

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

## Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	23
Statement of Cash Flows	I	24
Notes to Financial Statements		25-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		35-36
Budget to GAAP Reconciliation		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	40
Schedule of Changes in Student Activity Accounts	3	41-42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	43
Schedule of Expenditures of Federal Awards	5	44-45
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		46-47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		48-49
Schedule of Findings and Questioned Costs		50-54

West Delaware County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Dan Zumbach	President	2004
Gary Johnson	Vice President	2005
Mike Carr	Board Member	2005
Ilona Durey	Board Member	2003
Jack Young	Board Member	2003
<b>Board of Education (After September 2003 Election)</b>		
Dan Zumbach	President	2004
Gary Johnson	Vice President	2005
Mike Carr	Board Member	2005
Ilona Durey	Board Member	2006
Elwyn Curtis	Board Member	2006
<b>School Officials</b>		
Rick Hilbert	Superintendent	2004
Ron Goerdts	Director of Finance/ Board Secretary	2004
Jeff Krausman	Attorney	2004

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
West Delaware County Community School District:

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

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the West Delaware County Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 7, 2004, on our consideration of the West Delaware County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Member American Institute & Iowa Society of Certified Public Accountants

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West Delaware County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Nolte Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

September 7, 2004

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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West Delaware County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. The District had made every attempt so that the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the various funds and account groups in accordance with generally accepted accounting principles, (GAAP). All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

### **District Background**

West Delaware County Community School District covers an area of 237 square miles in Northeast Iowa, serving the communities of Dundee, Greeley, Manchester, Masonville, and Ryan. The District is governed by a five-member elected Board of Directors who serve staggered three-year terms. The Board of Directors is a policy-making and planning body whose decisions are carried out by central office and building administrators.

The September 2003 Certified Enrollment Report recorded a budget enrollment of 1,740.8 students, ranking West Delaware as the 54th largest of Iowa's 367 public school systems. The District operates one regular and one alternative high school, a middle school and a JK-5 elementary, offering a full range of educational services appropriate to students in early childhood through grade twelve. These services include basic, regular and enriched academic instruction; special education for children with special needs; vocational education; and numerous individualized programs such as specialized instruction for at-risk students. The district employs 127 teachers to carry out its educational mission, which is formally stated as providing a safe, culturally rich environment in which all students can reach their full potential academically, emotionally, and socially.

In addition to the typical elementary, middle school and high school programs, the district also operates before and after school instructional programs, summer school, and shared time programs with the local private school. The District also sponsors before and after school day care services in conjunction with the YWCA program housed at the elementary site and an offsite Special Education program through an agreement with Delaware County Regional Medical Center's Partner's in Success Program. A wide range of extracurricular activities are supported through membership and participation in the WaMaC Athletic Conference.

The District is supported financially by state aid, property taxes, income surtaxes, state and federal grants for special projects, and local revenue received for tuition and other services.

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## **2004 FINANCIAL HIGHLIGHTS**

- The District welcomed a new source of revenue when county residents approved a 1% School Infrastructure Local Option Tax on May 20, 2003. Receipts from this county-wide vote commenced in the 2nd quarter of 2004 following the January 1st implementation. Administration hopes to use these funds to complement an infrastructure building and remodeling campaign.
- Despite a devastating 2.5% cutback in state aid midway through the year, the District recovered financially well enough to run its 2003-04 operations without incurring a deficit. Subsequently, the financial solvency ratio remained in the healthy range.
- General Fund revenues increased from \$12,154,153 in fiscal 2003 to \$12,158,953 in fiscal 2004, while General Fund expenditures decreased from \$12,443,065 in fiscal 2003 to \$12,087,201 in fiscal 2004. The General Fund also had \$45,271 in other financing uses. This resulted in an increase in the District's General Fund balance from \$1,013,024 in fiscal 2003 to a balance of \$1,039,505 in fiscal 2004, a 2.6% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local sources. The decrease in General Fund expenditures regardless of the state cutback was primarily due to enacting a hiring freeze and implementing an internal 20% across the board decrease in the non-wage portion of the working budget.
- Certified enrollment continued its downward trend, dropping 85 students to a total of 1,740.8 for September, 2003. Since funding is directly related to enrollment, the district is actively seeking efficiencies both within and outside of the classrooms to continue to offer similar academic programs at a lesser cost.
- The District once again received an unqualified audit opinion, representing an acknowledgement that a sufficient degree of internal control and proper financial management and oversight exists. Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

## **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 West Delaware County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Delaware County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Delaware County Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

