,861	-	(4,984,822)	-	(4,984,822)

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Activites
For the Year Ended June 30, 2004

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Business-type activities							
Non-instructional programs							
Food service operations	$ 287,046	$ 128,920	$ 169,278	$ -	$ -	$ 11,152	$ 11,152
Preschool operations	51,953	-	51,953	-	-	-	-
Total business-type activities	338,999	128,920	221,231	-	-	11,152	11,152
Total	$6,479,585	$ 642,823	$ 863,092	$ -	(4,984,822)	11,152	(4,973,670)
General Revenues							
Property tax levied for							
General purposes					2,096,522	-	2,096,522
Capital outlay					157,938	-	157,938
Debt service					174,147	-	174,147
Unrestricted state grants					2,725,463	-	2,725,463
Unrestricted investment earnings					10,254	179	10,433
Other					485	-	485
Total general revenues					5,164,809	179	5,164,988
Change in net assets					179,987	11,331	191,318
Net assets, beginning of year, as restated					2,075,389	59,113	2,134,502
Net assets, end of year					$ 2,255,376	$ 70,444	$ 2,325,820

* 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.

WAPELLO COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2004

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments			
ISCAP	$ 485,951	$ -	$ 485,951
Other	600,429	187,212	787,641
Receivables			
Property tax			
Delinquent	33,843	6,926	40,769
Succeeding year	2,043,179	411,068	2,454,247
Accrued interest			
ISCAP	1,315	-	1,315
Other	741	17	758
Due from other governments	26,544	-	26,544
Total assets and other debits	$3,192,002	$605,223	$3,797,225
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 2,847	$ -	$ 2,847
ISCAP warrants payable	483,000	-	483,000
ISCAP accrued interest payable	1,993	-	1,993
ISCAP unamortized premium	4,527	-	4,527
Deferred revenue - succeeding year property tax	2,043,179	411,068	2,454,247
Deferred revenue - other	14,172	-	14,172
Total liabilities	2,549,718	411,068	2,960,786
Fund balances			
Reserved for			
Iowa Early Intervention program	10,799	-	10,799
Debt service	-	14,441	14,441
Unreserved, undesignated			
Special revenue funds	-	178,084	178,084
Other governmental	631,485	1,630	633,115
Total fund balances	642,284	194,155	836,439
Total liabilities and fund balances	$3,192,002	$605,223	$3,797,225

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

WAPELLO 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	$ 836,439
Amounts reported for governmental activites 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.	2,704,586
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.	(9,322)
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(1,276,327)
Net assets of governmental activities	$ 2,255,376

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

WAPELLO COMMUNITY SCHOOL DISTRICT

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Revenues			
Local sources			
Local tax	$2,026,458	$ 398,534	$2,424,992
Tuition	195,142	-	195,142
Other	50,257	280,873	331,130
State sources	3,158,282	331	3,158,613
Federal sources	210,696	-	210,696
Total revenues	5,640,835	679,738	6,320,573
Expenditures			
Current			
Instruction			
Regular instruction	2,816,523	59,025	2,875,548
Special instruction	863,058	-	863,058
Other instruction	423,531	267,207	690,738
	4,103,112	326,232	4,429,344
Support services			
Student services	90,348	7,890	98,238
Instructional staff services	102,643	1,000	103,643
Administration services	518,649	7,058	525,707
Operation and maintenance of plant services	373,972	32,715	406,687
Transportation services	220,465	93,744	314,209
	1,306,077	142,407	1,448,484
Other expenditures			
Facilities acquisition	-	186,239	186,239
Long-term debt			
Principal	-	129,462	129,462
Interest and fiscal charges	-	59,824	59,824
AEA flowthrough	221,144	-	221,144
	221,144	375,525	596,669
Total expenditures	5,630,333	844,164	6,474,497

