

INDEPENDENT SCHOOL DISTRICT OF
WEST BURLINGTON

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2004

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
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INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Officials
 June 30, 2004

Name	Title	Term Expires
Board of Education		
(Before September 2003 Election)		
Allen Twedt	Board President	2005
Randy Hemphill	Board Member	2003
Royce Heitmeier	Board Member	2004
Victoria Christy	Board Member	2004
Debbie Johnson	Board Member	2005
(After September 2003 Election)		
Allen Twedt	Board President	2005
Royce Heitmeier	Board Member	2004
Victoria Christy	Board Member	2004
Debbie Johnson	Board Member	2005
Alan Mayberry	Board Member	2006
School Officials		
James Sleister	Superintendent	2004
Tina Diewold	District Secretary/Treasurer	2004
Terry Loeschen	Attorney	2004

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Muscatine, Iowa 52761

563-264-1385

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District of West Burlington
West Burlington, 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 Independent School District of West Burlington, West Burlington, 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 Independent School District of West Burlington 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 13 to the financial statements, during the year ended June 30, 2004, Independent School District of West Burlington 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 September 3, 2004 on my consideration of Independent School District of West Burlington'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 43 through 45 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 Independent School District of West Burlington'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
September 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Independent School District of West Burlington 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 \$4,609,643 in fiscal 2003 to \$4,571,032 in fiscal 2004, and General Fund expenditures increased from \$4,404,797 in fiscal 2003 to \$4,476,083 in fiscal 2004. The District's General Fund balance decreased from \$(495,717) in fiscal 2003 to \$(524,000) in fiscal 2004, a 6% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax 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 \$10,095 in fiscal 2003 to \$3,633 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 Independent School District of West Burlington 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 Independent School District of West Burlington'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 Independent School District of West Burlington acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