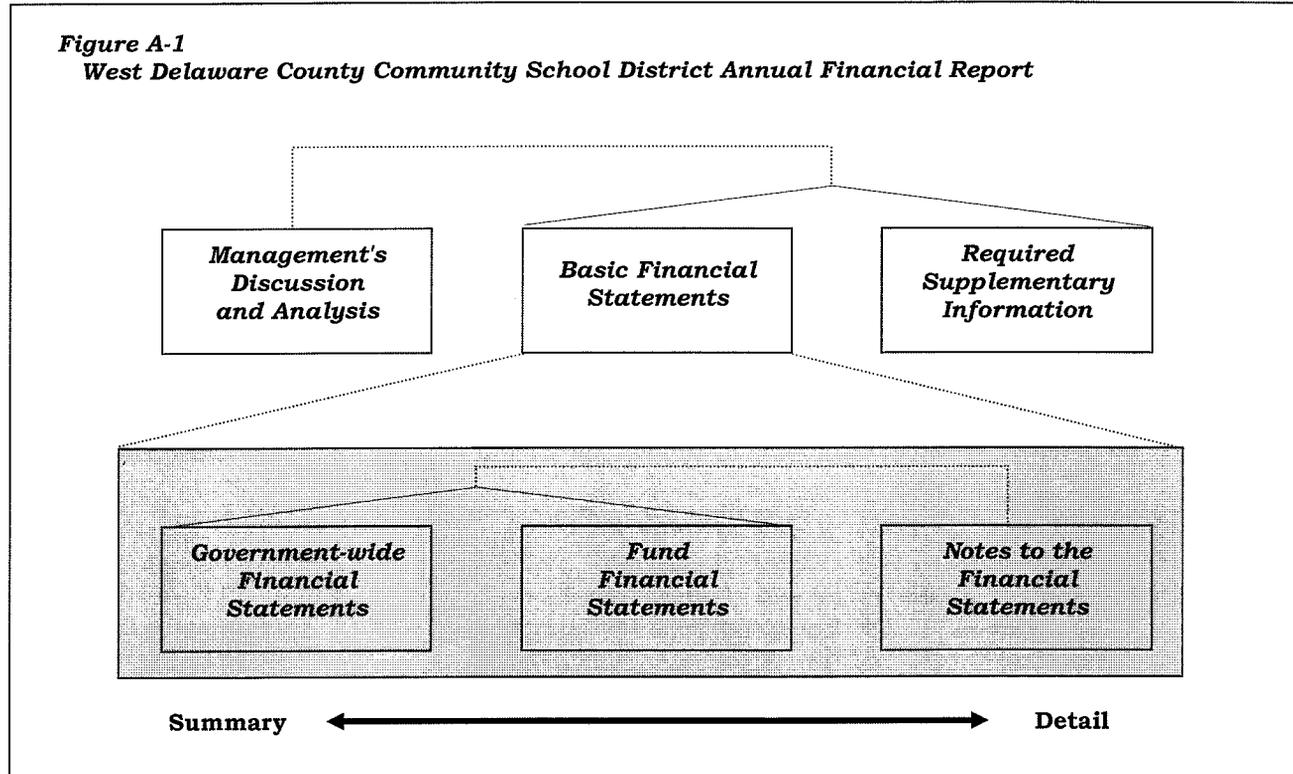


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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## 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 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 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 **General Operating Fund** is used to account for all transactions except those that are required by law to be accounted for in another fund. The General Fund is the basis for the instructional program.

The **Management Fund** is a special revenue fund used to account for all financial transactions from the levy authorized under section 298.4, Code of Iowa. The purpose of this fund is to pay the costs of unemployment or early retirement benefits, and the costs of property, liability, auto

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and worker's compensation insurance and judgments or settlements relating to liability. This fund cannot be used for employee health, life, or disability insurance, even if the district is self-insured.

The **Physical Plant and Equipment Fund (PEEL)** is a special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, under section 298.2, Code of Iowa. This fund is created to deposit and expend money from a levy certified by the Board of Directors not to exceed 33 cents and/or a levy authorized by a simple majority of the voters not to exceed \$1.34. (West Delaware levies 33 cents by board authority and 67 cents from the voted levy.) The purpose of the fund is to pay the costs of specified major expenditures related to facilities, grounds and certain equipment.

The **Student Activity Fund** is a special revenue fund used to account for money received from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related co curricular or extracurricular activities. Moneys in this fund must be used to support only the program defined in the administrative rules of the department of education. The Activity Fund is under the control of the School Board. No taxes are levied for this fund.

The **Expendable Trust Funds** is a special revenue fund used to account for money received for scholarships and administered by the District. No taxes are levied for this fund.

The **Capital Projects Funds** are established when a district issues bonds or other authorized indebtedness for capital projects or for the proceeds from a Local Option Sales and Services Tax. When a capital project for facilities is initiated in any existing fund, the moneys for that project are transferred to a capital project fund by an operating transfer from the fund authorized to initiate the acquisition or construction. The payment of the project's expenditures will be made from the capital project fund established to account for the project.

The **Debt Service Fund** is established when a district issues bonds or other authorized long-term indebtedness, except those financed by proprietary or trust funds. The purpose of the fund is to pay interest and principal when due on bonds or other authorized indebtedness issued by the district, and to make payments required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by the Code of Iowa. Moneys available to service this debt and received from sources other than the debt service property tax levy shall be transferred to the Debt Service Fund through an operating transfer from the fund which issued the original indebtedness, and the payment of the debt shall be made from the debt service levy fund. Expenditures for the payment of general long-term debt, including both principal and interest must be budgeted in the debt service fund.

The **School Nutrition Fund** is a proprietary enterprise fund used to account for all transactions for the nutrition program authorized under chapter 283A, Code of Iowa. No taxes are levied for this fund.

The District has two 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, Internal Service Fund, Capital Projects Fund and the Debt Service Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Current and other assets	\$ 7,080,543	6,636,910	\$ 205,118	132,411	\$ 7,285,661	6,769,321	7.63%
Capital assets	1,396,201	1,307,588	30,073	35,335	1,426,274	1,342,923	6.21%
Total assets	<u>8,476,744</u>	<u>7,944,498</u>	<u>235,191</u>	<u>167,746</u>	<u>8,711,935</u>	<u>8,112,244</u>	<u>7.39%</u>
Long-term obligations	786,288	1,189,677	0	0	786,288	1,189,677	-33.91%
Other liabilities	5,177,877	5,074,994	6,938	6,967	5,184,815	5,081,961	2.02%
Total liabilities	<u>5,964,165</u>	<u>6,264,671</u>	<u>6,938</u>	<u>6,967</u>	<u>5,971,103</u>	<u>6,271,638</u>	<u>-4.79%</u>
Net assets:							
Invested in capital assets, net of related debt	1,542,974	745,871	30,073	35,335	1,573,047	781,206	101.36%
Restricted	177,762	150,566	0	0	177,762	150,566	18.06%
Unrestricted	791,843	783,390	198,180	125,444	990,023	908,834	8.93%
Total net assets	<u>\$ 2,512,579</u>	<u>1,679,827</u>	<u>\$ 228,253</u>	<u>160,779</u>	<u>\$ 2,740,832</u>	<u>1,840,606</u>	<u>48.91%</u>

The District's combined net assets increased by 48.9%, or \$900,226, over the prior year.