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

WAPELLO COMMUNITY SCHOOL DISTRICT

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Excess (deficiency) of revenues over (under) expenditures	$ 10,502	$ (164,426)	$ (153,924)
Other financing sources			
Proceeds of long-term debt	-	210,789	210,789
Net change in fund balances	10,502	46,363	56,865
Fund balance, beginning of year	631,782	147,792	779,574
Fund balance, end of year	$ 642,284	$ 194,155	$ 836,439

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

WAPELLO COMMUNITY SCHOOL DISTRICT
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

Exhibit F

Net change in fund balances - total governmental funds		$ 56,865
Amounts reported for governmental activites 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	$ 394,628	
Depreciation expense	(184,987)	209,641
Proceeds from issuing long-tem liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:		
Issued	(210,789)	
Repaid	129,462	(81,327)
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.		(5,192)
Change in net assets of governmental activities		$ 179,987

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

WAPELLO SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2004

Exhibit G

	Nonmajor Enterprise
ASSETS	
Cash and pooled investments	$ 29,998
Due from other governments	8,642
Inventories	5,750
Capital assets, net of accumulated depreciation	26,054
Total assets	70,444
LIABILITIES	-
NET ASSETS	
Invested in capital assets, net of related debt	26,054
Unreserved retained earnings	44,390
Total net assets	$ 70,444

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

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

Exhibit H

	Nonmajor Enterprise
Operating revenue	
Local sources	
Charges for service	$ 128,920
Operating expenses	
Non-instructional programs	
Salaries	157,945
Benefits	29,144
Purchased services	2,089
Supplies	146,924
Depreciation	2,897
Total operating expenses	338,999
Operating loss	(210,079)
Non-operating revenue	
Interest income	179
State sources	56,783
Federal sources	164,448
Total non-operating revenue	221,410
Change in net assets	11,331
Net assets, beginning of year	59,113
Net assets, end of year	$ 70,444

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

Exhibit I

	Nonmajor Enterprise
Cash flows from operating activities	
Cash received from sale of meals	$ 128,920
Cash payments to employees for services	(186,772)
Cash payments to suppliers for goods and services	(121,332)
Net cash used in operating activities	(179,184)
Cash flows from non-capital financing activities	
State grants received	56,466
Federal grants received	145,220
Net cash provided by non-capital financing activities	201,686
Cash flows from capital and related financing activities	
Acquisition of capital assets	(2,908)
Cash flows from investing activities	
Interest on investments	179
Net increase in cash and cash equivalents	19,773
Cash and cash equivalents, beginning of year	18,867
Cash and cash equivalents, end of year	$ 38,640
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (210,079)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,897
Commodities used	19,228
Increase in inventories	(900)
Increase in due from other governments	(8,642)
Increase in due to other funds	18,312
Net cash used in operating activities	$ (179,184)

Non-cash investing, capital and financing activities

During the year ended June 30, 2004, the District received $19,228 of federal commodities.

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

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

Exhibit J

	Private Purpose Trust Scholarships
Assets	
Cash and pooled investments	$ 7,042
Liabilities	-
Net assets	
Reserved for scholarships	$ 7,042

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

WAPELLO COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2004

Exhibit K

	Private Purpose Trust Scholarships
Additions	
Local sources	
Interest	$ 116
Deductions	
Instruction	
Scholarships	100
Change in net assets	16
Net assets, beginning of year	7,026
Net assets, end of year	$ 7,042

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

Note 1. Summary of Significant Accounting Policies

The Wapello 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 City of Wapello, Iowa, and the agricultural territory in Louisa and Des Moines 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, Wapello 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 Wapello 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 District reports no major proprietary funds.

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.