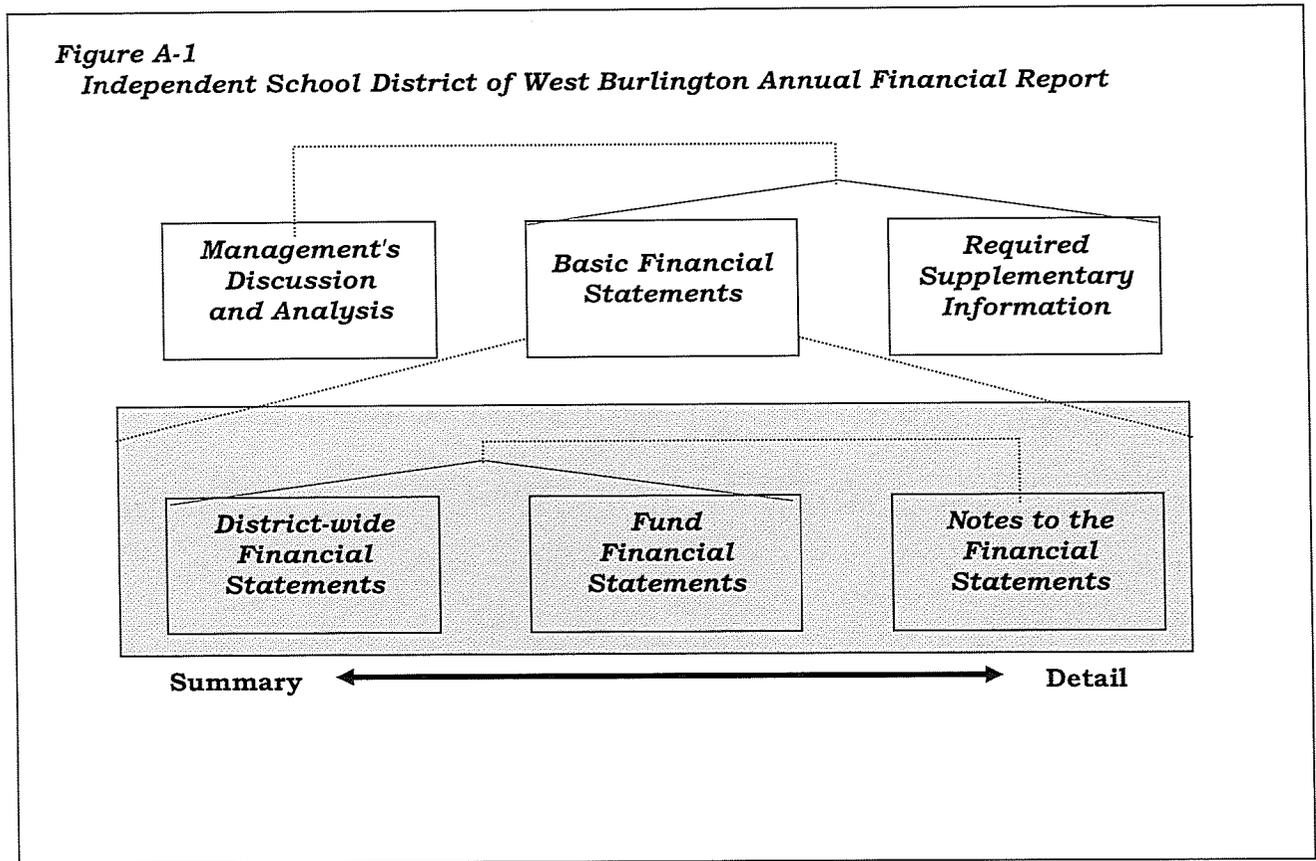


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

3) *Fiduciary funds*: The District is 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		BusinessType		Total		Total
	Activities		Activities		School District		Change
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$ 4,269,696	\$ 5,471,259	\$ 15,649	\$ 14,796	\$ 4,285,345	\$ 5,486,055	-21.89%
Capital assets	<u>6,924,450</u>	<u>5,822,815</u>	<u>10,364</u>	<u>12,401</u>	<u>6,934,814</u>	<u>5,835,216</u>	18.84%
Total assets	<u>11,194,146</u>	<u>11,294,074</u>	<u>26,013</u>	<u>27,197</u>	<u>11,220,159</u>	<u>11,321,271</u>	-0.89%
Long-term obligations	4,851,316	5,325,135	-	-	4,851,316	5,325,135	0.00%
Other liabilities	<u>4,047,140</u>	<u>4,105,996</u>	<u>15,785</u>	<u>14,594</u>	<u>4,062,925</u>	<u>4,120,590</u>	-1.40%
Total liabilities	<u>8,898,456</u>	<u>9,431,131</u>	<u>15,785</u>	<u>14,594</u>	<u>8,914,241</u>	<u>9,445,725</u>	-5.63%
Net assets							
Invested in capital assets, net of related debt	2,288,670	574,108	10,364	12,401	2,299,034	586,509	291.99%
Restricted	727,930	1,839,920	-	-	727,930	1,839,920	-60.44%
Unrestricted	<u>(720,910)</u>	<u>(551,085)</u>	<u>(136)</u>	<u>202</u>	<u>(721,046)</u>	<u>(550,883)</u>	30.89%
Total net assets	<u>\$ 2,295,690</u>	<u>\$ 1,862,943</u>	<u>\$ 10,228</u>	<u>\$ 12,603</u>	<u>\$ 2,305,918</u>	<u>\$ 1,875,546</u>	22.95%

The District's combined net assets increased by approximately 23%, or \$430,372, 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 \$1,111,990, or 60.4% over the prior year. The decrease was primarily a result of expending Capital Projects Fund revenues from prior years.

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 \$170,163, or 31%. This decline 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	\$ 1,384,850	\$ 104,927	\$ 1,489,777
Operating grants, contributions and restricted interest	457,961	106,958	564,919
General revenues			
Property tax	2,119,362	-	2,119,362
Unrestricted state grants	1,698,552	-	1,698,552
Unrestricted investment earnings	21,101	48	21,149
Other	<u>51,845</u>	<u>-</u>	<u>51,845</u>
Total revenues	<u>5,733,671</u>	<u>211,933</u>	<u>5,945,604</u>
Program expenses			
Governmental activities			
Instruction	3,452,703	-	3,452,703
Support services	1,320,230	-	1,320,230
Non-instructional programs	-	214,308	214,308
Other expenses	<u>527,991</u>	<u>-</u>	<u>527,991</u>
Total expenses	<u>5,300,924</u>	<u>214,308</u>	<u>5,515,232</u>
Change in net assets	<u>\$ 432,747</u>	<u>\$ (2,375)</u>	<u>\$ 430,372</u>

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,733,671 and expenses were \$5,300,924. 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

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 3,452,703	\$ 1,758,517
Support services	1,320,230	1,307,870
Other expenses	<u>527,991</u>	<u>391,726</u>
Total expenses	<u>\$ 5,300,924</u>	<u>\$ 3,458,113</u>

- The cost financed by users of the District’s programs was \$1,384,850.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$457,961.
- The net cost of governmental activities was financed with \$2,119,362 in property and other taxes and \$1,698,552 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$211,933 and expenses were \$214,308. The District’s business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District increased meal prices in order to keep up with the rising cost of supplies and salaries.

INDIVIDUAL FUND ANALYSIS

As previously noted, Independent School District of West Burlington 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 \$267,282, well below last year’s ending fund balances of \$1,410,119. This was due to receiving the funds from the LOSST for the elementary building project at the end of FY03. The majority of the expenditures for the project were expensed in FY04.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. The District saw a reduction of 2% in state aid along with the loss of the machinery and equipment dollars. Due to an increase in the General Fund expenditures, the District used carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$(495,717) to \$(524,000), 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 decreased due to the ongoing expenditures related to the elementary building project.
- The Debt Service Fund balance increased due to a large beginning balance. Although revenues decreased and expenditures increased in FY04, the beginning balance was enough to offset them.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$12,603 at June 30, 2003 to \$10,228 at June 30, 2004, representing a decrease of approximately 19%. This was due to higher costs for supplies and salaries despite a slight increase in the meal prices for FY04.

BUDGETARY HIGHLIGHTS

Over the course of the year, Independent School District of West Burlington amended its annual budget one time to reflect additional revenue and expenditures associated with the elementary building capital project activity.

The District's receipts were \$17,460 more than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$6,934,814, 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 19% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$281,060.

The original cost of the District's capital assets was \$11,136,474. Governmental funds account for \$11,112,032, with the remainder of \$24,442 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6 Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$ 117,000	\$ 117,000	\$ -	\$ -	\$ 117,000	\$ 117,000	0.00%
Construction in progress	1,508,577	256,838	-	-	1,508,577	256,838	487.37%
Buildings and improvements	4,717,955	4,801,630	-	-	4,717,955	4,801,630	-1.74%
Improvements, other than buildings	175,153	193,850	-	-	175,153	193,850	-9.65%
Furniture and equipment	<u>405,765</u>	<u>453,497</u>	<u>10,364</u>	<u>12,401</u>	<u>416,129</u>	<u>465,898</u>	-10.68%
Totals	<u>\$6,924,450</u>	<u>\$5,822,815</u>	<u>\$10,364</u>	<u>\$12,401</u>	<u>\$6,934,814</u>	<u>\$5,835,216</u>	18.84%

Long-Term Debt

At June 30, 2004, the District had \$4,851,316 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In June 2003, the District's issued School Infrastructure Sales and Services Tax Revenue Bonds in the amount of \$1,460,000 to pay for an addition to the elementary school to be built in FY04. The District had total outstanding indebtedness at June 30, 2004 of \$4,851,316.

