WESTERN DUBUQUE COUNTY
COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

OFFICIAL ISSUING REPORT
DAVID A. WEGMANN, BUSINESS MANAGER
BUSINESS OFFICE

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

JUNE 30, 2004

T A B L E O F C O N T E N T S

		Page No.
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-19
BASIC FINANCIAL STATEMENTS		
	Exhibit	
Government-Wide Financial Statements:		
Statement of Net Assets	A	20-21
Statement of Activities	B	22-24
Governmental Fund Financial Statements:		
Balance Sheet	C	25-26
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	27
Statement of Revenues, Expenditures and Changes In Fund Balances	E	28-29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	30
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	31
Statement of Revenues, Expenses and Changes in Net Assets	H	32
Statement of Cash Flows	I	33
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	34
Statement of Changes in Fiduciary Net Assets	K	35
Notes to Financial Statements		36-54
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		55
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		56
Notes to Required Supplementary Information - Budgetary Reporting		57

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

JUNE 30, 2004

T A B L E O F C O N T E N T S

	Schedule	Page No.
OTHER SUPPLEMENTARY INFORMATION		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	59-60
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	61-63
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	64
Schedule of Expenditures of Federal Awards	5	65-66
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		67-68
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		69-70
Schedule of Findings and Questioned Costs		71-75

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

O F F I C I A L S

Name	Title	Term Expires
	Board of Education (Before September, 2003 Election)	
Bob McCabe	President	2003
Tom Gassman	Vice President	2005
John Howard	Board Member	2003
Nancy Ludwig	Board Member	2005
Tom Miner	Board Member	2004
	Board of Education (After September, 2003 Election)	
Tom Gassman	President	2005
Tom Miner	Vice President	2004
Nancy Ludwig	Board Member	2005
Bob McCabe	Board Member	2006
Alan Manternach	Board Member	2006
	School Officials	
Bev Goerdt	Superintendent	2004
David Wegmann	Board Secretary/ Business Manager/ District Treasurer	2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Western Dubuque 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 Western Dubuque County Community School District as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These 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 United States of America 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.

The financial statements referred to above include only the primary government of the Western Dubuque County Community School District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the Western Dubuque County Community School District, as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information for the primary government of Western Dubuque County Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with United States of America generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 3, 2004 on our consideration of the 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 considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 19 and 55 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Dubuque 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 unqualified opinions on those financial statements. Other supplementary 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.

O' CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 3, 2004

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Western Dubuque County Community School District provides this Management's Discussion and Analysis as a part 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.

This Management Discussion and Analysis contains the following main areas beginning on the pages shown.

Area	Page #
Financial Notes	5
Overview of the Financial Statements	7
Financial Analysis of the District as a Whole	9
Changes in Net Assets	10
Financial Analysis of the District's Funds	14
Budgetary Highlights	15
Capital Asset and Debt Administration	16
Factors Bearing on the District's Future	17
Contacting the District's Financial Management	19

Financial Notes

- The 2003-2004 fiscal year was the second year of the District's five-year Instructional Support Program (ISP).

Receipts:	
Property Tax	$ 375,048
Income Surtax	443,639
State Aid	56,748
	$ 875,435

Expenses:	
Teacher Wages/Benefits	$ 354,277
Textbooks-Private Schools	35,528
School Buses	257,315
Instructional Materials	5,075
	$ 652,195

The Instructional Support Program was approved by voters on March 12, 2002 and will end on June 30, 2007.

- Construction projects at Western Dubuque High School, Cascade High School and Peosta Elementary were started during the year. Expenses for the projects were paid from the voter approved Local Option Sales Tax.

2003-2004 Sales Tax Receipts	$1,663,356
2003-2004 Sales Tax Expenses	$6,443,267

The District forward funded the sales tax revenues by issuing $11,000,000 of revenue bonds in June of 2003. The proceeds from the $11,000,000 bond issuance were used to pay for the construction costs for the three projects. The first re-payment on the $11,000,000 bond issuance was in the 2003-2004 fiscal year.

Principal	$ 970,000
Interest	359,740
	$1,329,740

The bond is scheduled to be paid back from annual sales tax receipts in ten years. The last principal payment is June 1, 2013.

- State aid cuts of approximately $250,000 were incurred in the 2003-2004 school year. Due to the timing of the cuts, the District was unable to significantly reduce any expenditures to offset the shortfall. The shortfall was primarily funded from the District's cash reserves.

- The District's Financial Solvency Ratio saw a significant reduction from the previous year.

2002-2003	3.5%
2003-2004	0.4%

Two primary reasons for the reduction are as follows:

1. State aid cuts of approximately $250,000.
2. Failure to fully fund the District's expenses associated with increased costs due to the September 2003 increased enrollment of 100.8 students ($474,264).

- Medicaid Direct Service receipts totaled $118,796 for 2003-2004, down $59,738 from the previous year. The District was also notified that the funds must be used for special education programs. The District had originally earmarked $100,385 of the budgeted 2003-2004 Medicaid receipts of $175,000 for the District's Pre-Kindergarten Program for 4 and 5 year olds.

- A substantial increase in Federal special education funds was received in 2003-2004. The District's allocation increased from $96,047 to $147,047.

Overview of the Financial Statements

This annual audit report is organized into three major parts that are necessary to meet state and federal audit requirements along with the Governmental Accounting Standards Board Statement No. 34 (GASB34).

1. Management Discussion & Analysis (MD&A) [This part]
2. Basic Financial Statements
3. Required Supplementary Information

Figure A-1 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. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The Government-wide 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 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, respectively.

- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's School Nutrition Program is included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *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. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional schedules explain the relationship or differences between the two statements.

    - The District's Governmental Funds Group includes the General Fund, Activity Fund, Management Fund, Physical Plant and Equipment Levy Fund, Debt Service Fund, Construction Fund, and Local Option Sales Tax Fund.

- *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 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.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

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

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

Financial Analysis of the District as a Whole

Net assets - Figure A-2 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to 2003.

Figure A-2
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		
	2003	2004	2003	2004	2003	2004	Total Change
Current and other assets	28,599,808	26,451,838	259,551	278,073	28,859,359	26,729,911	(7.4%)
Capital assets	15,571,534	23,743,662	87,116	90,843	15,658,650	23,834,505	52.2%
Total assets	44,171,342	50,195,500	346,667	368,916	44,518,009	50,564,416	73.6%
Long-term obligations	20,061,797	19,059,034	---	---	20,061,797	19,059,034	(5.0%)
Other liabilities	15,359,332	18,022,193	1,037	1,050	15,360,369	18,023,243	17.3%
Total liabilities	35,421,129	37,081,227	1,037	1,050	35,422,166	37,082,277	4.7%
Net assets:							
Invested in capital assets, net of related debt	7,430,932	12,663,813	87,116	90,843	7,518,048	12,754,656	69.7%
Restricted	12,479,680	7,904,125	---	---	12,479,680	7,904,125	(36.7%)
Unrestricted	(11,160,399.)	(7,453,665.)	258,514	277,023	(10,901,885.)	(7,176,642.)	34.2%
Total net assets	8,750,213	13,114,273	356,630	367,866	9,095,843	13,482,139	(48.2%)

Net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, parking lots and so on.) Consequently, *unrestricted* net assets of the District's governmental activities showed a $7,453,665 deficit at the end of this year. This deficit does not mean that Western Dubuque Schools does not have resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments that are greater than currently available resources.

The District's total assets increased significantly in the governmental funds group from June 30, 2003 to June 30, 2004 (from $44,171,342 to $50,195,500). The increase is due primarily to the following:

1. Donation of approximately $1.2 million in fixed assets.
2. Adjusting of fixed asset values due to appraisal.
3. Increase in local option sales taxes of $1.5 million.
4. Additional revenues from Income Surtax of $443,639.

Changes in Net Assets

Figure A-3 on the following page shows revenues and expenses for the 2004 fiscal year compared to the 2003 fiscal year.

Figure A-3
Changes in Net Assets from Operating Results

	Governmental Activities			Business-type Activities			Total School District		
	2002-03	2003-04	Change	2002-03	2003-04	Change	2002-03	2003-04	Change
Revenues:									
Program revenues:									
Charges for service and sales	1,441,095	1,505,048	63,953	691,844	745,831	53,987	2,132,939	2,250,879	117,940
Operating grants, contributions and restricted interest	3,271,131	3,060,766	(210,365)	340,513	388,565	48,052	3,611,644	3,449,331	(162,313)
Capital grants, contributions and restricted interest	570,423	1,270,243	699,820	---	---	---	570,423	1,270,243	699,820
General Revenues:									
Property tax	8,568,065	9,152,362	584,297	---	---	---	8,568,065	9,152,362	584,297
Instructional support surtax	---	870,443	870,443	---	---	---	---	870,443	870,443
Local option sales and services tax	67,573	1,663,356	1,595,783	---	---	---	67,573	1,663,356	1,595,783
Unrestricted state grants	7,291,194	7,201,500	(89,694)	---	---	---	7,291,194	7,201,500	(89,694)
Unrestricted investment earnings	248,324	234,110	(14,214)	2,006	1,737	(269)	250,330	235,847	(14,483)
Other	42,964	178,884	135,920	---	---	---	42,964	178,884	135,920
Transfers	---	(4,000)	(4,000)	---	---	---	---	(4,000)	(4,000)
Total revenues	21,500,769	25,132,712	3,631,943	1,034,363	1,136,133	101,770	22,535,132	26,268,845	3,733,713
Program expenses:									
Governmental activities:									
Instruction	13,568,893	14,764,456	1,195,563	---	---	---	13,568,893	14,764,456	1,195,563
Support Services	5,553,727	5,884,048	330,321	---	---	---	5,553,727	5,884,048	330,321
Non-instructional programs	14,179	64,269	50,090	992,493	1,113,897	121,404	1,006,672	1,178,166	171,494
Other expenses	1,396,770	2,328,415	931,645	---	---	---	1,396,770	2,328,415	931,645
Total expenses	20,533,569	23,041,188	2,507,619	992,493	1,113,897	121,404	21,526,062	24,155,085	2,629,023
Change in net assets	967,200	2,091,524	1,124,324	41,870	22,236	(19,634)	1,009,070	2,113,760	1,104,690

See Exhibit B – Statement of Activities.