Asset Class	Amount
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:

Asset Class	Useful Life
Buildings	50 years
Improvements to buildings	20-50 years
Furniture and equipment	4-12 years

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 no investments at June 30, 2004.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Physical Plant and Equipment Levy	Debt Service	$ 10,841

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

Note 4. Iowa Schools 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. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2003-04B	1/30/04	1/28/05	$ 241,634	$1,315	$ 240,000	$ 1,993	$1,157
2004-05A	6/30/04	6/30/05	244,317	-	243,000	-	3,370
			$ 485,951	$1,315	$ 483,000	$ 1,993	$4,527

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 additions, 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. There was no ISCAP advance activity for the year ended June 30, 2004.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	2.6030%
2003-04B	2.000%	1.3920%
2004-05A	3.000%	2.4600%

Note 5. Capital Assets

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

Governmental activities	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	$ 35,000	$ -	$ -	$ 35,000
Capital assets being depreciated:				
Buildings and improvements	3,465,881	-	-	3,465,881
Improvements other than buildings	204,270	142,648	-	346,918
Furniture and equipment	1,571,640	251,980	-	1,823,620
Total capital assets being depreciated	5,241,791	394,628	-	5,636,419
Less accumulated depreciation for:				
Buildings and improvements	1,312,869	65,673	-	1,378,542
Improvements other than buildings	61,281	17,570	-	78,851
Furniture and equipment	1,407,696	101,744	-	1,509,440
Total accumulated depreciation	2,781,846	184,987	-	2,966,833
Total capital assets being depreciated, net	2,459,945	209,641	-	2,669,586
Governmental activities capital assets, net	$ 2,494,945	$ 209,641	$ -	$ 2,704,586
Business-type activities				
Furniture and equipment	$ 45,523	$ 2,908	$ -	$ 48,431
Less accumulated depreciation	19,480	2,897	-	22,377
Business-type activities capital assets,net	$ 26,043	$ 11	$ -	$ 26,054

Depreciation expense was charged to the following functions:

Governmental activities	
Instruction	
Regular	$ 47,294
Support services	
Instructional staff	822
Administration	6,542
Operation and maintenance of plant	6,040
Transportation	41,046
Unallocated depreciation	83,243
Total governmental activities depreciation expense	$ 184,987
Business-type activities	
Food services	$ 2,897

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 $12,335.

Also during the year ended June 30, 2004, corrections were made to the Enterprise, School Nutrition Fund's capital asset cost and accumulated depreciation. Therefore, capital assets, net of accumulated depreciation in the School Nutrition Fund were decreased by $1,028 as of June 30, 2003.

Note 6. Long-term Liabilities

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

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	$ 1,145,000	$ -	$(120,000)	$ 1,025,000	$ 125,000
Capital lease	-	57,500	-	57,500	57,500
Bank loan	50,000	153,289	(9,462)	193,827	22,349
Totals	$ 1,195,000	$ 210,789	$(129,462)	$ 1,276,327	$ 204,849

Loans Payable

On June 16, 2003, the District entered into a loan agreement with MidWest One Bank of Wapello for $50,000 for the purchase of a building to be used for the preschool program. The loan bears interest at 2.75 percent and requires annual payments of $11,168 starting June 16, 2003. The loan is scheduled to be repaid as follows:

Year Ending June 30,	Principal	Interest	Total
2005	$ 9,547	$ 1,621	$ 11,168
2006	9,928	1,240	11,168
2007	10,326	843	11,169
2008	10,737	431	11,168
Totals	$ 40,538	$ 4,135	$ 44,673

On July 31, 2003, the District entered into a loan agreement with State Bank of Wapello for $153,289 for paving the parking lot. The loan bears interest at 4 percent and requires ten annual payments of $18,902, plus interest, beginning July 31, 2004. The loan is scheduled to be repaid as follows:

Year Ending June 30,	Principal	Interest	Total
2005	$ 12,802	$ 6,101	$ 18,903
2006	13,283	5,620	18,903
2007	13,815	5,088	18,903
2008	14,367	4,536	18,903
2009	14,942	3,961	18,903
2010	15,539	3,364	18,903
2011	16,161	2,742	18,903
2012	16,807	2,096	18,903
2013	17,480	1,423	18,903
2014	18,093	724	18,817
Totals	$ 153,289	$ 35,655	$ 188,944