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

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Revenues:							
Program revenues:							
Charges for services	\$ 972,649	891,419	378,749	372,296	1,351,398	1,263,715	6.94%
Operating grants and contributions and restricted interest	1,563,944	1,526,033	219,381	213,913	1,783,325	1,739,946	2.49%
Capital grants and contributions and restricted interest	119,799	0	0	0	119,799	0	100.00%
General revenues:							
Property tax	5,075,606	4,669,306	0	0	5,075,606	4,669,306	8.70%
Local option sales and services tax	263,132	0	0	0	263,132	0	100.00%
Unrestricted state grants	5,664,625	6,006,607	0	0	5,664,625	6,006,607	-5.69%
Unrestricted investment earnings	25,099	0	2,141	0	27,240	0	100.00%
Other	9,581	48,074	0	1,767	9,581	49,841	-80.78%
Total revenues	13,694,435	13,141,439	600,271	587,976	14,294,706	13,729,415	4.12%
Program expenses:							
Governmental activities:							
Instructional	8,275,940	8,703,729	0	0	8,275,940	8,703,729	-4.92%
Support services	3,679,124	3,893,817	0	0	3,679,124	3,893,817	-5.51%
Non-instructional programs	4,000	6,296	532,797	555,741	536,797	562,037	-4.49%
Other expenses	902,619	954,217	0	0	902,619	954,217	-5.41%
Total expenses	12,861,683	13,558,059	532,797	555,741	13,394,480	14,113,800	-5.10%
Change in net assets	\$ 832,752	(416,620)	67,474	32,235	900,226	-384,385	-334.20%

Property tax and unrestricted state grants account for approximately 75% of the total revenue. The District's expenses primarily relate to instruction and support services which account for approximately 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$13,694,435 and expenses were \$12,861,683.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,275,940	6,371,213
Support services	3,679,124	3,597,463
Non-instructional	4,000	4,000
Other expenses	902,619	232,615
Totals	\$ 12,861,683	10,205,291

- The cost financed by users of the District's programs was \$972,649.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,687,743.
- The net cost of governmental activities was financed with \$5,075,606 in property and other taxes, \$263,132 in local option sales and services tax, \$5,664,625 in unrestricted state grants, and \$25,099 in interest on investments.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$600,271 and expenses were \$532,797. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,724,817, above last year's ending fund balance of \$1,400,689.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. Along with the increase in revenues, the General Fund decreased its expenditures, primarily because of stricter budgetary oversight at the building level. Also, the district's alternate year early retirement program allows replacement of more expensive veteran teachers with less expensive beginning level staff, which produces a cumulative savings effect for several years.
- The General Fund balance increased from \$1,013,024 in fiscal year 2003 to \$1,039,505 in fiscal year 2004, due in part to the increase in revenues and the decrease in expenditures over the prior year.
- The Physical Plant and Equipment Levy paid off the second last year of an outstanding note, meaning the receipts in that fund will be unencumbered after May 2005.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$160,779 at June 30, 2003 to \$228,253 at June 30, 2004, representing an increase of 42%.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds which are exempted by statute. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District's receipts were \$78,650 less than budgeted receipts, a variance of .55%. The most significant variance resulted from the District receiving less in intermediate sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$1,426,274, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$311,971.

The original cost of the District's capital assets was \$8,442,644. Governmental funds account for \$8,278,356 with the remainder of \$164,288 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$2,831,828 at June 30, 2004, compared to \$2,510,299 reported at June 30, 2003.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Land	\$ 62,250	62,250	\$ 0	0	\$ 62,250	62,250	0.00%
Buildings	251,959	387,141	0	0	251,959	387,141	-53.65%
Improvements other than buildings	101,263	121,750	0	0	101,263	121,750	-20.23%
Machinery and equipment	980,729	736,447	30,073	35,335	1,010,802	771,782	23.65%
Total	<u>\$ 1,396,201</u>	<u>1,307,588</u>	<u>\$ 30,073</u>	<u>35,335</u>	<u>\$ 1,426,274</u>	<u>1,342,923</u>	<u>5.84%</u>

**Long-Term Debt**

At June 30, 2004, the District had \$786,287 in loans and other long-term debt outstanding. This represents a decrease of 34% from last year. (See Figure A-7) More detailed information about the District’s long-term liabilities is available in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
Capital loan notes	\$ 220,000	435,000	-49.4%
National school fitness loan	75,484	126,717	-40.4%
Early retirement	490,804	627,960	-21.8%
Totals	<u>\$ 786,288</u>	<u>1,189,677</u>	<u>-33.9%</u>

**FACTORS BEARING ON THE DISTRICT’S FUTURE**

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

- The District has experienced declining enrollment for the past several years. It is the District’s goal to reduce expenditures accordingly to mirror the reduction in student population. However, this will be a multi-year “work in progress” because a drop in numbers across the entire K-12 range does not readily translate into immediately smaller class sizes – it takes accumulated reductions before class sections can be reconfigured to have staff utilized most efficiently. The district will utilize the state’s scale-down budget guarantee to get its annual expenditures aligned with estimated revenues
- A 2.5% across-the-board state cut reduced revenues the District received during the 2003-2004 school year. This was the second time in three years the State of Iowa has handed an across-the-board cut in state aid and categorical funds to local districts. Both cuts have happened midyear after contracts for staff, goods and services had already been obtained or ordered, necessitating severe interim measures to control any unencumbered funds. Effects of the first cutback were seen in a decreased fund balance at the conclusion of FY03; a similar result was narrowly avoided for FY04 due to stringent expenditure controls enacted by management.

The state cutback was coupled with a lower than usual allowable growth increase from the state. Fiscal 2004 was the third consecutive year of state allowable growth below the cost of living. Collective bargaining agreements with staff are ill suited to allow negotiations that result in settlements well below annual cost of living increases. The district will need to continue financing staff expenses with assistance from its unspent balance or use extraordinary non-staff spending constraints until state funding is restored to a satisfactory level.

**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 Ron Goerd, Director of Finance, West Delaware County Community School District, 601 New Street, Manchester, Iowa, 52057.