Governmental Activities

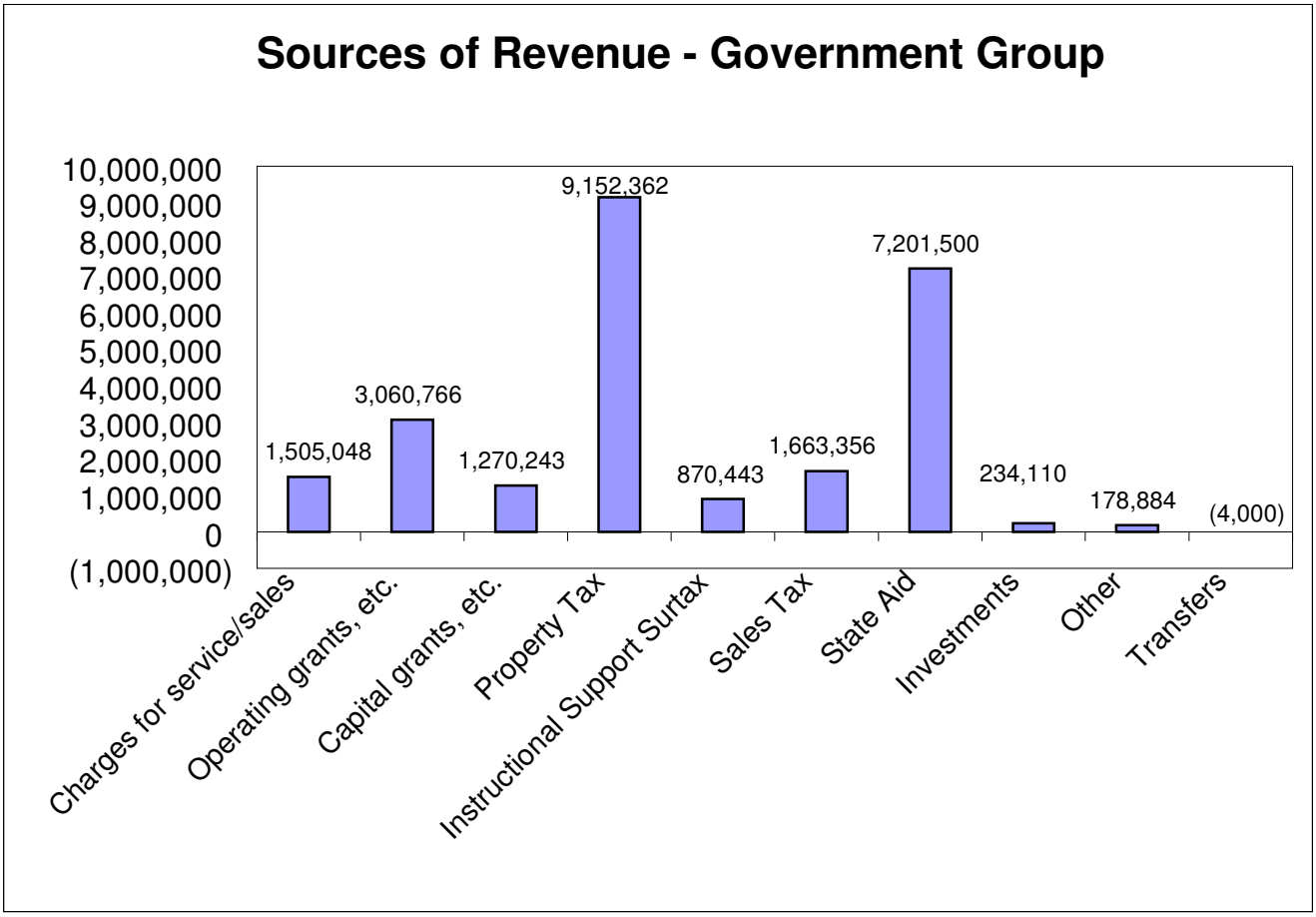
Revenues for governmental activities were $25,132,712 while total expenses amounted to $23,041,188.

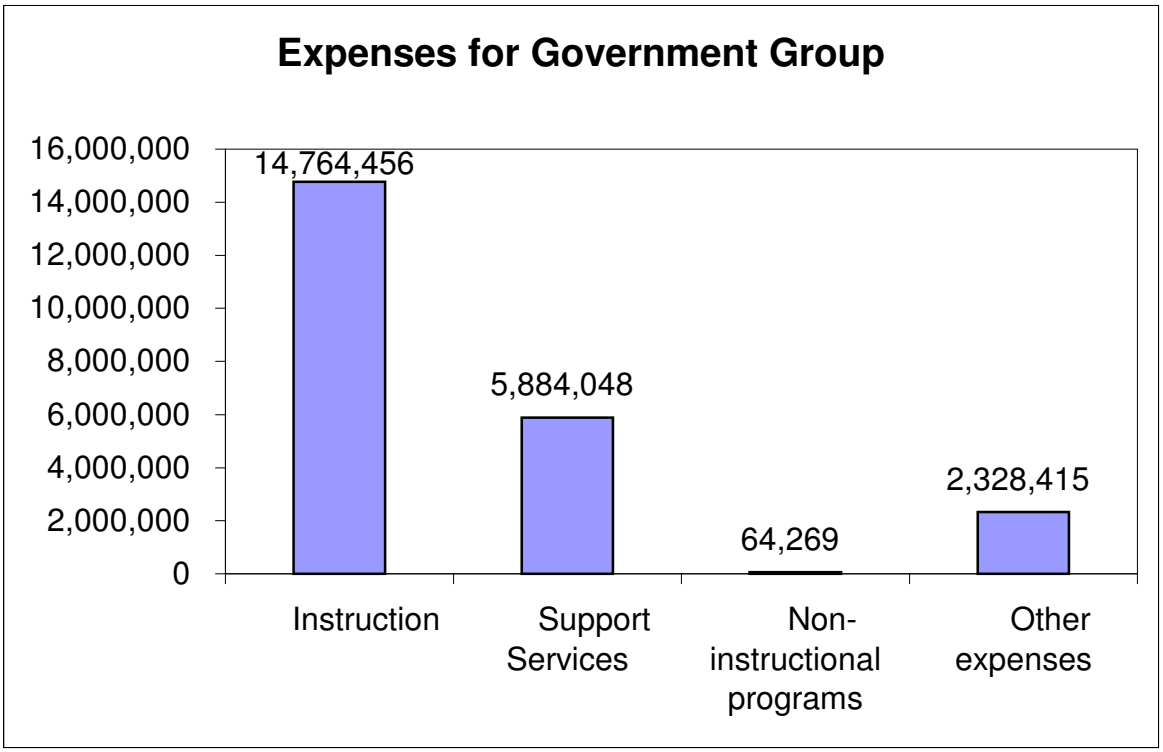
The District collects revenues from a number of sources other than state aid and property tax to fund its operations. Other significant sources include local grants, student fees, tuition, Activity Fund receipts, State grants and aid, and Federal grants.

Business-Type Activities

Revenues of the District's business-type services (School Nutrition Fund) were $1,136,133 and expenses were $1,113,897. Revenues of these activities were comprised of a la carte sales, charges for meals, interest and federal and state reimbursements.

Bar Graph for Figure A-3 – Changes in Net Assets from Operating Results





Financial Analysis of the District's Funds

Western Dubuque Schools uses fund accounting to ensure and demonstrate compliance with state and federal legal reporting requirements.

Governmental Fund Highlights

- Following are ending balances of the various funds within the Governmental Fund group and a discussion concerning the change in balances.

Fund	Fund Name	2004 Balance	2003 Balance	Change
10	General	$ 237,108	$ 928,510	$ (691,402)
21	Activity	257,208	248,713	8,495
22	Management	155,522	119,420	36,102
23	Physical Plant & Equipment	404,254	251,168	153,086
31	Construction	459,842	592,534	(132,692)
33	Local Option Sales Tax	6,336,549	10,968,341	(4,631,792)
40	Debt Service	120,578	119,881	697
		$ 7,971,061	$ 13,228,567	$(5,257,506)

- General Fund: The $691,402 reduction is due primarily to state aid cuts of approximately $250,000 in fiscal 2004 and unlevied property taxes of $469,352 for increased enrollment in the fall of 2003.

- Activity Fund: Over 90 separate fund accounts for the various activity organizations are accounted for in the Activity Fund. Each account group has its own revenue and expense chart of accounts. No significant changes are noted for the $8,495 increase in total fund balance for all accounts.