Bonds Payable

Details of the District's June 30, 2003 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of February 1, 1996 Interest Rates	Interest	Principal	Total
2005	4.80	$ 52,505	$ 125,000	$ 177,505
2006	4.90	46,505	130,000	176,505
2007	5.00	40,135	135,000	175,135
2008	5.10	33,385	145,000	178,385
2009	5.20	25,990	155,000	180,990
2010	5.30	17,930	160,000	177,930
2011	5.40	9,450	175,000	184,450
Totals		$ 225,900	$ 1,025,000	$ 1,250,900

Capital Lease Payable

On January 14, 2004, the District entered into a contractual agreement to lease a bus. This agreement represents a lease-purchase agreement and, in substance, is a capital lease as ownership of the property transfers to the District at the end of the lease term. The lease will be paid in one payment of $57,500 plus interest of $1,084 on July 10, 2004.

Note 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, 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 $187,872, $181,661 and $172,632 respectively, equal to the required contributions for each year.

Note 8. 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 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 $221,144 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 10. 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:

	General	Total Nonmajor Govt	Total
Net assets June 30, 2003, as previously reported	$ 631,782	$ 147,792	$ 779,574
GASB Interpretation 6 adjustments	-	-	-
Net assets July 1, 2003, as restated for governmental funds	$ 631,782	147,792	779,574
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of $2,781,846			2,494,945
Long-term liabilities:			
Bonds		$(1,145,000)	
Loans		(50,000)	(1,195,000)
Accrued interest payable			(4,130)
Net assets July 1, 2003, as restated			$ 2,075,389

Note 11. Subsequent Event – Local Option Sales and Services Tax

Louisa County voters authorized the Local Option Sales and Services Tax beginning July 1, 2004. This tax is an additional sales tax of 1% on all taxable sales in Louisa County and will continue for 10 years. The revenue from this tax will be distributed to all school districts with students residing in Louisa County on a per student basis. Wapello Community School District anticipates receiving $200,000 from this tax annually beginning with the fiscal year ending June 30, 2005.

Required Supplementary Information

WAPELLO 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 Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues						
Local sources	$ 2,951,264	$ 129,099	$ 3,080,363	$ 3,278,505	$ 3,278,505	$ (198,142)
Intermediate sources	-	-	-	1,000	1,000	(1,000)
State sources	3,158,613	56,783	3,215,396	3,327,428	3,327,428	(112,032)
Federal sources	210,696	164,448	375,144	286,859	286,859	88,285
Total revenues	6,320,573	350,330	6,670,903	6,893,792	6,893,792	(222,889)
Expenditures						
Instruction	4,429,344	-	4,429,344	4,896,380	4,896,380	467,036
Support services	1,448,484	-	1,448,484	1,407,000	1,505,729	57,245
Non-instructional programs	-	338,999	338,999	370,000	370,000	31,001
Other expenditures	596,669	-	596,669	727,033	737,873	141,204
Total expenditures	6,474,497	338,999	6,813,496	7,400,413	7,509,982	696,486
Excess (deficiency) of revenues over (under) expenditures	(153,924)	11,331	(142,593)	(506,621)	(616,190)	473,597
Other financing sources, net	210,789	-	210,789	200,000	200,000	10,789
Excess (deficiency) of revenues and other financing sources over (under) expenditures)	56,865	11,331	68,196	(306,621)	(416,190)	484,386
Balance, beginning of year	779,574	59,113	838,687	615,803	615,803	222,884
Balance, end of year	$ 836,439	$ 70,444	$ 906,883	$ 309,182	$ 199,613	$ 707,270

See accompanying Independent Auditor's Report.

WAPELLO 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 Agency 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 $109,569.

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 expenditure exceed the unspent authorized budget.