BASIC FINANCIAL STATEMENTS

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
Other	\$ 1,592,167	188,248	1,780,415
Receivables			
Property tax:			
Delinquent	68,539	0	68,539
Succeeding year	5,029,304	0	5,029,304
Income surtax	153,401	0	153,401
Accounts	5,327	0	5,327
Prepaid expenses	128	0	128
Due from other governments	231,677	0	231,677
Inventories	0	16,870	16,870
Capital assets, net of accumulated depreciation (Note 4)	1,396,201	30,073	1,426,274
<b>TOTAL ASSETS</b>	<b>8,476,744</b>	<b>235,191</b>	<b>8,711,935</b>
<b>LIABILITIES</b>			
Accounts payable	79,147	5	79,152
Salaries and benefits payable	68,249	144	68,393
Accrued interest payable	1,177	0	1,177
Deferred revenue:			
Succeeding year property tax	5,029,304	0	5,029,304
Other	0	6,789	6,789
Long-term liabilities (Note 5):			
Portion due within one year:			
Capital Loan Note	220,000	0	220,000
National School Fitness Loan	53,056	0	53,056
Early Retirement	101,846	0	101,846
Portion due after one year:			
Early Retirement	388,958	0	388,958
National School Fitness Loan	22,428	0	22,428
<b>TOTAL LIABILITIES</b>	<b>5,964,165</b>	<b>6,938</b>	<b>5,971,103</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,542,974	30,073	1,573,047
Restricted for:			
Talented and Gifted	10,398	0	10,398
Other special revenue purposes	167,364	0	167,364
Unrestricted	791,843	198,180	990,023
<b>TOTAL NET ASSETS</b>	<b>\$ 2,512,579</b>	<b>228,253</b>	<b>2,740,832</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,220,642	864,615	935,468	0
Special instruction	1,807,235	104,644	0	0
Other instruction	1,248,063	0	0	0
	<u>8,275,940</u>	<u>969,259</u>	<u>935,468</u>	<u>0</u>
Support services:				
Student services	525,960	0	0	0
Instructional staff services	694,312	0	0	0
Administration services	1,141,713	0	0	0
Operation and maintenance of plant services	834,597	0	0	0
Transportation services	482,542	3,390	78,271	0
	<u>3,679,124</u>	<u>3,390</u>	<u>78,271</u>	<u>0</u>
Non-instructional programs	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	174,404	0	0	119,799
Long-term debt interest	14,341	0	0	0
AEA flowthrough	550,205	0	550,205	0
Depreciation(unallocated)*	163,669	0	0	0
	<u>902,619</u>	<u>0</u>	<u>550,205</u>	<u>119,799</u>
Total governmental activities	12,861,683	972,649	1,563,944	119,799
Business-Type activities:				
Non-instructional programs:				
Nutrition services	532,797	378,749	219,381	0
Total business-type activities	<u>532,797</u>	<u>378,749</u>	<u>219,381</u>	<u>0</u>
Total	<u>\$ 13,394,480</u>	<u>1,351,398</u>	<u>1,783,325</u>	<u>119,799</u>

**General Revenues:**

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

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,420,559)	0	(3,420,559)
(1,702,591)	0	(1,702,591)
(1,248,063)	0	(1,248,063)
(6,371,213)	0	(6,371,213)
(525,960)	0	(525,960)
(694,312)	0	(694,312)
(1,141,713)	0	(1,141,713)
(834,597)	0	(834,597)
(400,881)	0	(400,881)
(3,597,463)	0	(3,597,463)
(4,000)		(4,000)
(54,605)	0	(54,605)
(14,341)	0	(14,341)
0	0	0
(163,669)	0	(163,669)
(232,615)	0	(232,615)
(10,205,291)	0	(10,205,291)
0	65,333	65,333
0	65,333	65,333
(10,205,291)	65,333	(10,139,958)
\$ 4,681,365	0	4,681,365
394,241	0	394,241
263,132	0	263,132
5,664,625	0	5,664,625
25,099	2,141	27,240
9,581	0	9,581
11,038,043	2,141	11,040,184
832,752	67,474	900,226
1,679,827	160,779	1,840,606
\$ 2,512,579	228,253	2,740,832

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
Other	\$ 971,514	170,877	424,505	1,566,896
Receivables:				
Property tax:				
Delinquent	58,863	0	9,676	68,539
Succeeding year	4,382,734	0	646,570	5,029,304
Income surtax	153,401	0	0	153,401
Accounts	2,513	0	2,460	4,973
Prepaid expenses	128	0	0	128
Due from other governments	139,090	92,587	0	231,677
<b>TOTAL ASSETS</b>	<b>\$ 5,708,243</b>	<b>263,464</b>	<b>1,083,211</b>	<b>7,054,918</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 64,354	0	14,793	79,147
Salaries and benefits payable	68,249	0	0	68,249
Deferred revenue:				
Succeeding year property tax	4,382,734	0	646,570	5,029,304
Income surtax	153,401	0	0	153,401
Total liabilities	4,668,738	0	661,363	5,330,101
Fund balances:				
Reserved for:				
Talented and Gifted	10,398	0	0	10,398
Unreserved:				
Undesignated	1,029,107	263,464	421,848	1,714,419
Total fund balances	1,039,505	263,464	421,848	1,724,817
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,708,243</b>	<b>263,464</b>	<b>1,083,211</b>	<b>7,054,918</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2004