- Management Fund: The District increased its property tax levy in fiscal 2004 by $107,824 to pay for substantial increases in property and liability insurance and the number of employees opting for early retirement benefits. The $155,522 June 30, 2004 balance, however, is still inadequate for cash flow purposes. Early retirement benefits due in July and insurance premiums due in August exceed the available cash for the payments.

- Physical Plant and Equipment Levy Fund: The $153,086 increase is due to management's decision not to expend available revenues until major construction projects at Farley, Epworth and Peosta were near completion. Revenue for the P.P.E.L. Fund could be used for unforeseen expenses in equipping the buildings or for site development work. The P.P.E.L. Fund otherwise is generally earmarked for the following three purposes.

    1. Instructional equipment.
    2. School vehicles.
    3. Buildings and Grounds projects.

- Construction Fund: The Construction Fund balance of $459,842 on June 30, 2004 is the unexpended balance from the $6,350,000 bond issuance in fiscal 2002 for the Cascade Elementary and Epworth Elementary projects. The $459,842 is encumbered for landscaping, parking and related construction costs at the sites.

- Local Option Sales Tax Fund: Revenues in this fund come from the one-cent sales tax for school infrastructure from the five counties in the District. In fiscal 2004 the District received $1,663,356 in sales tax receipts from those five counties. In June of 2003 (fiscal year 2003) the District issued $11,000,000 of revenue bonds for construction projects. Of the expenditures for construction projects at Cascade High School, Dyersville Elementary, Peosta Elementary and Western Dubuque High School, $3,848,176 was incurred using proceeds from the $11,000,000 bond issuance. The balance of the revenue bond proceeds will be expended in fiscal year 2005.

  The annual principal and interest ($1,332,915) for the repayment (10 years) of the $11,000,000 bond issuance is paid for from annual sales tax receipts.

2003-2004 Sales Tax Receipts	$ 1,663,356
2003-2004 Principal & Interest	1,329,740

Balance	$ 333,616
	=======

- Debt Service Fund: The ending balance increased slightly from $119,881 to $120,578.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from $345,630 on June 30, 2003 to $367,866 on June 30, 2004. Increased a la carte participation and the number of Class A meals served are responsible for the increase.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and a hearing for all funds, except its private-purpose trust funds. 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. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures. 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 amended the Instructional, Support Services and Non-Instructional function areas of the 2003-2004 budget to reflect expected increases in revenues and corresponding expenses.

	Original Budget	Amended Budget	Actual Expense
Instructional	14,409,057	14,575,000	13,661,831
Support Services	5,595,362	5,725,000	5,769,270
Non-Instructional	986,898	1,200,000	1,133,456

The amendments and over expenditures were funded from existing cash balances and did not result in any use or additional levy of state or local taxes.

Capital Asset and Debt Administration

Capital Assets

The following table shows the District's capital asset s, net of accumulated depreciation.

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2003	2004	2003	2004	2003	2004	2003-2004
Land	6,800	137,717	---	---	6,800	137,717	1,925.3%
Construction in progress	---	3,933,515	---	---	---	3,933,515	---
Buildings	13,237,194	15,574,078	---	---	13,237,194	15,574,078	17.7%
Improvements	84,827	344,792	---	---	84,827	344,792	306.5%
Furnishings & Equipment	2,242,713	3,753,560	87,116	90,843	2,329,829	3,844,403	65.0%
Total Net Assets	15,571,534	23,743,662	87,116	90,843	15,658,650	23,834,505	52.2%

The District's current investment in capital assets of $23.8 million represents an increase of $8.2 million over the previous year.

The District has seen a number of significant changes in its capital asset resources over the last several years due to new construction and discontinued use of instructional buildings. As a result, an independent third party appraisal firm (Maximus) was contracted to re-appraise the District's assets to comply with GASB 34 requirements. The appraisal resulted in new values established for the listed categories.

Long-Term Debt

On June 30, 2004 the District had total long-term debt obligations of $19,222,426. The following summary schedule shows totals in the different classes of the long-term debt obligations.

	6/30/2004	6/30/2003
General Obligation Bonds	8,160,000	8,860,000
Revenue Bonds	10,030,000	11,000,000
Early Retirement	1,032,426	382,905
	19,222,426	20,242,905

The District currently has three different series of registered general obligation debt. The $11,000,000 of revenue bonds were issued in June of 2003 payable from local option sales tax.

Year	Original Amount	Unpaid Principal	Remaining Years
1997	3,620,000	2,055,000	4
2001	4,000,000	4,000,000	17
2002	2,350,000	2,105,000	8
2003	11,000,000	10,030,000	9
	20,970,000	18,190,000	

Factors Bearing on the District's Future

Following are several factors that could have a significant affect on the District's financial condition.

- District Enrollment: The District's certified resident count increased in fiscal year 2004 by 100.8 students.

September 2002	2,578.3
September 2003	2,679.1

  The increase is significant in that it has a direct bearing on the District's general fund revenues. Continued growth in the eastern part of the District should result in steady or increased enrollment in future years.

  The District had 107 open enrolled-in students and 71 open enrolled-out students in fiscal year 2004. Each student generates over $4,500 in tuition revenue or expense. A significant change in the enrollment of these two groups would have a significant impact on revenues and expenses.

- Funding Enrollment Increases: Iowa school finance law does not provide on-time funding for costs associated with enrollment increases. Funding for the expenses comes one year later from state aid and property taxes. In the 2003-2004 fiscal year the District's enrollment increase of 100.8 students equated to $474,264 of additional and immediate expense. To pay for the added costs the District used general fund cash balances that were not replenished. The District can only replace the funds by a cash reserve property tax levy.

- Instructional Support Program: The District is in the second year of a five year voter approved Instructional Support Program. Approximately $875,000 per year in property taxes (43%), Income Surtax (51%) and State Aid (6%) revenues result from the program. Expenditures for the program pay for the following.

  1. Teacher wages $354,000
  2. School buses 257,000
  3. Private school textbooks 35,528

  This program will end after the 2006-2007 school year. Voter approval will be needed to continue the program.

- Transportation: Transportation expenses continue to be a significant cost of education. Western Dubuque Schools is the largest geographic school district in Iowa. The Iowa school funding formula does not provide for any additional funds for transportation costs. If operational costs (fuel, labor and vehicles) increase at a higher rate than the District's revenue growth, changes in the services that are provided will need to be made.

- Operation of two high schools: The costs of operating two high school programs in a District the size of Western Dubuque is significant. Approximately 39% of the District's enrollment is in grades 9-12. The state average for the same grade range is 30%. The Iowa funding formula does not provide additional funding for high school students versus elementary students. As a result, the Western Dubuque District already incurs significant costs for operating two high schools. A significant change in its elementary to secondary school enrollment ratio would affect the ability to fund existing high school programs and activities.

- Wages and benefits are by far the most significant expenditure of the District's operation costs. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact on the District's General Fund Budget.

- Financial Solvency Ratio: A measure of a school district's financial health can be determined from its Financial Solvency Ratio. The ratio is used by lending institutions to determine a district's ability to repay borrowings. Currently the Iowa Schools Cash Anticipation Program sponsored by the Iowa Association of School Boards uses the ratio when evaluating credit ratings of school districts. The ratio is determined as follows:

  Unreserved Fund Balance
  ÷ Total Receipts – AEA Support

Following is the Financial Solvency Ratio for the Western Dubuque District for the past five years.

1999-2000	3.7%
2000-2001	4.8%
2001-2002	3.5%
2002-2003	3.5%
2003-2004	0.4%

Grading:	
> 5%	Good
0% to 5%	Acceptable
-3% to 0%	Concern
< -3%	Serious Concern

Two major reasons for the decline of the ratio to 0.4% are:

1. State aid cuts in 2003-2004.
2. Unlevied property taxes for increased enrollment in fall 2003.

To achieve a solvency ratio of 5%, the District would need to initially levy approximately $850,000. Thereafter, the District would need to levy for on-time enrollment increases and state aid cuts or reduce expenditures to compensate for the cash shortfalls related to the two factors.

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 David Wegmann, District Secretary/Treasurer and Business Manager, Western Dubuque County Community School District, 405 3rd Avenue NE, Farley, Iowa 52046.

BASIC FINANCIAL STATEMENTS

EXHIBIT "A"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	$ 5,029,185	$ ---	$ 5,029,185
Other	10,574,938	234,724	10,809,662
Receivables:			
Property Tax:			
Delinquent	83,828	---	83,828
Succeeding year	9,483,549	---	9,483,549
Income surtax	426,804	---	426,804
Accounts	34,161	136	34,297
Accrued Interest:			
ISCAP	8,476	---	8,476
Other	8,690	151	8,841
Due from other governments	714,737	---	714,737
Deferred debt expense	87,470	---	87,470
Inventories	---	43,062	43,062
Capital assets, net of accumulated depreciation	23,743,662	90,843	23,834,505
Total Assets	$ 50,195,500	$ 368,916	$ 50,564,416
Liabilities			
Cash overdraft	$ 32,098	$ ---	$ 32,098
Accounts payable	1,508,592	308	1,508,900
Salaries and benefits payable	1,873,708	742	1,874,450
Accrued interest payable	55,690	---	55,690
Deferred revenue - succeeding year property tax	9,483,549	---	9,483,549
ISCAP warrants payable	5,000,000	---	5,000,000
ISCAP accrued interest payable	12,781	---	12,781
ISCAP unamortized premium	55,775	---	55,775
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	720,000	---	720,000
Revenue bonds payable	985,000	---	985,000
Early retirement payable	415,624	---	415,624
Portion due after one year:			
General obligation bonds payable	7,440,000	---	7,440,000
Revenue bonds payable	9,045,000	---	9,045,000
Early retirement payable	616,802	---	616,802
Unamortized bond discount	(163,392.)	---	(163,392.)
Total Liabilities	$ 37,081,227	$ 1,050	$ 37,082,277

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-Type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	$ 12,663,813	$ 90,843	$ 12,754,656
Restricted for:			
Phase III	5,227	---	5,227
State and federal class size reduction	96,982	---	96,982
State technology	28,723	---	28,723
Teacher mentoring	39,240	---	39,240
Management levy	155,522	---	155,522
Physical plant and equipment levy	404,254	---	404,254
Other special revenue purposes	257,208	---	257,208
School infrastructure	5,585,580	---	5,585,580
Debt service	1,331,389	---	1,331,389
Unrestricted	(7,453,665.)	277,023	(7,176,642.)
Total Net Assets	$ 13,114,273	$ 367,866	$ 13,482,139

See notes to financial statements.