Figure A-7

Outstanding Long-term Obligations

	Total		Total
	School District		Change
	2004	2003	2003-2004
General obligation bonds	\$ 3,220,000	\$ 3,430,000	-6.12%
Revenue bonds	1,235,000	1,460,000	-15.41%
Capital loan notes	70,000	135,000	-48.15%
Capital leases	-	7,244	-100.00%
Bank loan	110,780	216,463	-48.82%
Early retirement	<u>215,536</u>	<u>76,428</u>	182.01%
Total	<u>\$ 4,851,316</u>	<u>\$ 5,325,135</u>	-8.90%

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 PPEL fund capital loan note will be paid in full in FY05.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2005 at a cost of \$56,000. A second bus will be purchased in FY06 at an approximate cost of \$56,000. To pay for these buses, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.

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 Tina Diewold, District Secretary/Treasurer and Business Manager, Independent School District of West Burlington, 211 Ramsey, West Burlington, Iowa, 52655.

Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON

Exhibit A

Statement of Net Assets

June 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents			
ISCAP	\$ 1,425,468	\$ -	\$ 1,425,468
Other	859,149	9,535	868,684
Receivables			
Property tax			
Delinquent	7,630	-	7,630
Succeeding year	1,824,412	-	1,824,412
Accrued interest			
ISCAP	2,948	-	2,948
Other	183	-	183
Accounts receivable	2,051	-	2,051
Due from other governments	132,923	-	132,923
Due from other funds	14,932	-	14,932
Inventories	-	6,114	6,114
Capital assets, net of accumulated depreciation	6,924,450	10,364	6,934,814
Total assets	<u>11,194,146</u>	<u>26,013</u>	<u>11,220,159</u>
LIABILITIES			
Accounts payable	162,044	853	162,897
Salaries and benefits payable	579,726	-	579,726
Due to other funds	-	14,932	14,932
Accrued interest payable	44,726	-	44,726
Deferred revenue - succeeding year property tax	1,824,412	-	1,824,412
ISCAP warrants payable	1,417,000	-	1,417,000
ISCAP accrued interest payable	4,709	-	4,709
ISCAP unamortized premium	14,523	-	14,523
Long-term liabilities			
Portion due within one year			
Bonds payable	220,000	-	220,000
Revenue bonds	235,000	-	235,000
Notes payable	110,780	-	110,780
Capital loan notes	70,000	-	70,000
Early retirement	27,134	-	27,134

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Net Assets
June 30, 2004

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
LIABILITIES (continued)			
Long-term liabilities (continued)			
Portion due after one year			
Bonds payable	\$ 3,000,000	\$ -	\$ 3,000,000
Revenue bonds	1,000,000	-	1,000,000
Early retirement	<u>188,402</u>	-	<u>188,402</u>
Total liabilities	<u>8,898,456</u>	<u>15,785</u>	<u>8,914,241</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,288,670	10,364	2,299,034
Restricted for			
Debt service	49,146	-	49,146
Other special revenue purposes	75,118	-	75,118
Capital projects	603,666	-	603,666
Unrestricted	<u>(720,910)</u>	<u>(136)</u>	<u>(721,046)</u>
Total net assets	<u>\$ 2,295,690</u>	<u>\$ 10,228</u>	<u>\$ 2,305,918</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
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	\$2,367,107	\$1,062,010	\$ 188,417	\$ -	\$(1,116,680)	\$ -	\$(1,116,680)
Special instruction	580,850	153,955	97,020	-	(329,875)	-	(329,875)
Other instruction	504,746	160,456	32,328	-	(311,962)	-	(311,962)
	<u>3,452,703</u>	<u>1,376,421</u>	<u>317,765</u>	<u>-</u>	<u>(1,758,517)</u>	<u>-</u>	<u>(1,758,517)</u>
Support services							
Student services	181,000	-	-	-	(181,000)	-	(181,000)
Instructional staff services	135,503	-	-	-	(135,503)	-	(135,503)
Administration services	479,362	-	-	-	(479,362)	-	(479,362)
Operation and maintenance of plant services	498,791	8,429	-	-	(490,362)	-	(490,362)
Transportation services	25,549	-	3,931	-	(21,618)	-	(21,618)
Central support services	25	-	-	-	(25)	-	(25)
	<u>1,320,230</u>	<u>8,429</u>	<u>3,931</u>	<u>-</u>	<u>(1,307,870)</u>	<u>-</u>	<u>(1,307,870)</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures							
Long-term debt interest	218,759	-	-	-	(218,759)	-	(218,759)
AEA flowthrough	136,265	-	136,265	-	-	-	-
Depreciation (unallocated)*	172,967	-	-	-	(172,967)	-	(172,967)
	<u>527,991</u>	<u>-</u>	<u>136,265</u>	<u>-</u>	<u>(391,726)</u>	<u>-</u>	<u>(391,726)</u>
Total governmental activities	<u>5,300,924</u>	<u>1,384,850</u>	<u>457,961</u>	<u>-</u>	<u>(3,458,113)</u>	<u>-</u>	<u>(3,458,113)</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Activities
For the Year Ended June 30, 2004