Total fund balances of governmental funds (page 18)	\$	1,724,817
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,396,201
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		25,625
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.		(1,177)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.		153,401
Long-term liabilities, including capital loan notes, early retirement and the school fitness loan are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(786,288)</u>
<b>Net assets of governmental activities (page 15)</b>	<b>\$</b>	<b><u><u>2,512,579</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 4,375,765	263,132	699,841	5,338,738
Tuition	375,884	0	0	375,884
Other	177,324	254	442,061	619,639
Intermediate sources	2,225	0	0	2,225
State sources	6,727,224	0	814	6,728,038
Federal sources	500,531	0	119,799	620,330
Total revenues	<u>12,158,953</u>	<u>263,386</u>	<u>1,262,515</u>	<u>13,684,854</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	5,456,438	0	14,089	5,470,527
Special instruction	1,807,235	0	0	1,807,235
Other instruction	725,942	0	522,121	1,248,063
	<u>7,989,615</u>	<u>0</u>	<u>536,210</u>	<u>8,525,825</u>
Support services:				
Student services	460,480	0	15,010	475,490
Instructional staff services	741,050	0	3,422	744,472
Administration services	1,084,264	0	67,683	1,151,947
Operation and maintenance of plant services	800,737	0	46,962	847,699
Transportation services	460,850	0	145,843	606,693
	<u>3,547,381</u>	<u>0</u>	<u>278,920</u>	<u>3,826,301</u>
Non-instructional programs	0	0	4,000	4,000
Other expenditures:				
Facilities acquisitions	0	0	182,404	182,404
Long-term debt:				
Principal	0	0	266,233	266,233
Interest and fiscal charges	0	0	15,339	15,339
AEA flowthrough	550,205	0	0	550,205
	<u>550,205</u>	<u>0</u>	<u>463,976</u>	<u>1,014,181</u>
Total expenditures	<u>12,087,201</u>	<u>0</u>	<u>1,283,106</u>	<u>13,370,307</u>
Excess(deficiency) of revenues over(under) expenditures	71,752	263,386	(20,591)	314,547
Other financing sources (uses):				
Sale of equipment	2,043	0	0	2,043
Compensation for loss of fixed assets	7,538	0	0	7,538
Transfers in	0	0	281,572	281,572
Transfers out	(54,852)	0	(226,720)	(281,572)
Total other financing sources (uses)	<u>(45,271)</u>	<u>0</u>	<u>54,852</u>	<u>9,581</u>
Net change in fund balances	26,481	263,386	34,261	324,128
Fund balance beginning of year	1,013,024	78	387,587	1,400,689
Fund balance end of year	<u>\$ 1,039,505</u>	<u>263,464</u>	<u>421,848</u>	<u>1,724,817</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2004

**Net change in fund balances - total governmental funds (page 20)** \$ 324,128

**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	\$ 395,322	
Depreciation expense	<u>(306,709)</u>	88,613

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.

Repaid	<u>266,233</u>	266,233
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Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.

15,625

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.

997

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

Early retirement	<u>137,156</u>	<u>137,156</u>
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**Changes in net assets of governmental activities (page 17)** \$ 832,752

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	Business-Type	
	Activities:	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service
<b>ASSETS</b>		
Cash and pooled investments	\$ 188,248	25,271
Accounts receivable	0	354
Inventories	16,870	0
Capital assets, net of accumulated depreciation	30,073	0
Total assets	235,191	25,625
<b>LIABILITIES</b>		
Accounts payable	5	0
Salaries and benefits payable	144	0
Deferred Revenue	6,789	0
Total liabilities	6,938	0
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	30,073	0
Unrestricted	198,180	25,625
Total net assets	\$ 228,253	25,625

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 378,749	82,497
TOTAL OPERATING REVENUES	<u>378,749</u>	<u>82,497</u>
OPERATING EXPENSES:		
Salaries	234,670	0
Benefits	41,038	66,872
Services	6,767	0
Supplies	244,959	0
Other	101	0
Depreciation	5,262	0
TOTAL OPERATING EXPENSES	<u>532,797</u>	<u>66,872</u>
OPERATING INCOME (LOSS)	<u>(154,048)</u>	<u>15,625</u>
NON-OPERATING REVENUES:		
State sources	8,723	0
Federal sources	210,658	0
Interest on investments	2,141	0
TOTAL NON-OPERATING REVENUES	<u>221,522</u>	<u>0</u>
Change in net assets	67,474	15,625
Net assets beginning of year	<u>160,779</u>	<u>10,000</u>
Net assets end of year	<u>\$ 228,253</u>	<u>25,625</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	Business-Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 351,619	\$ 0
Cash received from miscellaneous operating activities	28,094	82,143
Cash payments to employees for services	(275,564)	(66,872)
Cash payments to suppliers for goods or services	(211,925)	0
Net cash provided by (used in) operating activities	<u>(107,776)</u>	<u>15,271</u>
Cash flows from non-capital financing activities:		
State grants received	8,723	0
Federal grants received	172,165	0
Net cash provided by non-capital financing activities	<u>180,888</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	2,141	0
Net cash provided by investing activities	<u>2,141</u>	<u>0</u>
Net increase in cash and cash equivalents	75,253	15,271
Cash and cash equivalents at beginning of year	<u>112,995</u>	<u>10,000</u>
Cash and cash equivalents at end of year	<u>\$ 188,248</u>	<u>\$ 25,271</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating gain (loss)	\$ (154,048)	\$ 15,625
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	38,493	0
Depreciation	5,262	0
Decrease in inventories	2,546	0
Increase in accounts receivable	0	(354)
Decrease in accounts payable	(1,137)	0
Increase in salaries and benefits payable	144	0
Increase in deferred revenue	964	0
Net cash used in operating activities	<u>\$ (107,776)</u>	<u>\$ 15,271</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 188,248</u>	<u>\$ 25,271</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2004, the District received Federal commodities valued at \$38,493.		

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) **Summary of Significant Accounting Policies**

The West Delaware County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Manchester, Ryan, Dundee, Greeley, and Masonville, Iowa, and the predominate agricultural territory in Delaware and Buchanan Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Delaware County Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Delaware County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Delaware and Buchanan Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal

Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at June 30, 2004.

(3) **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	PPEL	\$ 226,720
Debt Service	General Fund	54,852
Total		<u>\$ 281,572</u>

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

#### (4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	62,250	0	0	62,250
Total capital assets not being depreciated	62,250	0	0	62,250
Capital assets being depreciated:				
Buildings	5,108,405	8,000	0	5,116,405
Improvements other than buildings	267,873	0	0	267,873
Machinery and equipment	2,510,299	387,322	65,793	2,831,828
Total capital assets being depreciated	7,886,577	395,322	65,793	8,216,106
Less accumulated depreciation for:				
Buildings	4,721,264	143,182	0	4,864,446
Improvements other than buildings	146,123	20,487	0	166,610
Machinery and equipment	1,773,852	143,040	65,793	1,851,099
Total accumulated depreciation	6,641,239	306,709	65,793	6,882,155
Total capital assets being depreciated, net	1,245,338	88,613	0	1,333,951
Governmental activities capital assets, net	\$ 1,307,588	88,613	0	1,396,201
Business-type activities:				
Machinery and equipment	\$ 164,288	0	0	164,288
Less accumulated depreciation	128,953	5,262	0	134,215
Business-type activities capital assets, net	\$ 35,335	(5,262)	0	30,073