EXHIBIT "B"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular instruction	$ 9,016,160	$ 534,414	$ 932,844	$ ---	$ (7,548,902.)	$ ---	$ (7,548,902.)
Special instruction	3,605,876	194,928	741,858	---	(2,669,090.)	---	(2,669,090.)
Other instruction	2,142,420	598,228	29,855	---	(1,514,337.)	---	(1,514,337.)
Total Instruction	$ 14,764,456	$ 1,327,570	$ 1,704,557	$ ---	$(11,732,329.)	$ ---	$(11,732,329.)
Support Services:							
Student services	$ 660,113	$ 325	$ ---	$ ---	$ (659,788.)	$ ---	$ (659,788.)
Instructional staff services	534,905	---	26,442	---	(508,463.)	---	(508,463.)
Administration services	1,715,170	---	5,000	---	(1,710,170.)	---	(1,710,170.)
Operation and maintenance of plant services	1,318,485	39,130	---	---	(1,279,355.)	---	(1,279,355.)
Transportation services	1,654,131	138,023	452,206	---	(1,063,902.)	---	(1,063,902.)
Central support services	1,244	---	---	---	(1,244.)	---	(1,244.)
Total Support Services	$ 5,884,048	$ 177,478	$ 483,648	$ ---	$ (5,222,922.)	$ ---	$ (5,222,922.)
Non-instructional Programs	$ 64,269	$ ---	$ ---	$ ---	$ (64,269.)	$ ---	$ (64,269.)

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs (Continued)	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	$ 108,412	$ ---	$ ---	$ 1,270,243	$ 1,161,831	$ ---	$ 1,161,831
Long-term debt interest	740,870	---	---	---	(740,870.)	---	(740,870.)
AEA flowthrough	872,561	---	872,561	---	---	---	---
Depreciation (unallocated)*	606,572	---	---	---	(606,572.)	---	(606,572.)
Total Other Expenditures	$ 2,328,415	$ ---	$ 872,561	$ 1,270,243	$ (185,611.)	$ ---	$ (185,611.)
Total Governmental Activities	$ 23,041,188	$ 1,505,048	$ 3,060,766	$ 1,270,243	$(17,205,131.)	$ ---	$(17,205,131.)
Business-Type Activities:							
Non-instructional programs:							
Nutritional services	1,113,897	745,831	388,565	---	---	20,499	20,499
Total	$ 24,155,085	$ 2,250,879	$ 3,449,331	$ 1,270,243	$(17,205,131.)	$ 20,499	$(17,184,632.)

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs (Continued)	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
General Revenues:							
Property tax levied for:							
General purposes					$ 7,803,481	$ ---	$ 7,803,481
Debt service					1,086,601	---	1,086,601
Capital outlay					262,280	---	262,280
Instructional support surtax					870,443	---	870,443
Local option sales and services tax					1,663,356	---	1,663,356
Unrestricted state grants					7,201,500	---	7,201,500
Unrestricted investment earnings					234,110	1,737	235,847
Other					178,884	---	178,884
Transfers					(4,000.)	---	(4,000.)
Total General Revenues					$ 19,296,655	$ 1,737	$ 19,298,392
Changes in Net Assets					$ 2,091,524	$ 22,236	$ 2,113,760
Net Assets Beginning of Year					$ 8,750,213	$ 345,630	$ 9,095,843
Prior period adjustment					2,272,536	---	2,272,536
Net Assets Beginning of Year, as restated					$ 11,022,749	$ 345,630	$ 11,368,379
Net Assets End of Year					$ 13,114,273	$ 367,866	$ 13,482,139

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

See notes to financial statements.

EXHIBIT "C"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Construction	Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total
Assets						
Cash and pooled investments:						
ISCAP	$ 5,029,185	$ ---	$ ---	$ ---	$ ---	$ 5,029,185
Other	1,624,177	502,890	7,471,562	110,780	865,529	10,574,938
Receivables:						
Property tax:						
Delinquent	67,628	---	---	9,738	6,462	83,828
Succeeding year	7,449,841	---	---	1,084,934	948,774	9,483,549
Income surtax	426,804	---	---	---	---	426,804
Accounts	34,161	---	---	---	---	34,161
Accrued interest:						
ISCAP	8,476	---	---	---	---	8,476
Other	1,120	292	6,085	60	1,133	8,690
Due from other governments	559,540	---	155,197	---	---	714,737
Total Assets	$15,200,932	$ 503,182	$ 7,632,844	$ 1,205,512	$ 1,821,898	$26,364,368
Liabilities and Fund Balances						
Liabilities:						
Bank overdraft	$ ---	$ ---	$ ---	$ ---	$ 32,098	$ 32,098
Accounts payable	144,915	43,340	1,296,295	---	24,042	1,508,592
Salaries and benefits payable	1,873,708	---	---	---	---	1,873,708
ISCAP warrants payable	5,000,000	---	---	---	---	5,000,000
ISCAP unamortized premium	55,775	---	---	---	---	55,775
ISCAP accrued interest payable	12,781	---	---	---	---	12,781
Deferred revenue:						
Succeeding year property tax	7,449,841	---	---	1,084,934	948,774	9,483,549
Income surtax	426,804	---	---	---	---	426,804
Total Liabilities	$14,963,824	$ 43,340	$ 1,296,295	$ 1,084,934	$ 1,004,914	$18,393,307

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Construction	Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total
Liabilities and Fund Balances (Continued)						
Fund Balances:						
Reserved for:						
Phase III	$ 5,227	$ ---	$ ---	$ ---	$ ---	$ 5,227
State and federal class size reduction	96,982	---	---	---	---	96,982
State technology	28,723	---	---	---	---	28,723
Teacher mentoring	39,240	---	---	---	---	39,240
Debt payment	---	---	1,210,811	---	---	1,210,811
Unreserved	66,936	459,842	5,125,738	120,578	816,984	6,590,078
Total Fund Balances	$ 237,108	$ 459,842	$ 6,336,549	$ 120,578	$ 816,984	$ 7,971,061
Total Liabilities and Fund Balances	$15,200,932	$ 503,182	$ 7,632,844	$ 1,205,512	$ 1,821,898	$26,364,368

See notes to financial statements.

EXHIBIT "D"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total fund balances of governmental funds	$ 7,971,061
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of $34,414,397, net of accumulated depreciation of ($10,670,735) are not financial resources and, therefore, are not reported in the funds.	23,743,662
Income surtaxes receivable will be collected this year, but are not available soon enough to pay for the current period' s expenditures, and therefore are deferred in the funds.	426,804
Long-term liabilities of ($19,222,426) are not due and payable in the current period and are not reported in the funds. Other related amounts include deferred debt expense of $87,470, bond interest payable of ($55,690), and unamortized bond discount of $163,392.	(19,027,254.)
Net assets of governmental activities	$ 13,114,273

See notes to financial statements.

EXHIBIT "E"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Construction	Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total
Revenues						
Local sources:						
Local tax	$ 7,800,628	$ ---	$ 1,663,356	$ 1,086,601	$ 708,772	$11,259,357
Tuition	631,073	---	---	---	---	631,073
Other	407,468	120,935	148,119	4,201	599,199	1,279,922
Intermediate sources	4,108	---	---	---	---	4,108
State sources	9,271,545	---	---	3,920	2,608	9,278,073
Federal sources	950,399	---	---	---	---	950,399
Total Revenues	$19,065,221	$ 120,935	$ 1,811,475	$ 1,094,722	$ 1,310,579	$23,402,932
Expenditures						
Current:						
Instruction:						
Regular instruction	$ 8,177,424	$ ---	$ ---	$ ---	$ 200,198	$ 8,377,622
Special instruction	3,605,876	---	---	---	---	3,605,876
Other instruction	1,554,013	---	---	---	575,406	2,129,419
	$13,337,313	$ ---	$ ---	$ ---	$ 775,604	$14,112,917
Support Services:						
Student services	$ 652,956	$ ---	$ ---	$ ---	$ 13,786	$ 666,742
Instructional staff services	531,386	---	---	---	3,519	534,905
Administration services	1,597,298	---	---	---	29,898	1,627,196
Operation and maintenance of plant services	1,182,890	---	---	---	116,764	1,299,654
Transportation services	1,620,148	---	---	---	88,221	1,708,369
Central support services	1,244	---	---	---	---	1,244
	$ 5,585,922	$ ---	$ ---	$ ---	$ 252,188	$ 5,838,110