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type		Total
					Activities	Activities	
Business type activities							
Non-instructional programs							
Food service operations	\$ 214,308	\$ 104,927	\$ 106,958	\$ -	\$ -	\$ (2,423)	\$ (2,423)
Total	<u>\$5,515,232</u>	<u>\$1,489,777</u>	<u>\$ 564,919</u>	<u>\$ -</u>	<u>(3,458,113)</u>	<u>(2,423)</u>	<u>(3,460,536)</u>
 General Revenues							
Property tax levied for							
General purposes					1,266,528	-	1,266,528
Debt service					311,178	-	311,178
Capital outlay					541,656	-	541,656
Unrestricted state grants					1,698,552	-	1,698,552
Unrestricted investment earnings					21,101	48	21,149
Other					51,845	-	51,845
Total general revenues					<u>3,890,860</u>	<u>48</u>	<u>3,890,908</u>
Change in net assets					432,747	(2,375)	430,372
Net assets, beginning of year, as restated					1,862,943	12,603	1,875,546
Net assets, end of year					<u>\$ 2,295,690</u>	<u>\$ 10,228</u>	<u>\$ 2,305,918</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.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
ASSETS					
Cash and pooled investments					
ISCAP	\$ 1,425,468	\$ -	\$ -	\$ -	\$ 1,425,468
Other	90,850	578,207	92,429	97,663	859,149
Receivables					
Property tax					
Delinquent	5,163	-	1,443	1,024	7,630
Succeeding year	1,319,356	-	248,608	256,448	1,824,412
Accounts receivable	995	-	-	1,056	2,051
Accrued interest					
ISCAP	2,948	-	-	-	2,948
Other	183	-	-	-	183
Due from other funds	14,932	-	-	-	14,932
Due from other governments	71,994	60,929	-	-	132,923
Total assets and other debits	<u>\$ 2,931,889</u>	<u>\$ 639,136</u>	<u>\$ 342,480</u>	<u>\$ 356,191</u>	<u>\$ 4,269,696</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 120,575	\$ 35,470	\$ -	\$ 5,999	\$ 162,044
Salaries and benefits payable	579,726	-	-	-	579,726
Deferred revenue					
Succeeding year property tax	1,319,356	-	248,608	256,448	1,824,412
ISCAP warrants payable	1,417,000	-	-	-	1,417,000
ISCAP accrued interest payable	4,709	-	-	-	4,709
ISCAP unamortized premium	14,523	-	-	-	14,523
Total liabilities	<u>3,455,889</u>	<u>35,470</u>	<u>248,608</u>	<u>262,447</u>	<u>4,002,414</u>
Fund balances					
Reserved for					
Debt service	-	-	93,872	-	93,872
Unreserved	(524,000)	603,666	-	93,744	173,410
Total fund balances	<u>(524,000)</u>	<u>603,666</u>	<u>93,872</u>	<u>93,744</u>	<u>267,282</u>
Total liabilities and fund balances	<u>\$ 2,931,889</u>	<u>\$ 639,136</u>	<u>\$ 342,480</u>	<u>\$ 356,191</u>	<u>\$ 4,269,696</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2004

Exhibit D

Total fund balances of governmental funds	\$ 267,282
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.	6,924,450
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.	(44,726)
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.	<u>(4,851,316)</u>
Net assets of governmental activities	<u>\$ 2,295,690</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
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>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$ 1,171,374	\$ 406,080	\$ 299,880	\$ 219,820	\$ 2,097,154
Tuition	1,171,786	-	-	-	1,171,786
Other	70,295	4,151	663	210,710	285,819
State sources	1,996,417	-	11,298	9,846	2,017,561
Federal sources	161,160	-	-	-	161,160
Total revenues	<u>4,571,032</u>	<u>410,231</u>	<u>311,841</u>	<u>440,376</u>	<u>5,733,480</u>
Expenditures					
Current					
Instruction					
Regular instruction	2,195,497	-	-	38,113	2,233,610
Special instruction	580,581	-	-	-	580,581
Other instruction	351,283	-	-	144,160	495,443
	<u>3,127,361</u>	<u>-</u>	<u>-</u>	<u>182,273</u>	<u>3,309,634</u>
Support services					
Student services	150,831	-	-	-	150,831
Instructional staff services	135,503	-	-	-	135,503
Administration services	459,301	-	-	13,893	473,194
Operation and maintenance of plant services	447,299	-	-	39,077	486,376
Transportation services	19,498	-	-	3,292	22,790
Central support services	25	-	-	-	25
	<u>1,212,457</u>	<u>-</u>	<u>-</u>	<u>56,262</u>	<u>1,268,719</u>
Other expenditures					
Facilities acquisition	-	1,201,761	-	128,313	1,330,074
Long-term debt					
Principal	-	-	612,927	-	612,927
Interest and fiscal charges	-	-	218,889	-	218,889
AEA flowthrough	136,265	-	-	-	136,265
	<u>136,265</u>	<u>1,201,761</u>	<u>831,816</u>	<u>128,313</u>	<u>2,298,155</u>
Total expenditures	<u>4,476,083</u>	<u>1,201,761</u>	<u>831,816</u>	<u>366,848</u>	<u>6,876,508</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
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>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 94,949	\$ (791,530)	\$ (519,975)	\$ 73,528	\$ (1,143,028)
Other financing sources (uses)					
Sale of materials and supplies	191	-	-	-	191
Interfund operating transfers in (out)	<u>(123,423)</u>	<u>(334,248)</u>	<u>528,878</u>	<u>(71,207)</u>	<u>-</u>
Total other financing sources (uses)	<u>(123,232)</u>	<u>(334,248)</u>	<u>528,878</u>	<u>(71,207)</u>	<u>191</u>
Net change in fund balances	(28,283)	(1,125,778)	8,903	2,321	(1,142,837)
Fund balance, Beginning of year, as restated	<u>(495,717)</u>	<u>1,729,444</u>	<u>84,969</u>	<u>91,423</u>	<u>1,410,119</u>
Fund balance, end of year	<u>\$ (524,000)</u>	<u>\$ 603,666</u>	<u>\$ 93,872</u>	<u>\$ 93,744</u>	<u>\$ 267,282</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON 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 \$(1,142,837)

**Amounts reported for governmental activities in the statement of activities
 are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,380,658	
Depreciation expense	<u>(279,023)</u>	1,101,635