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 60,435
Support services:	
Student Support	75,881
Operation and maintenance of plant	190
Transportation	6,534
	143,040
Unallocated depreciation	163,669
Total governmental activities depreciation expense	\$ 306,709
Business-type activities:	
Food services	\$ 5,262
Total business-type activities depreciation expense	\$ 5,262

#### (5) 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
Capital Loan Notes	\$ 435,000	0	215,000	220,000	220,000
National School Fitness Loan	126,717	0	51,233	75,484	53,056
Early Retirement	627,960	0	137,156	490,804	101,846
Total	\$ 1,189,677	0	403,389	786,288	374,902

Capital Loan Notes

The District entered into an agreement for capital loan notes. Details of the District's June 30, 2004 capital loan notes indebtedness is as follows:

Community Saving Bank

Year Ending June 30,	Interest Rates	Issue of February 1, 2002		
		Principal	Interest	Total
2005	3.10-3.30	\$ 55,000	1,378	56,378

First State Bank

Year Ending June 30,	Interest Rates	Issue of February 1, 2002		
		Principal	Interest	Total
2005	3.10-3.30	\$ 55,000	1,378	56,378

F&M Savings Bank

Year Ending June 30,	Interest Rates	Issue of February 1, 2002		
		Principal	Interest	Total
2005	3.10-3.30	\$ 55,000	1,378	56,378

Citizens State Bank

Year Ending June 30,	Interest Rates	Issue of February 1, 2002		
		Principal	Interest	Total
2005	3.10-3.30	\$ 55,000	1,378	56,378

Total		\$ 220,000	5,512	225,512
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National School Fitness Loan

Details of the District's June 30, 2004 National School Fitness Loan indebtedness is as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 53,056	1,796	54,852
2006	22,428	195	22,623
Total	\$ 75,484	1,991	77,475

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-seven and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to \$280 per month contribution toward single health insurance coverage until age 65. The employee will also receive \$30 per day of unused sick leave. The early retirement benefits paid during the year ended June 30, 2004, totaled \$137,156.

#### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$460,128, \$467,133, \$455,001, respectively, equal to the required contributions for each year.

#### **(7) Risk Management**

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

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

years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$550,205 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.

REQUIRED SUPPLEMENTAL INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 6,327,962	381,854
Intermediate sources	2,225	8,723
State sources	6,582,751	210,658
Federal sources	620,330	0
Total revenues	<u>13,533,268</u>	<u>601,235</u>
Disbursements:		
Instruction	8,522,996	0
Support services	3,814,665	0
Non-instructional programs	4,000	525,982
Other expenditures	1,035,224	0
Total expenditures	<u>13,376,885</u>	<u>525,982</u>
Excess(deficiency) of receipts over(under) disbursements	156,383	75,253
Other financing sources, net	<u>9,581</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	165,964	75,253
Balance beginning of year	<u>1,400,932</u>	<u>112,995</u>
Balance end of year	<u>\$ 1,566,896</u>	<u>188,248</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
6,709,816	6,412,080	6,412,080	297,736
10,948	15,000	15,000	(4,052)
6,793,409	7,090,073	7,090,073	(296,664)
620,330	696,000	696,000	(75,670)
<u>14,134,503</u>	<u>14,213,153</u>	<u>14,213,153</u>	<u>(78,650)</u>
8,522,996	8,882,943	8,882,943	359,947
3,814,665	3,917,205	3,917,205	102,540
529,982	584,116	584,116	54,134
1,035,224	1,171,309	1,171,309	136,085
<u>13,902,867</u>	<u>14,555,573</u>	<u>14,555,573</u>	<u>652,706</u>
231,636	(342,420)	(342,420)	(574,056)
9,581	5,000	5,000	(4,581)
241,217	(337,420)	(337,420)	(578,637)
1,513,927	1,569,633	1,569,633	(55,706)
<u>1,755,144</u>	<u>1,232,213</u>	<u>1,232,213</u>	<u>522,931</u>

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,533,268	151,586	13,684,854
Expenditures	13,376,885	(6,578)	13,370,307
Net	156,383	158,164	314,547
Other financing sources, net	9,581	0	9,581
Beginning fund balances	1,400,932	(243)	1,400,689
Ending fund balances	\$ 1,566,896	157,921	1,724,817

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 601,235	(964)	600,271
Expenditures	525,982	6,815	532,797
Net	75,253	(7,779)	67,474
Other financing sources, net	0	0	0
Beginning fund balances	112,995	47,784	160,779
Ending fund balances	\$ 188,248	40,005	228,253

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2004

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

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

OTHER SUPPLEMENTAL INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 145,737	173,300	104,672	796	424,505
Receivables:					
Property tax:					
Current year delinquent	4,261	0	5,415	0	9,676
Succeeding year	273,949	0	372,621	0	646,570
Accounts	0	2,460	0	0	2,460
<b>TOTAL ASSETS</b>	<b>\$ 423,947</b>	<b>175,760</b>	<b>482,708</b>	<b>796</b>	<b>1,083,211</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$ 0	9,192	5,601	0	14,793
Deferred revenue:					
Succeeding year property tax	273,949	0	372,621	0	646,570
<b>Total Liabilities</b>	<b>273,949</b>	<b>9,192</b>	<b>378,222</b>	<b>0</b>	<b>661,363</b>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	149,998	166,568	104,486	796	421,848
<b>Total fund balances</b>	<b>149,998</b>	<b>166,568</b>	<b>104,486</b>	<b>796</b>	<b>421,848</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 423,947</b>	<b>175,760</b>	<b>482,708</b>	<b>796</b>	<b>1,083,211</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2004