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Construction	Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total
Expenditures (Continued)						
Non-instructional Programs	$ 2,994	$ ---	$ ---	$ ---	$ 15,426	$ 18,420
Other Expenditures:						
Facilities acquisition	$ ---	$ 253,627	$ 5,113,527	$ ---	$ 60,244	$ 5,427,398
Long-term debt:						
Principal	---	---	---	1,670,000	---	1,670,000
Interest and fiscal charges	---	---	---	753,765	---	753,765
AEA flowthrough	872,561	---	---	---	---	872,561
	$ 872,561	$ 253,627	$ 5,113,527	$ 2,423,765	$ 60,244	$ 8,723,724
Total Expenditures	$19,798,790	$ 253,627	$ 5,113,527	$ 2,423,765	$ 1,103,462	$28,693,171
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (733,569.)	$ (132,692.)	$(3,302,052.)	$(1,329,043.)	$ 207,117	$(5,290,239.)
Other Financing Sources (Uses):						
Compensation for loss of fixed assets	$ 33,690	$ ---	$ ---	$ ---	$ ---	$ 33,690
Sale of equipment and materials	743	---	---	---	2,300	3,043
Operating transfers in	7,734	---	---	1,329,740	---	1,337,474
Operating transfers out	---	---	(1,329,740.)	---	(11,734.)	(1,341,474.)
Total Other Financing Sources (Uses)	$ 42,167	$ ---	$(1,329,740.)	$ 1,329,740	$ (9,434.)	$ 32,733
Net Change in Fund Balances	$ (691,402.)	$ (132,692.)	$(4,631,792.)	$ 697	$ 197,683	$(5,257,506.)
Fund Balances Beginning of Year	928,510	592,534	10,968,341	119,881	619,301	13,228,567
Fund Balances End of Year	$ 237,108	$ 459,842	$ 6,336,549	$ 120,578	$ 816,984	$ 7,971,061

See notes to financial statements.

EXHIBIT "F"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	$ (5,257,506.)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of $7,008,716 exceeded depreciation of $(1,109,124) in the current period	5,899,592
Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.	426,804
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments of $1,670,000 exceeded amortization of bond discount of $(17,716) and amortization of issuance costs of $(10,740).	1,641,544
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net increase in early retirement payable of $(649,521) and net decrease in accrued interest of $30,611.	(618,910.)
Change in net assets of governmental activities	$ 2,091,524

See notes to financial statements.

EXHIBIT "G"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	School Nutrition
Assets	
Cash and cash equivalents	$ 234,724
Receivables:	
Accounts	136
Accrued interest	151
Inventories	43,062
Capital assets, net of accumulated depreciation	90,843
Total Assets	$ 368,916
Liabilities	
Accounts payable	$ 308
Salaries and benefits payable	742
Total Liabilities	$ 1,050
Net Assets	
Invested in capital assets, net of related debt	$ 90,843
Unrestricted	277,023
Total Net Assets	$ 367,866

See notes to financial statements.

EXHIBIT "H"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Operating Revenue	
Local sources:	
Charges for services	$ 745,831
Operating Expenses	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	$ 438,744
Benefits	111,407
Purchased services	7,610
Supplies	544,150
Depreciation	11,986
Total Operating Expenses	$ 1,113,897
Operating Loss	$ (368,066.)
Non-Operating Revenue	
State sources	$ 17,629
Federal sources	370,936
Interest on investments	1,737
Total Non-Operating Revenue	$ 390,302
Change in Net Assets	$ 22,236
Net Assets Beginning of Year	345,630
Net Assets End of Year	$ 367,866

See notes to financial statements.

EXHIBIT "I"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts	$ 746,455
Cash payments to employees for services	(550,076.)
Cash payments to suppliers for goods and services	(490,790.)
Net Cash Used by Operating Activities	$ (294,411.)
Cash Flows From Noncapital Financing Activities	
State grants received	$ 17,629
Federal grants received	309,486
Net Cash Provided by Noncapital Financing Activities	$ 327,115
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	$ (15,713.)
Cash Flows From Investing Activities	
Interest on investments	$ 1,716
Net increase in cash and cash equivalents	$ 18,707
Cash and Cash Equivalents at Beginning of Year	216,017
Cash and Cash Equivalents at End of Year	$ 234,724
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (368,066.)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	61,450
Depreciation	11,986
(Increase) in inventories	(418.)
Decrease in accounts receivable	624
(Decrease) in accounts payable	(62.)
Increase in salaries and benefits payable	75
Net Cash Used by Operating Activities	$ (294,411.)

Non-Cash Investing, Capital and Financing Activities
During the year ended June 30, 2004, the District received $61,450 of federal commodities.

See notes to financial statements.

EXHIBIT "J"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	$ 42,311
Accrued interest receivable	91
Total Assets	$ 42,402
Liabilities	
None	$ ---
Net Assets	
Reserved for scholarships	$ 42,402

See notes to financial statements

EXHIBIT "K"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2004

	Private Purpose Trust
	Scholarship
Additions	
Local Sources:	
Gifts and contributions	$ 1,850
Interest	353
Transfer in	4,000
Total Additions	$ 6,203
Deductions	
Support Services:	
Scholarships awarded	$ 603
Change in Net Assets	$ 5,600
Net Assets Beginning of Year	36,802
Net Assets End of Year	$ 42,402

See notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Note 1 - Summary of Significant Accounting Policies:

The Western Dubuque County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Northeast Iowa including portions of the following counties; Dubuque, Delaware, Jackson, Clayton and Jones. 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, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District' s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization' s governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Western Dubuque County Community School District has two component units which meet the Governmental Accounting Standards Board criteria, the Bobcat Foundation and the C.A.R.E. Foundation. These component units have not been included in the District' s financial statements.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide 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 various counties Assessor' s Conference Boards.

Note 1 - Summary of Significant Accounting Policies: (Continued)

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 services.

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 activities:

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 attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

Note 1 - Summary of Significant Accounting Policies: (Continued)

The District reports the following major governmental funds:

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

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

The Local Option Sales Tax Fund is used to account for resources used in the acquisition and construction of capital facilities as well as accounting for resources used for repayment of revenue bonds issued to finance the acquisition of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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.

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

Property Tax Receivable - Property tax in governmental fund types 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 year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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 becomes due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

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

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

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

Land		All
Buildings	$	3,000
Improvements other than buildings		3,000
Furniture and Equipment:		
School Nutrition Fund equipment		500
Other furniture and equipment		3,000

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture 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 are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax and income surtax receivable.

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 Obligations, Deferred Debt Expense, and Bond Discounts/Premiums
In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Balances - 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.

Note 1 - Summary of Significant Accounting Policies: (Continued)

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

F. Estimates

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Pooled Investments:

The District' s deposits at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of $2,449,172 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District' s investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3 - Interfund Transfers:

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

Transfer to	Transfer from	Amount
General	Special Revenue: Student Activity	$ 7,734
Debt Service	Local Option Sales Tax	1,329,740
Private Purpose Trust	Special Revenue: Student Activity	4,000
Total		$ 1,341,474

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Student Activity Fund were to provide additional resources for the recipient funds.

Note 4 - Iowa School Cash Anticipation Program (ISCAP):

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District' s participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	01/30/04	01/28/05	$ 1,510,215	$ 8,239	$ 1,500,000	$ 12,493
2004-05A	06/30/04	06/30/05	3,518,970	237	3,500,000	288
			$ 5,029,185	$ 8,476	$ 5,000,000	$ 12,781

Note 4 - Iowa School Cash Anticipation Program (ISCAP): (Continued)

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	$ ---	$ 350,000	$ 350,000	$ ---
2003-04B	---	2,215,000	2,215,000	---
	$ ---	$ 2,565,000	$ 2,565,000	$ ---

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	2.603%
2003-04B	2.000%	1.392%
2004-05A	3.000%	2.463%

Note 5 - Capital Assets:

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

	Balance Beginning of Year	Prior Period Adjustment	Increases	Decreases	Balance End of Year
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 6,800	$ 75,917	$ 55,000	$ ---	$ 137,717
Construction in progress	---	---	3,933,515	---	3,933,515
Total capital assets, not being depreciated	$ 6,800	$ 75,917	$ 3,988,515	$ ---	$ 4,071,232
Capital assets, being depreciated:					
Buildings	$ 17,755,682	$ 1,613,971	$ 1,769,444	$ 45,000	$ 21,094,097
Improvements other than buildings	509,224	406,390	649,411	43,897	1,521,128
Furniture and equipment	10,749,661	(3,623,067.)	601,346	---	7,727,940
Total capital assets, being depreciated	$ 29,014,567	$ (1,602,706.)	$ 3,020,201	$ 88,897	$ 30,343,165
Less accumulated depreciation for:					
Buildings	$ 4,518,488	$ 637,311	$ 409,220	$ 45,000	$ 5,520,019
Improvements other than buildings	424,397	732,550	63,286	43,897	1,176,336
Furniture and equipment	8,506,948	(5,169,186.)	636,618	---	3,974,380
Total accumulated depreciation	$ 13,449,833	$ (3,799,325.)	$ 1,109,124	$ 88,897	$ 10,670,735
Total capital assets, being depreciated, net	$ 15,564,734	$ 2,196,619	$ 1,911,077	$ ---	$ 19,672,430
Total governmental activities capital assets, net	$ 15,571,534	$ 2,272,536	$ 5,899,592	$ ---	$ 23,743,662
Business-type activities:					
Furniture and equipment	$ 138,111	$ ---	$ 15,713	$ ---	$ 153,824
Less accumulated deprecation	50,995	---	11,986	---	62,981
Business-type activities capital assets, net	$ 87,116	$ ---	$ 3,727	$ ---	$ 90,843