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. 612,927

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

Early retirement	(139,108)
------------------	-----------

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. 130

Change in net assets of governmental activities \$ 432,747

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON

Exhibit G

Statement of Net Assets

Proprietary Fund

June 30, 2004

	<u>Nonmajor Enterprise</u>
ASSETS	
Cash and cash equivalents	\$ 9,535
Inventories	6,114
Capital assets, net of accumulated depreciation	<u>10,364</u>
Total assets	<u>26,013</u>
LIABILITIES	
Accounts payable	853
Due to other funds	<u>14,932</u>
Total liabilities	<u>15,785</u>
NET ASSETS	
Invested in capital assets	10,364
Unrestricted	<u>(136)</u>
Total net assets	<u>\$ 10,228</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 104,927</u>
Operating expenses	
Non-instructional programs	
Salaries	88,457
Benefits	23,560
Purchased services	9,074
Supplies	91,180
Depreciation	<u>2,037</u>
Total operating expenses	<u>214,308</u>
Operating loss	<u>(109,381)</u>
Non-operating revenue	
Interest income	48
State sources	3,406
Federal sources	<u>103,552</u>
Total non-operating revenue	<u>107,006</u>
Change in net assets	(2,375)
Net assets, beginning of year	<u>12,603</u>
Net assets, end of year	<u>\$ 10,228</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2004

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of lunches and breakfasts	\$ 104,927
Cash payments to employees for services	(111,091)
Cash payments to suppliers for goods and services	<u>(91,665)</u>
Net cash used in operating activities	<u>(97,829)</u>
Cash flows from non-capital financing activities	
State grants received	3,406
Federal grants received	<u>95,698</u>
Net cash provided by non-capital financing activities	<u>99,104</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>48</u>
Net increase in cash and cash equivalents	1,323
Cash and cash equivalents, beginning of year	<u>8,212</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,535</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$(109,381)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,037
Commodities used	7,854
Decrease in inventories	470
Increase in accounts payable	265
Increase in due to other fund	<u>926</u>
Net cash used in operating activities	<u><u>\$ (97,829)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2004, the District received \$7,854 of federal commodities.

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2004

Exhibit J

	Private Purpose <u>Trust</u> <u>Scholarships</u>
Additions	\$ -
Deductions	
Support services	
Scholarships	<u>200</u>
Change in net assets	(200)
Net assets, beginning of year	<u>200</u>
Net assets, end of year	<u><u>\$ -</u></u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Notes to Financial Statements
June 30, 2004

Note 1. Summary of Significant Accounting Policies

The Independent School District of West Burlington 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 West Burlington, Iowa, and the agricultural territory in Des Moines County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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 & Improvements	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.

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2004. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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 property tax receivables not collected within sixty days after year end.

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

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

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

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements 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 \$311,857 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>
General	Enterprise Fund, School Nutrition	\$ 14,932

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 123,423
Debt Service Fund	Physical Plant and Equipment Levy Fund	71,207
Debt Service Fund	Capital Projects Fund	<u>334,248</u>
Total		<u>\$ 528,878</u>

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

Note 5. 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	<u>Investments</u>	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2003-04B	1/30/04	1/28/05	\$ 570,861	\$ 2,948	\$ 567,000	\$ 4,709	\$ 2,733
2004-05A	6/30/04	6/30/05	<u>854,607</u>	<u>-</u>	<u>850,000</u>	<u>-</u>	<u>11,790</u>
			<u>\$ 1,425,468</u>	<u>\$ 2,948</u>	<u>\$ 1,417,000</u>	<u>\$ 4,709</u>	<u>\$ 14,523</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In 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. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance, Beginning of Year	Advances Received	Advances Repaid	Balance, End of Year
2003-04A	\$ -	\$ 660,000	\$ 660,000	\$ -
2003-04B	-	<u>200,000</u>	<u>200,000</u>	-
	<u>\$ -</u>	<u>\$ 860,000</u>	<u>\$ 860,000</u>	<u>\$ -</u>

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 6. 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	\$ 117,000	\$ -	\$ -	\$ 117,000
Construction in progress	<u>256,838</u>	<u>1,251,739</u>	-	<u>1,508,577</u>
Total capital assets, not being depreciated	<u>373,838</u>	<u>1,251,739</u>	-	<u>1,625,577</u>
Capital assets being depreciated:				
Buildings and improvements	7,432,679	69,450	-	7,502,129
Improvements other than buildings	402,661	1,434	-	404,095
Furniture and equipment	<u>1,522,196</u>	<u>58,035</u>	-	<u>1,580,231</u>
Total capital assets being depreciated	<u>9,357,536</u>	<u>128,919</u>	-	<u>9,486,455</u>

Less accumulated depreciation for:				
Buildings and improvements	2,631,049	153,125	-	2,784,174
Improvements other than buildings	208,811	20,131	-	228,942
Furniture and equipment	<u>1,068,699</u>	<u>105,767</u>	-	<u>1,174,466</u>
Total accumulated depreciation	<u>3,908,559</u>	<u>279,023</u>	-	<u>4,187,582</u>
Total capital assets being depreciated, net	<u>5,448,977</u>	<u>(150,104)</u>	-	<u>5,298,873</u>
Governmental activities capital assets, net	<u>\$5,822,815</u>	<u>\$1,101,635</u>	<u>\$ -</u>	<u>\$6,924,450</u>
<u>Business-type activities</u>				
Furniture and equipment	\$ 24,442	\$ -	\$ -	\$ 24,442
Less accumulated depreciation	<u>12,041</u>	<u>2,037</u>	-	<u>14,078</u>
Business-type activities capital assets, net	<u>\$ 12,401</u>	<u>\$ (2,037)</u>	<u>\$ -</u>	<u>\$ 10,364</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 39,686
Special	269
Other	9,782
Support services	
Student	30,169
Administration	10,976
Operation and maintenance of plant	12,415
Transportation	2,759
Unallocated depreciation	<u>172,967</u>

Total governmental activities depreciation expense \$ 279,023

Business-type activities

Food services	<u>\$ 2,037</u>
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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 more than the amounts reported on the financial statements of the prior fiscal year by \$168,575.