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES:</b>							
Local sources:							
Local tax	\$ 305,600	0	394,241	0	699,841	0	699,841
Other	401	440,392	1,256	12	442,061	0	442,061
State sources	360	0	454	0	814	0	814
Federal sources	0	0	119,799	0	119,799	0	119,799
<b>TOTAL REVENUES</b>	<b>306,361</b>	<b>440,392</b>	<b>515,750</b>	<b>12</b>	<b>1,262,515</b>	<b>0</b>	<b>1,262,515</b>
<b>EXPENDITURES:</b>							
Current:							
Instruction:							
Regular instruction	14,089	0	0	0	14,089	0	14,089
Other instruction	106,216	415,805	0	100	522,121	0	522,121
Support services:							
Student support services	15,010	0	0	0	15,010	0	15,010
Instructional staff	3,422	0	0	0	3,422	0	3,422
Administration services	46,398	0	21,285	0	67,683	0	67,683
Operation and maintenance of plant services	46,962	0	0	0	46,962	0	46,962
Student transportation	33,683	0	112,160	0	145,843	0	145,843
Non-instructional programs	4,000	0	0	0	4,000	0	4,000
Other expenditures:							
Facilities acquisitions	0	0	182,404	0	182,404	0	182,404
Long-term debt:							
Principal	0	0	0	0	0	266,234	266,234
Interest and fiscal charges	0	0	0	0	0	15,338	15,338
<b>TOTAL EXPENDITURES</b>	<b>269,780</b>	<b>415,805</b>	<b>315,849</b>	<b>100</b>	<b>1,001,534</b>	<b>281,572</b>	<b>1,283,106</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>36,581</b>	<b>24,587</b>	<b>199,901</b>	<b>(88)</b>	<b>260,981</b>	<b>(281,572)</b>	<b>(20,591)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	0	0	0	0	0	281,572	281,572
Transfers out	0	0	(226,720)	0	(226,720)	0	(226,720)
Total other financing sources (uses)	0	0	(226,720)	0	(226,720)	281,572	54,852
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>36,581</b>	<b>24,587</b>	<b>(26,819)</b>	<b>(88)</b>	<b>34,261</b>	<b>0</b>	<b>34,261</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>113,417</b>	<b>141,981</b>	<b>131,305</b>	<b>884</b>	<b>387,587</b>	<b>0</b>	<b>387,587</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 149,998</b>	<b>166,568</b>	<b>104,486</b>	<b>796</b>	<b>421,848</b>	<b>0</b>	<b>421,848</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
District-Wide Destination Imagination	\$ 2,956	3,873	228	6,601
District-Wide Interest	7,931	(7,781)	0	150
District-Wide YFU	341	(341)	0	0
District-Wide Misc Sales	96	(96)	0	0
District-Wide Gen. Special Needs	2,365	(2,365)	0	0
District-Wide Activity Tickets	0	13,785	12,954	831
Elem Book Fair	4,137	8,127	6,475	5,789
Elem Activity	4,299	7,643	6,388	5,554
Elem Faculty Vending	500	1,673	1,330	843
Elem Resale-Pencils	1,753	105	93	1,765
Elem Playground Fundraiser	2,384	200	1,606	978
Special Programs Activity	222	490	0	712
Special Programs Learning Aids	635	0	0	635
Special Programs Special Olympics	3,215	4,000	324	6,891
Upper Elem Activity	19,259	33,723	27,526	25,456
Upper Elem 5th Grade Activity	554	4,090	3,963	681
Upper Elem Faculty Vending	110	1,673	1,329	454
Upper Elem Resale-Pencils	67	105	93	79
Upper Elem Green School Project	871	2,377	2,476	772
MS Student Council	92	0	0	92
MS Concession Stand	6,968	16,491	15,442	8,017
MS Vocal Music	718	70	111	677
MS Band	0	480	369	111
MS Boys Basketball	0	1,105	1,105	0
MS Football	0	5,407	3,307	2,100
MS Boys Track	560	90	1,077	(427)
MS Wrestling	0	361	361	0
MS Girls Basketball	0	1,000	1,000	0
MS Volleyball	0	924	924	0
MS Girls Track	(42)	2,761	2,677	42
MS Girls Cross Country	0	55	11	44
MS Book Fair	1,751	3,993	3,055	2,689
MS Activity	24,822	39,336	32,632	31,526
MS Rivers Day Activity	146	855	801	200
MS Peer Helpers	1,350	1,427	400	2,377
MS Faculty Vending	533	1,857	1,736	654
MS FFA	0	55	0	55
HS Drama	3,004	6,285	4,617	4,672
HS Speech	1,408	6,896	6,327	1,977
HS National Honor Society	3,919	961	1,712	3,168
HS Yearbook	15,491	19,990	19,527	15,954
HS Student Council	1,403	9,790	8,472	2,721
HS YADC	2,421	1,473	845	3,049
HS FBLA	733	3,125	3,371	487