Note 5 - Capital Assets: (Continued)

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular instruction	$ 249,848
Other instruction	13,001
Support Services:	
Administration services	5,145
Operation and maintenance of plant services	9,932
Transportation services	212,295
Non-instructional services	12,331
Unallocated	606,572
Total governmental activities depreciation expense	$ 1,109,124
Business-type activities:	
Food service operations	$ 11,986

Note 6 - Long-Term Debt:

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	$ 8,860,000	$ ---	$ 700,000	$ 8,160,000	$ 720,000
Revenue bonds	11,000,000	---	970,000	10,030,000	985,000
Early retirement	382,905	821,038	171,517	1,032,426	415,624
Total	$ 20,242,905	$ 821,038	$ 1,841,517	$ 19,222,426	$ 2,120,624

Note 6 - Long-Term Debt: (Continued)

Bonds Payable

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

Year Ending June 30,	Bond Issue February 27, 1997			Bond Issue September 1, 2001		
	Interest Rates	Principal Amount	Interest	Interest Rates	Principal Amount	Interest
2005	4.600%	470,000	98,575	4.500%	---	187,499
2006	4.750	490,000	76,955	4.500	---	187,499
2007	4.800	535,000	53,680	4.500	---	187,499
2008	5.000	560,000	28,000	4.500	---	187,499
2009	---	---	---	4.500	---	187,499
2010-2014	---	---	---	4.500-4.625	925,000	902,407
2015-2019	---	---	---	4.625-4.750	2,090,000	539,127
2020-2021	---	---	---	4.750	985,000	70,773
		2,055,000	257,210		4,000,000	2,449,802

Year Ending June 30,	Bond Issue February 1, 2002			Total	
	Interest Rates	Principal Amount	Interest	Principal	Interest
2005	3.000%	250,000	78,860	720,000	364,934
2006	3.200	260,000	71,360	750,000	335,814
2007	3.550	270,000	63,040	805,000	304,219
2008	3.800	280,000	53,455	840,000	268,954
2009	4.000	295,000	42,815	295,000	230,314
2010-2014	4.000 -4.300	750,000	55,205	1,675,000	957,612
2015-2019	---	---	---	2,090,000	539,127
2020-2021	---	---	---	985,000	70,773
		2,105,000	364,735	8,160,000	3,071,747

Note 6 - Long-Term Debt: (Continued)

Series 1997 bonds are due June 1, 2002-2005, inclusive, are non-callable. Bonds due June 1, 2006-2008, inclusive, are callable in part and on any date on or after June 1, 2005, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District and within any maturity by lot.

Series 2001 bonds due June 1, 2012-2021, inclusive, are callable on any date on or after June 1, 2011, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any maturities as determined by the District and within any maturity by lot.

Series 2002 bonds due June 1, 2004 - 2008, inclusive, are non-callable. Bonds due June 1, 2009 - 2012, inclusive, are callable in whole or in part on any date after June 1, 2008 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

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

Year Ending June 30,	Bond Issue June 30, 2004		
	Interest Rates	Principal Amount	Interest
2005	2.500%	$ 985,000	$ 337,915
2006	2.600%	1,010,000	313,290
2007	2.900%	1,035,000	287,030
2008	3.200%	1,060,000	257,015
2009	3.200%	1,095,000	223,095
2010-2013	3.600%-4.000%	4,845,000	487,270
		$10,030,000	$ 1,905,615

Note 6 - Long-Term Debt: (Continued)

The local option sales and service tax revenue bonds were issued for the purpose of providing funds to pay costs of school infrastructure. The Bonds are special limited revenue obligations of the Issuer, payable solely from the Local Option Sales and Service Tax revenues received by the Issuer under the Act and pledged to the repayment of the Bonds under the Bond Resolution. The Bonds are not general obligations of the Issuer and the general credit and taxing powers of the Issuer are not pledged to the payment of the principal thereof or interest thereon.

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

a) Interest on the Bonds is payable on June 1 and December 1 in each year, beginning December 1, 2003, to the registered owners thereof. The Bonds will mature serially on June 1. Bonds maturing on or after June 1, 2010, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at par plus accrued interest to date of call.

b) The Bond Resolution establishes a Project Fund (the "Project Fund") into which the net Bond proceeds shall be deposited. Moneys in the Project Fund shall be used for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose. Any Project Fund moneys used to pay debt service on the Bonds shall be repaid to the Project Fund at the earliest opportunity.

c) The Bond Resolution also establishes the Local Option Sales and Services Tax Revenue Fund (the "Revenue Fund"), into which shall be deposited all local option sales taxes when received from the State. Moneys in the Revenue Fund shall be disbursed to the following funds and accounts in the following order of priority.

d) Interest and principal on the Bonds (and any Parity Obligations, as defined below) will be paid from the Sinking Fund (the "Sinking Fund"). The amount to be deposited in the Sinking Fund shall be equal to the amount of principal and interest coming due on the Bonds, and any other obligations payable from the Local Option Tax revenues on a parity with the Bonds ("Parity Obligations") during the fiscal year and shall be used solely for the purpose of paying debt service on the Bonds and any Parity Obligations.

Note 6 - Long-Term Debt: (Continued)

e) The Bonds are secured by the Reserve Fund established under the Bond Resolution which Reserve Fund will be funded from proceeds of the Bonds. So long as any Bonds are outstanding, the Issuer is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the proceeds of the Bonds; (b) 125% of the average annual debt service on such Bonds and (c) the maximum annual debt service on such Bonds (the "Reserve Fund Requirement").

The District did comply with all of the provisions during the year ended June 30, 2004. The Sinking Fund and Reserve Fund requirements are accounted for in the Local Option Sales Tax Fund.

Early Retirement

The District offers the following early retirement plans to its employees.

Principals/Supervisors – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District of which the last ten years must be as an administrator or supervisor. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Cash incentive benefits are deposited with a third-party administrator on behalf of the employee. Employees are provided four years of medical insurance payments at the same employer contribution level as when they retired.

Teachers/Nurses – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days and personal leave days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided five years of medical insurance payments at the employer contribution level for family coverage at the time of retirement.

Hourly Employees – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided three years of medical insurance payments at the same employer contribution level as when they retired.

Early retirement benefits paid during the year ended June 30, 2004, totaled $171,517.

Note 7 - Lease Agreement:

On October 20, 2001, the District entered an agreement to lease a building for five years. The District is to receive rent of $36,000 per year for the first two years with the rent for the remaining three years to be negotiated. At the end of five years, the lessee has the option to renew the lease for an additional five years.

Note 8 - 28E. Agreements:

On April 14, 2003, the District entered into a 28E Agreement with Cascade Area Resources for Education. The agreement is for the purpose of constructing a new auditorium at Cascade High School.

On January 22, 2004, the District entered into a 28E Agreement with the Bobcat Capital Support Foundation. The agreement is for the purpose of constructing a gymnasium at Epworth High School.

Note 9 - Pension and Retirement Benefits:

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by the state statute. The District' s contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were $719,052, $708,906, and $697,833 respectively, equal to the required contributions for each year.

Note 10 - Risk Management:

Western Dubuque 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.

Note 11 - 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 $872,561 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12 - Construction in Progress:

In fiscal year 2004, the District entered into various contracts totaling $9,392,281 for a new elementary school and an addition to an existing high school. Change orders executed during fiscal year 2004 were $285,116. At June 30, 2004, $3,933,515 of the contracts were completed. The remaining amounts will be paid as work on the projects progresses.

Note 13 - Construction Grant:

The District has been awarded a $1,000,000 Iowa Demonstration Construction Grant. In order to receive the grant, the District must provide matching funds and submit requests for reimbursement as construction costs are incurred.

Note 14 - Subsequent Event:

On September 13, 2004, the District entered into a contract for site work at Drexler Elementary in the amount of $95,000.

Note 15 - Contingencies:

Compensated Absences - District employees accumulate sick leave hours for subsequent use. Since the accumulated hours do not vest, they do not become liabilities until used. The District' s unrecorded contingent liability for sick leave as of June 30, 2004 is approximately $5,373,929. The District does not have a liability for employee vacations as they do not vest and any unused vacation lapses at year-end.

Early Retirement - As of June 30, 2004, several District employee' s met the eligibility criteria for early retirement but did not request it. Therefore, no liability was recorded for those individuals. The District' s unrecorded contingent liabilityfor early retirement is approximately $546,097 as of June 30, 2004.