Other Supplementary Information

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

Schedule 1

	Special Revenue					
	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
ASSETS						
Cash and pooled investments	$ 11,962	$ 92,762	$ 69,444	$ 1,630	$ 11,414	$ 187,212
Receivables						
Property tax						
Delinquent	1,181	-	2,718	-	3,027	6,926
Succeeding year	85,000	-	148,563	-	177,505	411,068
Accrued interest	-	3	14	-	-	17
Total assets	$ 98,143	$ 92,765	$ 220,739	$ 1,630	$ 191,946	$ 605,223
LIABILITIES AND FUND EQUITY						
Liabilities						
Deferred revenue						
Succeeding year property tax	$ 85,000	$ -	$ 148,563	$ -	$ 177,505	$ 411,068
Fund equity						
Reserved for debt service	-	-	-	-	14,441	14,441
Unreserved fund balances	13,143	92,765	72,176	1,630	-	179,714
Total fund equity	13,143	92,765	72,176	1,630	14,441	194,155
Total liabilities and fund equity	$ 98,143	$ 92,765	$ 220,739	$ 1,630	$ 191,946	$ 605,223

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	Special Revenue					
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues						
Local sources						
Local taxes	$ 68,353	$ -	$ 156,178	$ -	$ 174,003	$ 398,534
Other	140	277,998	1,099	1,630	6	280,873
State sources	57	-	130	-	144	331
Total revenues	68,550	277,998	157,407	1,630	174,153	679,738
Expenditures						
Current						
Instruction						
Regular program instruction	19,681	-	39,344	-	-	59,025
Other instruction	-	267,207	-	-	-	267,207
Support services						
Student support services	7,890	-	-	-	-	7,890
Instructional staff support services	1,000	-	-	-	-	1,000
Administration services	7,058	-	-	-	-	7,058
Operation and maintenance of plant services	32,715	-	-	-	-	32,715
Transportation services	15,045	-	78,699	-	-	93,744

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	Special Revenue					
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Expenditures (continued)						
Other expenditures						
Facilities acquisition	$ -	$ -	$ 186,239	$ -	$ -	$ 186,239
Long-term debt:						
Principal	-	-	-	-	129,462	129,462
Interest and fiscal charges	-	-	-	-	59,824	59,824
Total expenditures	83,389	267,207	304,282	-	189,286	844,164
Excess (deficiency) of revenues under expenditures	(14,839)	10,791	(146,875)	1,630	(15,133)	(164,426)
Other financing sources (uses)						
Proceeds of loans	-	-	210,789	-	-	210,789
Operating transfers in (out)	-	-	(10,841)	-	10,841	-
Total other financing sources	-	-	199,948	-	10,841	210,789
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(14,839)	10,791	53,073	1,630	(4,292)	46,363
Fund balances, beginning of year	27,982	81,974	19,103	-	18,733	147,792
Fund balances, end of year	$ 13,143	$ 92,765	$ 72,176	$ 1,630	$ 14,441	$ 194,155

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2004

Schedule 3

	Enterprise		
	School Nutrition	Preschool	Total
ASSETS			
Cash and pooled investments	$ 38,640	$ -	$ 38,640
Due from other governments	-	8,642	8,642
Inventories	5,750	-	5,750
Equipment, net of accumulated depreciation	26,054	-	26,054
Total assets	70,444	8,642	79,086
LIABILITIES			
Excess of warrants issued over bank balance	-	8,642	8,642
NET ASSETS			
Invested in capital assets, net	26,054	-	26,054
Unreserved	44,390	-	44,390
Total net assets	$ 70,444	$ -	$ 70,444

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT Schedule 4

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Nonmajor Proprietary Funds

For the Year Ended June 30, 2004

	Enterprise		
	School Nutrition	Preschool	Total
Operating revenue			
Local sources			
Charges for service	$ 128,920	$ -	$ 128,920
Operating expenses			
Non-instructional programs			
Salaries	119,735	38,210	157,945
Benefits	16,078	13,066	29,144
Purchased services	2,045	44	2,089
Supplies	146,291	633	146,924
Depreciation	2,897	-	2,897
Total operating expenses	287,046	51,953	338,999
Operating loss	(158,126)	(51,953)	(210,079)
Non-operating revenue			
Interest income	179	-	179
State sources	4,830	51,953	56,783
Federal sources	164,448	-	164,448
Total non-operating revenue	169,457	51,953	221,410
Change in net assets	11,331	-	11,331
Net assets, beginning of year	59,113	-	59,113
Net assets, end of year	$ 70,444	$ -	$ 70,444