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Vocal Music	(400)	22,619	21,218	1,001
HS Band	272	8,669	4,238	4,703
HS Boys Basketball	4,972	9,082	11,500	2,554
HS Football	6,476	38,977	38,092	7,361
HS Boys Soccer	82	1,562	1,793	(149)
HS Baseball	(2,952)	13,708	15,560	(4,804)
HS Boys Track	(527)	8,807	7,609	671
HS Boys Cross Country	1,993	1,081	1,259	1,815
HS Boys Tennis	39	0	0	39
HS Boys Golf	0	1,161	1,215	(54)
HS Wrestling	1,618	8,864	10,482	0
HS Girls Basketball	18	4,967	5,136	(151)
HS Volleyball	0	8,463	8,463	0
HS Girls Soccer	2,270	5,534	4,539	3,265
HS Softball	(469)	23,357	23,557	(669)
HS Girls Track	575	3,062	4,430	(793)
HS Girls Cross Country	562	979	778	763
HS Girls Golf	0	120	120	0
HS Cheerleading	4,186	7,809	7,783	4,212
HS Book Fair	280	0	0	280
HS Activity	0	3,367	1,570	1,797
HS Faculty Vending	715	3,143	2,642	1,216
HS Student Vending	2,622	6,867	5,346	4,143
HS After Prom	462	0	1,022	(560)
HS SADD	1,327	0	21	1,306
HS AP Testing Resale	0	370	370	0
HS Fundraising	861	7,717	6,238	2,340
HS Foreign Language	0	2,300	2,249	51
Class of 2004	468	213	681	0
Class of 2005	(151)	31,895	32,654	(910)
Class of 2006	(59)	65	100	(94)
Class of 2007	0	8	100	(92)
HS FFA	(231)	19,558	20,376	(1,049)
<b>Total</b>	<b>\$ 141,981</b>	<b>440,392</b>	<b>415,805</b>	<b>166,568</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,338,738	4,515,905	4,212,372	3,827,887
Tuition	375,884	272,682	272,100	255,032
Other	619,639	656,419	651,948	822,518
Intermediate sources	2,225	3,894	41,653	9,783
State sources	6,728,038	7,116,621	7,313,103	7,523,511
Federal sources	620,330	412,125	312,970	321,777
<b>Total</b>	<b>\$ 13,684,854</b>	<b>12,977,646</b>	<b>12,804,146</b>	<b>12,760,508</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 5,470,527	5,750,083	5,420,190	5,188,355
Special instruction	1,807,235	1,505,916	1,687,942	1,535,971
Other instruction	1,248,063	1,228,576	1,199,853	1,212,844
Support services:				
Student services	475,490	456,332	472,608	476,028
Instructional staff services	744,472	858,173	676,644	699,871
Administration services	1,151,947	1,200,579	1,312,502	1,213,179
Operation and maintenance of plant services	847,699	838,538	754,499	864,468
Transportation services	606,693	569,502	560,570	606,839
Non-instructional programs	4,000	1,151	19,251	9,564
Other expenditures:				
Facilities acquisitions	182,404	172,587	129,261	105,881
Long-term debt:				
Principal	266,233	234,070	135,000	130,000
Interest and other charges	15,339	23,958	55,553	53,271
AEA flow-through	550,205	590,036	594,957	613,682
<b>Total</b>	<b>\$ 13,370,307</b>	<b>13,429,501</b>	<b>13,018,830</b>	<b>12,709,953</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.55	FY 04	\$ 38,493
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	19,345
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	152,820
			<u>172,165</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.01	6592-G	195,423
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 03	2,480
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 04	9,689
			<u>12,169</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 03	14,735
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 04	89,302
			<u>104,037</u>
FUND FOR THE IMPROVEMENT OF EDUCATION(FIRE SAFETY GRANT)			
	84.215	FY 04	119,799
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES			
	84.369	FY 04	9,038
SAFE AND DRUG-FREE SCHOOLS - STATES GRANTS			
	84.186	FY 03	98
SAFE AND DRUG-FREE SCHOOLS - STATES GRANTS			
	84.186	FY 04	8,881
			<u>8,979</u>

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 04	<u>10,495</u>
SPECIAL EDUCATION - GRANTS TO			
STATES (Success 4)	84.027	FY 04	<u>7,500</u>
SPECIAL EDUCATION - GRANTS TO			
STATES (Part B)	84.027	FY 04	<u>72,447</u>
ENHANCING EDUCATION THROUGH			
TECHNOLOGY (E2T2)	84.318	FY 04	<u>2,173</u>
			<u>92,615</u>
CORPORATION FOR NATIONAL AND COMMUNITY			
SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA			
COMSERV IOWA	94.004	FY 04	<u>67</u>
TOTAL			<u>\$ 752,785</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the West Delaware County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the  
West Delaware County Community School District:

We have audited the financial statements of West Delaware County Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 7, 2004. We conducted our 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 West Delaware County Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

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 our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for item IV-G-04.

#### Internal Control Over Financial Reporting

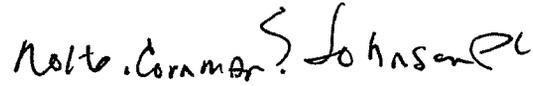
In planning and performing our audit, we considered West Delaware County Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses. Prior year reportable conditions have all been resolved.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Delaware County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

September 7, 2004

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance

To the Board of Education of  
West Delaware County Community School District:

Compliance

We have audited the compliance of West Delaware County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. West Delaware County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of West Delaware County Community School District's management. Our responsibility is to express an opinion on West Delaware County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Delaware County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Delaware County Community School District's compliance with those requirements.

In our opinion, West Delaware County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

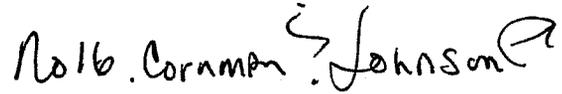
Internal Control Over Compliance

The management of West Delaware County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered West Delaware County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. 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 non-compliance with applicable requirements of laws, regulations,

contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be 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 West Delaware County Community School District and other parties to whom West Delaware County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson" with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

September 7, 2004

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 – Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Delaware County Community School District qualified as a low-risk auditee.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- II-A-04 Activity Admissions – The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation – The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – Our facility does not lend itself to such a procedure. However, we will review our present procedures and consider the recommended reconciliation procedures.

Conclusion – Response accepted.

- II-B-04 Student Activity Fund – The District had several accounts in the Student Activity Fund with deficit balances at June 30, 2004.

Recommendation – The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response – We will review the situation and take the necessary steps to try to eliminate the deficit balances.

Conclusion – Response accepted.

- II-C-04 Student Activity Fund-Individuals Receiving Checks- We noted during our audit that the District wrote checks to individual students in the Student Activity fund. According to the Uniform Accounting Manual from the Department of Education, no funds from a student organization may be distributed to individual students.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - Checks will not be made to students.

Conclusion - Response accepted.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No reportable conditions were reported.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 did not exceed the certified budget amounts.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 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. .

IV-E-04 Business Transactions – Business transactions between the District and District officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Annete Harbaugh Assistant Cook Manager	Catering	\$200
Janice Langel Secretary	Senior Slide Show	\$300
Al Wilson Bus Driver	Built Benches	\$160

In Accordance with Attorney General’s opinion dated July 2, 1990, the above transactions with the employees do not represent a conflict of interest.

IV-F-04 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.

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation – The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response – We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion – Response accepted.

IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.