Note 16 - Prior Period Adjustment:

As a result of a study conducted by the District, it was determined that the capital assets of the governmental activities were understated. This adjustment adds these items and their related accumulated depreciation to the assets of the governmental activities. This causes the total assets and the total net assets of the governmental activities to increase by $2,272,536.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Receipts						
Local sources	$ 13,039,559	$ 748,171	$ 13,787,730	$ 13,723,961	$ 13,723,961	$ 63,769
Intermediate sources	4,108	---	4,108	100	100	4,008
State sources	9,360,366	17,629	9,377,995	9,709,710	9,709,710	(331,715.)
Federal sources	959,578	370,936	1,330,514	2,160,952	2,160,952	(830,438.)
Total Receipts	$ 23,363,611	$ 1,136,736	$ 24,500,347	$ 25,594,723	$ 25,594,723	$ (1,094,376.)
Disbursements						
Instruction	$ 13,661,831	$ ---	$ 13,661,831	$ 14,409,057	$ 14,575,000	$ 913,169
Support services	5,769,270	---	5,769,270	5,595,362	5,725,000	(44,270.)
Non-instructional programs	15,427	1,118,029	1,133,456	986,898	1,200,000	66,544
Other expenditures	7,829,961	---	7,829,961	11,491,055	11,491,055	3,661,094
Total Disbursements	$ 27,276,489	$ 1,118,029	$ 28,394,518	$ 32,482,372	$ 32,991,055	$ 4,596,537
Excess (Deficiency) of Receipts Over (Under) Disbursements	$ (3,912,878.)	$ 18,707	$ (3,894,171.)	$ (6,887,649.)	$ (7,396,332.)	$ 3,502,161
Other Financing Sources, Net	32,733	---	32,733	11,000,000	11,000,000	(10,967,267.)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	$ (3,880,145.)	$ 18,707	$ (3,861,438.)	$ 4,112,351	$ 3,603,668	$ (7,465,106.)
Balances Beginning of Year	14,422,985	216,017	14,639,002	2,658,603	2,658,603	11,980,399
Balances End of Year	$ 10,542,840	$ 234,724	$ 10,777,564	$ 6,770,954	$ 6,262,271	$ 4,515,293

See accompanying independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 23,363,611	$ 39,321	$ 23,402,932
Expenditures	27,276,489	1,416,682	28,693,171
Net	$ (3,912,878.)	$ (1,377,361.)	$ (5,290,239.)
Other Financing Sources (Uses)	32,733	---	32,733
Beginning Fund Balances	14,422,985	(1,194,418.)	13,228,567
Ending Fund Balances	$ 10,542,840	$ (2,571,779.)	$ 7,971,061

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	$ 1,136,736	$ (603.)	$ 1,136,133
Expenditures	1,118,029	(4,132.)	1,113,897
Net	$ 18,707	$ 3,529	$ 22,236
Beginning Net Assets	216,017	129,613	345,630
Ending Net Assets	$ 234,724	$ 133,142	$ 367,866

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

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 functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by $508,683.

During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

SCHEDULE "1"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Governmental Funds
Assets				
Cash and pooled investments	$ 151,427	$ 273,377	$ 440,725	$ 865,529
Receivables:				
Property tax:				
Delinquent	4,111	---	2,351	6,462
Succeeding year	686,000	---	262,774	948,774
Accrued interest	88	184	861	1,133
Total Assets	$ 841,626	$ 273,561	$ 706,711	$ 1,821,898
Liabilities and Fund Balances				
Liabilities:				
Bank overdraft	$ ---	$ ---	$ 32,098	$ 32,098
Accounts payable	104	16,353	7,585	24,042
Deferred revenue:				
Succeeding year property tax	686,000	---	262,774	948,774
Total Liabilities	$ 686,104	$ 16,353	$ 302,457	$ 1,004,914
Fund Balances				
Unreserved fund balances	$ 155,522	$ 257,208	$ 404,254	$ 816,984
Total Liabilities and Fund Balances	$ 841,626	$ 273,561	$ 706,711	$ 1,821,898

See accompanying independent auditor's report.

SCHEDULE "2"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2004

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Nonmajor Governmental Funds
Revenues				
Local Sources:				
Local tax	$ 446,492	$ ---	$ 262,280	$ 708,772
Other	586	595,635	2,978	599,199
State sources	1,662	---	946	2,608
Total Revenues	$ 448,740	$ 595,635	$ 266,204	$ 1,310,579
Expenditures				
Current:				
Instruction:				
Regular instruction	$ 147,771	$ ---	$ 52,427	$ 200,198
Other instruction	---	575,406	---	575,406
Total Instruction	$ 147,771	$ 575,406	$ 52,427	$ 775,604
Support Services:				
Student services	$ 13,786	$ ---	$ ---	$ 13,786
Instructional staff services	3,519	---	---	3,519
Administration services	29,595	---	303	29,898
Operation and maintenance of plant services	114,320	---	2,444	116,764
Transportation services	88,221	---	---	88,221
Total Support Services	$ 249,441	$ ---	$ 2,747	$ 252,188
Non-instructional Programs	$ 15,426	$ ---	$ ---	$ 15,426
Other Expenditures:				
Facilities acquisition	$ ---	$ ---	$ 60,244	$ 60,244
Total Expenditures	$ 412,638	$ 575,406	$ 115,418	$ 1,103,462
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 36,102	$ 20,229	$ 150,786	$ 207,117

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2004

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Nonmajor Governmental Funds
Other Financing Sources (Uses):				
Operating transfers out	$ ---	$ (11,734.)	$ ---	$ (11,734.)
Sale of equipment and materials	---	---	2,300	2,300
Total Other Financing Sources (Uses)	$ ---	$ (11,734.)	$ 2,300	$ (9,434.)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 36,102	$ 8,495	$ 153,086	$ 197,683
Fund Balances Beginning of Year	119,420	248,713	251,168	619,301
Fund Balances End of Year	$ 155,522	$ 257,208	$ 404,254	$ 816,984

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Revenues	Expenditures	Reclass-ifications	Operating Transfers Out	Balance June 30, 2004
District Wide Accounts:						
Employee Awards	$ 154	$ ---	$ ---	$ ---	$ ---	$ 154
Miscellaneous	(38.)	---	25	---	---	(63.)
Western Trip	8,715	---	---	---	---	8,715
School Photos	245	---	---	---	---	245
District Wide Interest	29,446	2,070	---	---	---	31,516
Book Fair	685	---	417	---	---	268
Student/Employee Wellness	3,385	---	600	---	---	2,785
Total District Wide	$ 42,592	$ 2,070	$ 1,042	$ ---	$ ---	$ 43,620
Epworth High School:						
Computer Technology	$ 19	$ 407	$ ---	$ ---	$ ---	$ 426
Poms	1,357	14,422	15,339	---	---	440
Dramatics Fund	(2,388.)	8,115	3,808	---	---	1,919
Speech Club	372	1,020	1,702	---	---	(310.)
Vocal Music	1,392	12,043	9,685	1,200	---	4,950
Instrumental Music	1,307	6,134	6,862	322	---	901
Show Choir	8,522	1,128	10,333	---	---	(683.)
Show Choir/Aristocrats	(786.)	---	---	---	---	(786.)
Show Choir Invitational	(1,289.)	---	---	---	---	(1,289.)
Model U.N.	(246.)	2,279	1,927	---	---	106
Student Council	243	6,430	7,547	6,778	---	5,904
Future Farmers	5,937	36,689	34,343	1,014	---	9,297
Cheerleaders	321	3,673	3,097	---	---	897
Yearbook	2,569	3,297	5,661	---	---	205
Library Club	2,283	355	529	---	---	2,109
Close Up	182	---	---	---	---	182
Post Prom	1,994	1,134	3,124	3,091	---	3,095
National Honor Society	399	595	437	---	---	557
Halloween Hoot	60	---	---	---	---	60
Class of 2007	---	6,744	5,685	132	---	1,191
Class of 2006	7,960	114	6,756	---	---	1,318
Class of 2005	1,164	7,214	4,286	(55.)	---	4,037
Class of 2004	2,858	3,056	2,524	(1,367.)	---	2,023
Class of 2003	1,786	---	227	(33.)	---	1,526
Class of 2002	19	---	---	(19.)	---	---
Class of 2001	688	---	100	219	---	807
Future Business Leaders	1,564	10,919	9,710	---	---	2,773
Athletic Fund	28,147	81,493	80,358	1,834	---	31,116
Pop and Uniforms	17,911	19,782	14,461	(15,498.)	---	7,734
Fundraiser	6	---	146	146	---	6
Band	1,775	900	1,497	---	---	1,178
Miscellaneous	(302.)	3,614	3,025	2,236	---	2,523
Total Epworth High School	$ 85,824	$ 231,557	$ 233,169	$ ---	$ ---	$ 84,212

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Revenues	Expenditures	Reclass-ifications	Operating Transfers Out	Balance June 30, 2004
Cascade High School:						
Poms	$ 2,574	$ 7,458	$ 11,203	$ 259	$ ---	$ (912.)
Dramatics/Speech	6,784	12,315	9,279	---	---	9,820
Vocal Music	(738.)	3,585	4,736	2,044	---	155
Instrumental Music	1,135	9,997	10,770	---	---	362
Band	1,460	914	975	(3.)	---	1,396
Student Council	1,400	3,740	3,491	---	---	1,649
Future Farmers	3,593	49,138	41,095	---	(4,000.)	7,636
Cheerleaders	1,030	1,478	1,801	---	---	707
National Honor Society	686	756	494	---	---	948
Spanish Club	172	18	---	---	---	190
Junior High	899	506	3,689	2,761	---	477
Class of 2008	---	---	---	100	---	100
Class of 2007	---	---	---	100	---	100
Class of 2006	50	---	---	---	---	50
Class of 2005	50	2,249	603	---	---	1,696
Class of 2004	979	3,244	3,009	(500.)	---	714
Class of 2003	382	114	102	(394.)	---	---
Booster Club	5,557	---	5,560	3	---	---
Athletic Fund	52,571	50,197	51,628	(1,925.)	---	49,215
Pop and Uniforms	(53.)	29,216	16,273	(12,507.)	---	383
Vocal Music - Student	2,758	2,301	3,086	(286.)	---	1,687
Instrument - Student	3,710	3,602	14,712	9,948	---	2,548
Yearbook	1,441	10,485	8,748	400	---	3,578
Miscellaneous	464	615	278	---	---	801
Total Cascade High School	$ 86,904	$ 191,928	$ 191,532	$ ---	$ (4,000.)	$ 83,300
Bernard Elementary:						
Student Expenses	$ 877	$ 2,428	$ 1,375	$ ---	$ ---	$ 1,930
Cascade Elementary:						
Student Expenses	$ 2,674	$ 11,517	$ 7,396	$ ---	$ ---	$ 6,795
School Photos	537	1,159	200	---	---	1,496
Student Council	330	---	---	---	---	330
Total Cascade Elementary	$ 3,541	$ 12,676	$ 7,596	$ ---	$ ---	$ 8,621
Dyersville Elementary:						
Student Expenses	$ 1,841	$ 1,253	$ 2,071	$ ---	$ ---	$ 1,023
Book Fair	301	1,044	1,499	---	---	(154.)
School Photos	266	543	---	---	---	809
Total Dyersville Elementary	$ 2,408	$ 2,840	$ 3,570	$ ---	$ ---	$ 1,678