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2004

Schedule 5

	Enterprise		
	School Nutrition	Preschool	Total
Cash flows from operating activities			
Cash received from sale of meals	$ 128,920	$ -	$ 128,920
Cash payments to employees for services	(135,813)	(50,959)	(186,772)
Cash payments to suppliers for goods and services	(120,655)	(677)	(121,332)
Net cash used in operating activities	(127,548)	(51,636)	(179,184)
Cash flows from non-capital financing activities			
State grants received	4,830	51,636	56,466
Federal grants received	145,220	-	145,220
Net cash provided by non-capital financing activities	150,050	51,636	201,686
Cash flows from capital and related financing activities			
Acquisition of capital assets	(2,908)	-	(2,908)
Cash flows from investing activities			
Interest on investments	179	-	179
Net increase in cash and cash equivalents	19,773	-	19,773
Cash and cash equivalents, beginning of year	18,867	-	18,867
Cash and cash equivalents, end of year	$ 38,640	$ -	$ 38,640
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	$(158,126)	$(51,953)	$(210,079)
Adjustments to reconcile operating loss to net cash used in operating activities			
Commodities used	19,228	-	19,228
Depreciation	2,897	-	2,897
Increase in inventories	(900)	-	(900)
Increase in due from other governments	-	(8,642)	(8,642)
Increase in due to other fund	9,353	8,959	18,312
Net cash used in operating activities	$(127,548)	$(51,636)	$(179,184)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received $19,228 of federal commodities.

See accompanying Independent Auditor's Report.

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

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Class of					
2002	$ 349	$ -	$ -	$ -	$ 349
2003	2,211	-	973	-	1,238
2004	1,584	241	1,461	(300)	64
2005	1,870	7,091	6,286	-	2,675
2006	1,444	-	206	-	1,238
2007	1,037	-	210	-	827
2008	-	2,308	1,506	-	802
FFA	2,506	35,473	35,936	-	2,043
FFA farmland	7,586	20,739	7,872	-	20,453
FHA	56	1,550	1,602	-	4
Cheerleading	190	8,052	8,277	700	665
Trees Forever	2,100	-	-	-	2,100
Greenhouse - FFA	1,262	5,902	6,467	-	697
FFA software	-	450	58	-	392
Mariposa club	136	-	-	-	136
FCCLA district #16	71	570	641	-	-
Wrestling cheerleading	-	315	1,445	700	(430)
Key Club	-	81	81	-	-
Athletics	1,187	3,253	7,377	3,815	878
Wrestling	42	14,719	14,132	(1,250)	(621)
Boys basketball	1,269	9,183	8,892	-	1,560
Girls basketball	7,009	7,343	9,091	-	5,261
Volleyball	1,781	9,281	9,650	20	1,432
Cross country	1,235	994	2,066	320	483
Baseball	112	11,345	12,782	-	(1,325)
Softball	327	8,477	8,557	-	247
Boys track	1,164	3,496	4,062	-	598
Girls track	2,541	2,273	2,514	(320)	1,980
Football	847	12,272	12,654	(5)	460
Golf	61	671	1,232	-	(500)
Talented and gifted	15	-	-	-	15
Vocal	-	2,038	1,816	21	243
Robes	147	-	-	105	252
Band	156	5,719	6,116	718	477
Band uniforms	173	-	-	486	659
Band trip	9,470	1,350	100	-	10,720
Art club	710	160	229	12	653