Note 7. 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	\$ 3,430,000	\$ -	\$(210,000)	\$ 3,220,000	\$ 220,000
Revenue bonds	1,460,000	-	(225,000)	1,235,000	235,000
Capital loan notes	135,000	-	(65,000)	70,000	70,000
Capital leases	7,244	-	(7,244)	-	-
Bank loan	216,463	-	(105,683)	110,780	110,780
Early retirement	76,428	158,142	(19,034)	215,536	27,134
Totals	<u>\$ 5,325,135</u>	<u>\$ 158,142</u>	<u>\$(631,961)</u>	<u>\$ 4,851,316</u>	<u>\$ 662,914</u>

Capital Leases

The District has entered into a contractual agreement for the purchase of instruments. 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. Payments of \$7,244, with no stated interest, are due annually on the instrument lease. The instrument lease was repaid, in full, during the year ended June 30, 2004.

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.400%	\$ 220,000	\$ 158,608	\$ 378,608
2006	4.550%	235,000	148,928	383,928
2007	4.650%	250,000	138,236	388,236
2008	4.750%	265,000	126,610	391,610
2009	4.900%	275,000	114,022	389,022
2010	5.000%	290,000	100,548	390,548
2011	5.050%	305,000	86,048	391,048
2012	5.100%	320,000	70,646	390,646
2013	5.125%	335,000	54,326	389,326
2014	5.125%	355,000	37,156	392,156
2015	5.125%	<u>370,000</u>	<u>18,962</u>	<u>388,962</u>
Totals		<u>\$ 3,220,000</u>	<u>\$ 1,054,090</u>	<u>\$ 4,274,090</u>

Revenue Bonds Payable

On June 1, 2003, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds are to be used to construct an addition to the elementary building. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The bonds were for \$1,460,000 and are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and services tax revenues will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2004 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 1, 2003			
	Interest Rates	Principal	Interest	Total
2005	3.00%	\$ 235,000	\$ 33,988	\$ 268,988
2006	2.50%	240,000	26,938	266,938
2007	2.50%	245,000	20,938	265,938
2008	2.75%	255,000	14,812	269,812
2009	3.00%	<u>260,000</u>	<u>7,800</u>	<u>267,800</u>
Totals		<u>\$ 1,235,000</u>	<u>\$ 104,476</u>	<u>\$ 1,339,476</u>

Capital Loan Notes

On May 1, 1999 the District issued capital loan notes in the amount of \$420,000. Proceeds of the notes were used for purchasing equipment for the District's new school building. During the year ending June 30, 2005, the balance of \$70,000 is scheduled to be repaid, along with interest of \$3,080.

Bank Loan

On June 2, 1999, the District entered into a loan agreement with the West Burlington Bank. The loan was for \$500,000 for the purchase of technology equipment. Payments of \$116,178, including interest of 4.85 percent, are due annually beginning August 20, 2002. The balance of \$110,780 is to be repaid during the year ending June 30, 2005, with interest of \$5,431.

Early Retirement

Sick leave days accrue at 10-15 days per year (depending upon an employee's status) to a maximum of 105 days. Upon retirement, after attaining age 59 with 10 years of service to the District and upon Board approval, an employee may receive a severance benefit based on a percentage of accumulated sick leave days, payable at the employee's per diem salary on the last day of employment, according to the following schedule:

# Years of Service	%
10-14	20
15-19	30
20-24	40
25 or more	50

Individuals who elect early retirement but have not reached their 65th birthday are eligible to have the District continue to pay their insurance benefits through the month of their 65th birthday. Six individuals are currently receiving this benefit. Early retirement expenditures for the year ended June 30, 2004 totaled \$19,034.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit 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 \$167,371, \$169,163 and \$160,270 respectively, equal to the required contributions for each year.

Note 9. 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 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$136,265 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 11. Deficit Balance

The District had unreserved, undesignated fund deficits of \$524,000 and \$3,010 in the General Fund and Special Revenue-Physical Plant and Equipment Levy Fund, respectively at June 30, 2004.

Note 12. Correction to Beginning Balances

During the year ended June 30, 2004, errors relating to the Capital Projects and General funds. It was noted that repayments for debt in the prior year should have been paid from the General Fund, but instead were paid from the Capital Projects Fund. Therefore, the beginning balances of these funds have been restated, as follows:

General Fund decreased by \$65,915

Capital Projects Fund increased by \$65,915

Note 13. 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				<u>Total</u>
	<u>General</u>	<u>Debt</u>	<u>Capital Projects</u>	<u>Total Nonmajor</u>	
Net assets June 30, 2003, as previously reported	\$(429,801)	\$84,969	\$1,663,529	\$80,866	\$1,399,563
GASB Interpretation 6 adjustments	-	-	-	10,556	10,556
Net assets July 1, 2003, as restated for governmental funds	<u>\$(429,801)</u>	<u>\$84,969</u>	<u>\$1,663,529</u>	<u>\$91,422</u>	1,410,119
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$3,908,559					5,822,815
Long-term liabilities:					
General obligation bonds				\$(3,430,000)	
Revenue bonds				(1,460,000)	
Capital loan notes				(135,000)	
Capital leases				(7,244)	
Bank loan				(216,463)	
Early retirement				<u>(76,428)</u>	
					(5,325,135)
Accrued interest payable					<u>(44,856)</u>
Net assets July 1, 2003, as restated					<u>\$1,862,943</u>

Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Budgetary Comparison Schedule of Receipts, Disbursements
 and Changes in Balances - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2004