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Revenues	Expenditures	Reclass-ifications	Operating Transfers Out	Balance June 30, 2004
Farley:						
Spring Fundraiser	$ 1,641	$ 16,668	$ 3,201	$ 111	$ (1,500.)	$ 13,719
Student Council	(1,258.)	3,509	6,681	192	---	(4,238.)
Yearbook	1,868	5,445	5,273	306	---	2,346
Dramatics	---	310	138	---	---	172
Vocal Music	---	20,683	14,309	(3,306.)	---	3,068
Instrumental Music	1,099	9,267	11,667	3,000	---	1,699
Athletic Fund	1,280	2,691	10,714	7,993	---	1,250
Booster Club/PTO	284	---	---	---	---	284
Outdoor Education	---	450	1,254	1,734	---	930
Pop and Uniforms	1,646	10,771	8,713	(284.)	---	3,420
Fitness Program	1,564	2,685	1,971	1,500	---	3,778
Book Fair	972	10,967	10,615	---	---	1,324
School Photos	2,399	3,444	---	(1,566.)	(1,234.)	3,043
Magazine/Newspaper Fundraiser	4,892	29,677	20,635	(13,123.)	---	811
Grade 8 Class Trip	---	6,346	8,208	1,862	---	---
Various Groups	7,626	25,056	15,032	1,581	(5,000.)	14,231
Total Farley	$ 24,013	$ 147,969	$ 118,411	$ ---	$ (7,734.)	$ 45,837
Epworth Elementary:						
Student Expenses	$ 4,489	$ 5,473	$ 5,783	$ ---	$ ---	$ 4,179
Total - Cash	$ 250,648	$ 596,941	$ 562,478	$ ---	$ (11,734.)	$ 273,377
Accounts Receivable - Beginning of Year	1,490	(1,490.)	---	---	---	---
Accounts Receivable - End of Year	---	184	---	---	---	184
Accounts Payable - Beginning of Year	(3,425.)	---	(3,425.)	---	---	---
Accounts Payable - End of Year	---	---	16,353	---	---	(16,353.)
	$ 248,713	$ 595,635	$ 575,406	$ ---	$ (11,734.)	$ 257,208

See accompanying independent auditor's report.

SCHEDULE "4"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION - ALL GOVERNMENTAL FUND TYPES FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Local Sources:				
Local tax	$ 11,259,357	$ 8,635,638	$ 7,757,212	$ 7,231,411
Tuition	631,073	576,731	598,362	642,237
Other	1,279,922	1,194,147	1,648,306	1,210,409
Intermediate Sources	4,108	80	---	---
State Sources	9,278,073	9,556,936	9,545,789	9,904,899
Federal Sources	950,399	1,552,042	776,270	757,645
Total	$ 23,402,932	$ 21,515,574	$ 20,325,939	$ 19,746,601
Expenditures:				
Instruction:				
Regular instruction	$ 8,377,622	$ 8,181,683	$ 8,286,275	$ 7,830,936
Special instruction	3,605,876	3,074,974	2,871,659	2,859,117
Other instruction	2,129,419	2,108,320	2,046,932	2,296,281
Support Services:				
Student services	666,742	589,805	626,819	601,462
Instructional staff services	534,905	467,647	392,662	371,742
Administration services	1,627,196	1,772,832	1,750,488	1,406,067
Operation and maintenance of plant services	1,299,654	1,175,562	1,136,769	1,245,179
Transportation services	1,708,369	1,435,289	1,297,138	1,524,418
Central support services	1,244	93,387	10,950	55,447
Non-Instructional Programs	18,420	14,350	---	9,928
Other Expenditures:				
Facilities acquisition	5,427,398	5,825,035	750,806	246,920
Long-term debt:				
Principal	1,670,000	435,000	415,000	385,000
Interest and other charges	753,765	578,879	140,928	145,855
AEA flowthrough	872,561	920,041	918,733	937,711
Total	$ 28,693,171	$ 26,672,804	$ 20,645,159	$ 19,916,063

See accompanying independent auditor's report.

SCHEDULE "5"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect Programs:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY04	$ 61,450
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY04	$ 43,430
National School Lunch Program	10.555	FY04	266,056
			$ 309,486
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY04	$ 326,551
Innovative Education Program Strategies (Title V Program)	84.298	FY04	21,990
Safe and Drug Free Schools - State Grants	84.186	FY04	20,149
Vocational Education - Basic Grants to States	84.048	FY04	38,940
Title IIA, Federal Teacher Quality Program	84.367	FY04	158,355
State Assessment	84.369	FY04	15,726
Iowa Public Television:			
Star Schools	84.203	FY04	38,032
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY04	156,763
			$ 776,506
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY04	$ 147,207
Total			$ 1,294,649

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Dubuque County Community School District and is presented on 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 basic financial statements.

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

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

To the Board of Education of the
Western Dubuque County Community School District

We have audited the financial statements of Western Dubuque County Community School District, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with United States of America 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 Western Dubuque County Community School District' s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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 items IV-B-04 and IV-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Dubuque 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque 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 Western Dubuque 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.

O' CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 3, 2004

INDEPENDENT AUDITOR' S REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Education of the
Western Dubuque County Community School District

Compliance

We have audited the compliance of Western Dubuque County Community School District with the types of compliance requirements described in the *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. Western Dubuque 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 Western Dubuque County Community School District' s management. Our responsibility is to express an opinion on Western Dubuque County Community School District' s compliance based on our audit.

We conducted our audit of compliance in accordance with United States of America 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 noncompliance 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 Western Dubuque County Community School District' s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Western Dubuque County Community School District' s compliance with those requirements.

In our opinion, Western Dubuque 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 Western Dubuque 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 Western Dubuque 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 material weaknesses. 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 noncompliance 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 operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque 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.

O' CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 3, 2004

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

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

a) An unqualified opinion was issued on the financial statements.

b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.

c) The audit did not disclose any noncompliance 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
CFDA Number 84.027 - Special Education Grants to States
CFDA Number 10.555 - National School Lunch Program

Clustered Programs:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program

h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i) Western Dubuque County Community School District does qualify as a low-risk auditee.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: **Findings Related to the Financial Statements:**

Instance of Noncompliance:
No matters were reported

Reportable Conditions:
No matters were reported

Part III: **Findings and Questioned Costs for Federal Awards:**

Instances of Noncompliance:
No matters were reported

Reportable Conditions:
No matters were reported

Part IV: **Other Findings Related to Required Statutory Reporting:**

IV-A-04 Official Depositories

Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget

Disbursements for the year ended June 30, 2004 exceeded the amended certified budget amounts in the support services functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure that the certified budget is not exceeded.

Conclusion - Response accepted.

Part IV: **Other Findings Related to Required Statutory Reporting:** **(Continued)**

IV-C-04 Questionable Disbursements

No expenditures that may not meet the requirements of public purpose as defined in an Attorney General' s Opinion dated April 25, 1979 were noted.

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

No business transactions between the District and District officials or employees were noted.

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

No transactions requiring Board approval which had not been approved by the Board were noted.

Although minutes were published, we noted an instance in which the minutes were not published within two weeks as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should comply with the Code of Iowa and should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

Part IV: **Other Findings Related to Required Statutory Reporting:** **(Continued)**

IV-H-04 Certified Enrollment

No variances in the basic enrollment data certified to the Department of Education were noted.

IV-I-04 Deposits and Investments

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 were noted.

IV-J-04 Certified Annual Report

The Certified Annual Report was filed with the Department of Education timely, however, we noted a significant deficiency in the amounts reported. The current portion of the early retirement payable was excluded from the long-term liability section of the Certified Annual Report.

Recommendation - The District should include all long-term liabilities on the Certified Annual Report.

Response - We will correct the amount of long-term liabilities reported on the Certified Annual Report.

Conclusion - Response accepted.

IV-K-04 Student Activity Fund

Several Student activity accounts had deficit balances at June 30, 2004.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.

Part IV: **Other Findings Related to Required Statutory Reporting:** **(Continued)**

IV-L-04 Authorized Check Signers

We noted the authorized check signers for one of the District' s depositories include a former employee.

Recommendation - Depository information should be updated and the former employee removed from the list of authorized check signers.

Response - We will update the depository information.

Conclusion - Response accepted.