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT

Schedule 6

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

For the Year Ended June 30, 2004

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Yearbook	$ 1,375	$ 770	$ 6,282	$ -	$ (4,137)
Newspaper	205	-	928	-	(723)
Thespians	3,822	2,364	3,718	-	2,468
Student senate	5	2,304	2,488	300	121
Prom	3	-	-	-	3
Auto mechanics	4	-	-	-	4
Instrument repair	21	-	-	-	21
National Honor Society	1,337	79	397	5	1,024
Vocal trip	-	11,338	6,897	-	4,441
School-to-work	166	-	-	-	166
Band-Adventureland	179	1,070	1,249	-	-
Peer mentoring	161	478	598	-	41
Photography	23	135	330	195	23
Vocal fundraiser	1,292	140	715	-	717
Yearbook - even	-	1,885	352	-	1,533
Color guard	-	299	75	-	224
Scott Keltner scholarship	24	600	600	-	24
FFA scholarship	1,820	5,776	4,239	-	3,357
Junior high	105	-	-	-	105
JH student council	204	912	1,069	-	47
Language arts fines	22	-	-	-	22
Pop machines	538	13,719	14,196	-	61
Milk shake machine	4	604	529	-	79
Registration	150	41,101	35,695	(5,556)	-
All Sport drink machine	28	-	-	-	28
Sandpoint fund	30	-	-	-	30
Bus barn pop fund	92	78	100	-	70
Wal-Mart foundation	500	-	26	-	474
Elementary	7,440	5,480	4,467	-	8,453
Elementary library	2,784	4,671	5,178	34	2,311
Elementary playground	1	3,696	-	-	3,697
Elementary vocal music	1,617	734	-	-	2,351
Elementary student council	350	2,575	2,168	-	757
Trace Dossett Reading Garden	-	803	-	-	803
Interest savings	72	40	-	-	112
Health	6,830	804	377	-	7,257
Interst - NOW checking	122	370	416	-	76
Totals	$ 81,974	$278,171	$267,380	$ -	$ 92,765

See accompanying Independent Auditor's Report.

WAPELLO COMMUNITY SCHOOL DISTRICT

Schedule 7

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues				
Local sources				
Local tax	$ 2,424,992	$ 2,540,227	$ 2,279,679	$ 2,319,165
Tuition	195,142	195,550	243,147	170,090
Other	333,130	347,905	353,314	363,694
State sources	3,158,613	3,082,463	2,883,018	2,879,846
Federal sources	210,696	193,759	143,514	75,302
Total revenues	$ 6,322,573	$ 6,359,904	$ 5,902,672	$ 5,808,097
Expenditures				
Instruction				
Regular instruction	2,875,548	2,931,038	2,732,723	2,868,083
Special instruction	863,058	803,469	742,357	303,111
Other instruction	690,738	676,310	607,472	636,152
Support services				
Student services	98,238	108,050	100,092	97,777
Instructional staff services	103,643	102,225	99,451	98,315
Administration services	525,707	490,751	448,565	415,513
Operation and maintenance of plant services	406,687	450,557	341,165	364,575
Transportation services	314,209	191,887	181,470	203,988
Non-instructional programs	-	-	10,000	-
Other expenditures				
Facilities acquisition	186,239	149,475	122,812	67,491
Long-term debt				
Principal	129,462	135,661	135,050	167,087
Interest and other charges	59,824	64,890	70,367	79,405
AEA flowthrough	221,144	227,841	220,570	224,724
Total expenditures	$ 6,474,497	$ 6,332,154	$ 5,812,094	$ 5,526,221

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100
Muscatine, Iowa 52761
563-264-1385

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

To the Board of Education
Wapello Community School District
Wapello, Iowa

I have audited the financial statements of the Wapello Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated July 28, 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 Wapello 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. There were no prior year statutory comments to resolve. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Wapello 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 Wapello 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. I noted that the bank deposits, bank reconciliations, the posting of cash journals, payroll and payroll records 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 Wapello 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 Wapello 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
July 28, 2004

WAPELLO COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2004

This audit was performed by

Kay Chapman, CPA