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>			
Receipts						
Local sources	\$ 3,548,438	\$ 104,975	\$ 3,653,413	\$ 3,531,079	\$ 3,531,079	\$ 122,334
Intermediate sources	-	-	-	2,000	2,000	(2,000)
State sources	2,016,120	3,406	2,019,526	2,116,616	2,116,616	(97,090)
Federal sources	128,518	95,698	224,216	230,000	230,000	(5,784)
Total receipts	<u>5,693,076</u>	<u>204,079</u>	<u>5,897,155</u>	<u>5,879,695</u>	<u>5,879,695</u>	<u>17,460</u>
Disbursements						
Instruction	3,270,643	-	3,270,643	3,227,772	3,350,000	79,357
Support services	1,225,598	-	1,225,598	1,258,774	1,275,000	49,402
Non-instructional programs	-	202,756	202,756	200,000	220,000	17,244
Other expenditures	2,404,196	-	2,404,196	2,526,379	2,526,379	122,183
Total disbursements	<u>6,900,437</u>	<u>202,756</u>	<u>7,103,193</u>	<u>7,212,925</u>	<u>7,371,379</u>	<u>268,186</u>
Excess (deficiency) of receipts over (under) disbursements	(1,207,361)	1,323	(1,206,038)	(1,333,230)	(1,491,684)	285,646
Other financing sources, net	<u>191</u>	<u>-</u>	<u>191</u>	<u>(200,073)</u>	<u>(200,073)</u>	<u>200,264</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(1,207,170)	1,323	(1,205,847)	(1,533,303)	(1,691,757)	485,910
Balance, beginning of year	<u>2,066,158</u>	<u>8,212</u>	<u>2,074,370</u>	<u>1,914,741</u>	<u>1,914,741</u>	<u>159,629</u>
Balance, end of year	<u>\$ 858,988</u>	<u>\$ 9,535</u>	<u>\$ 868,523</u>	<u>\$ 381,438</u>	<u>\$ 222,984</u>	<u>\$ 645,539</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 For the Year Ended June 30, 2004

	Governmental Fund Types		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u> <u>Basis</u>
Revenues	\$ 5,693,076	\$ 40,404	\$ 5,733,480
Expenditures	<u>6,900,437</u>	<u>(23,929)</u>	<u>6,876,508</u>
Net	(1,207,361)	64,333	(1,143,028)
Other financing sources	191	-	191
Beginning fund balances	<u>2,066,158</u>	<u>(656,039)</u>	<u>1,410,119</u>
Ending fund balances	<u>\$ 858,988</u>	<u>\$ (591,706)</u>	<u>\$ 267,282</u>

	Proprietary Fund Type		
	Enterprise		
	Cash	Accrual	Accrual
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$ 204,079	\$ 7,854	\$ 211,933
Expenditures	<u>202,756</u>	<u>11,552</u>	<u>214,308</u>
Net	1,323	(3,698)	(2,375)
Beginning fund balances	<u>8,212</u>	<u>4,391</u>	<u>12,603</u>
Ending fund balances	<u>\$ 9,535</u>	<u>\$ 693</u>	<u>\$ 10,228</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function disbursements 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 disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

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

Other Supplementary Information

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2004

Schedule 1

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 21,243	\$ 75,068	\$ 1,352	\$ 97,663
Receivables				
Property tax				
Current year delinquent	393	-	631	1,024
Succeeding year	121,632	-	134,816	256,448
Accounts receivable	<u>-</u>	<u>1,056</u>	<u>-</u>	<u>1,056</u>
 Total assets	 <u>\$ 143,268</u>	 <u>\$ 76,124</u>	 <u>\$ 136,799</u>	 <u>\$ 356,191</u>
 LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ -	\$ 1,006	\$ 4,993	\$ 5,999
Deferred revenue				
Succeeding year property tax	<u>121,632</u>	<u>-</u>	<u>134,816</u>	<u>256,448</u>
Total liabilities	<u>121,632</u>	<u>1,006</u>	<u>139,809</u>	<u>262,447</u>
 Fund Equity				
Unreserved fund balances	<u>21,636</u>	<u>75,118</u>	<u>(3,010)</u>	<u>93,744</u>
 Total liabilities and fund equity	 <u>\$ 143,268</u>	 <u>\$ 76,124</u>	 <u>\$ 136,799</u>	 <u>\$ 356,191</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2004

Schedule 2

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues				
Local sources				
Local taxes	\$ 89,190	\$ -	\$ 130,630	\$ 219,820
Other	41	160,650	50,019	210,710
State sources	4,900	-	4,947	9,847
Total revenues	<u>94,131</u>	<u>160,650</u>	<u>185,596</u>	<u>440,377</u>
Expenditures				
Instruction				
Regular program instruction	38,113	-	-	38,113
Other instruction	-	144,160	-	144,160
Support services				
Administration services	13,893	-	-	13,893
Operation & maintenance of plant services	39,077	-	-	39,077
Transportation services	3,292	-	-	3,292
Other expenditures				
Facilities acquisition and construction	-	-	128,313	128,313
Total expenditures	<u>94,375</u>	<u>144,160</u>	<u>128,313</u>	<u>366,848</u>
Excess (deficiency) of revenues over (under) expenditures	(244)	16,490	57,283	73,529
Other financing uses				
Interfund operating transfers out	-	-	(71,208)	(71,208)
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	(244)	16,490	(13,925)	2,321
Fund balances, beginning of year	<u>21,880</u>	<u>58,628</u>	<u>10,915</u>	<u>91,423</u>
Fund balances, end of year	<u>\$ 21,636</u>	<u>\$ 75,118</u>	<u>\$ (3,010)</u>	<u>\$ 93,744</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 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>	Intrafund <u>Transfers</u>	Balance, End of <u>Year</u>
Athletics	\$ 14,494	\$ 52,782	\$ 44,588	\$ (22)	\$ 22,666
Art club	453	1,900	2,354	537	536
Elementary store	87	-	-	-	87
Future Homemakers of America	843	1,015	1,108	-	750
Octagon	285	90	-	-	375
Recycle club	16	-	-	-	16
National Honor Society	58	-	151	-	(93)
Pep club	670	5,897	5,116	-	1,451
Alternative activities	1,296	-	-	-	1,296
SADD	1,955	-	235	-	1,720
High school science club	324	2,580	2,968	537	473
Middle school science club	35	-	-	-	35
Spanish club	2,421	333	600	-	2,154
Speech	218	-	-	-	218
Post prom	1,385	6,496	6,708	304	1,477
Student council	1,671	3,240	3,146	-	1,765
Middle school student council	372	274	132	-	514
Nature club	151	-	-	-	151
River Watchers	403	-	-	-	403
Academic club	68	-	-	-	68
Class of:					-
2001	46	-	-	-	46
2002	181	-	-	-	181
2003	271	-	145	-	126
2004	1,428	1,103	857	(1,193)	481
2005	1,992	2,411	2,230	(185)	1,988
2006	1,080	491	695	-	876
2007	672	402	-	-	1,074
2008	348	384	-	-	732
2009	-	378	6	-	372
Fundraising - Carter	1,777	1,235	1,678	-	1,334
Jump Rope for Heart	169	300	-	-	469

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 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>	Intrafund <u>Transfers</u>	Balance, End of <u>Year</u>
Pop machines	\$ 228	\$ 5,700	\$ 3,118	\$ -	\$ 2,810
Crystal Lite machine	(153)	-	-	-	(153)
Student pictures	7,204	5,905	4,616	-	8,493
Fundraising - Moffitt	1,384	3,077	3,315	-	1,146
Fundraising - Nelson	520	3,781	3,418	-	883
Fundraising - Anderson	50	-	-	-	50
Home ec resale	232	689	683	-	238
Music resale	(1,959)	1,034	816	-	(1,741)
Yearbook	1,471	14,985	11,194	-	5,262
Drama	2,337	5,322	4,279	-	3,380
Interest	8,546	331	1,282	2	7,597
Cheerleaders	1,947	2,964	3,374	20	1,557
Middle school cheerleaders	357	368	240	-	485
Student activities	1,236	75	-	-	1,311
Special needs	59	-	-	-	59
Transfers	-	35,108	35,108	-	-
Totals	<u>\$ 58,628</u>	<u>\$ 160,650</u>	<u>\$ 144,160</u>	<u>\$ -</u>	<u>\$ 75,118</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 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	\$ 2,097,154	\$ 2,110,101	\$ 1,878,261	\$ 2,120,612
Tuition	1,171,786	1,137,154	1,109,323	1,002,145
Other	285,819	198,435	289,832	390,812
Intermediate sources	-	100	1,260	1,000
State sources	2,017,561	2,101,699	1,972,268	1,721,122
Federal sources	161,160	154,008	131,360	115,457
Total revenues	<u>\$ 5,733,480</u>	<u>\$ 5,701,497</u>	<u>\$ 5,382,304</u>	<u>\$ 5,351,148</u>
Expenditures				
Instruction				
Regular instruction	2,233,610	2,228,155	2,161,797	2,083,917
Special instruction	580,581	584,791	534,351	459,335
Other instruction	495,443	470,861	479,119	458,360
Support services				
Student services	150,831	146,623	143,601	131,184
Instructional staff services	135,503	129,567	126,316	92,060
Administration services	473,194	410,409	451,959	391,313
Operation and maintenance of plant services	486,376	456,076	380,582	461,066
Transportation services	22,790	31,211	24,105	28,507
Central support services	25	156	7,041	-
Non-instructional programs	-	-	-	500
Other expenditures				
Facilities acquisition	1,330,074	367,936	204,957	175,495
Long-term debt				
Principal	612,927	588,079	568,647	537,930
Interest and other charges	218,889	229,869	251,378	276,624
AEA flowthrough	136,265	142,548	141,228	137,047
Total expenditures	<u>\$ 6,876,508</u>	<u>\$ 5,786,281</u>	<u>\$ 5,475,081</u>	<u>\$ 5,233,338</u>

See accompanying Independent Auditor's Report.

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

To the Board of Education
Independent School District of West Burlington
West Burlington, Iowa

I have audited the financial statements of the Independent School District of West Burlington as of and for the year ended June 30, 2004, and have issued my report thereon dated September 3, 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 Independent School District of West Burlington'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 not been resolved. 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 General Fund and Special Revenue-Physical Plant and Equipment Levy Fund of \$524,000 and \$3,010, respectively at June 30, 2004.

Recommendation - The District should monitor these funds and investigate alternatives to eliminate these deficits.

Response - We will investigate possible alternatives to eliminate these deficits.

Conclusion - Response accepted.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Independent School District of West Burlington'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 Independent School District of West Burlington'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.

- B. Use of District's Federal Identification Number - During the audit process, it was noted that the District's EFIN is being used by various organizations that are not part of the school district.

Recommendation - The District should contact these organizations and explain that the organizations should not be using the District's EFIN and that the organizations should apply for their own EFIN. Only District funds and accounts are allowed to use the District's EFIN per IRS regulations.

Response - We will contact these organizations and get the situation resolved.

Conclusion - Response accepted.

- C. Bank Signature Cards - I noted that the signature cards at the District's bank contained a former board member's signature as an authorized signer.

Recommendation - The District should update all signature cards so that all authorized individuals and only authorized individuals are on the signature cards.

Response - We will update our signature cards as recommended.

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 Independent School District of West Burlington 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 Independent School District of West Burlington 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

September 3, 2004

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Audit Staff
June 30, 2004

This audit was performed by

Kay Chapman, CPA