

WEST HARRISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	24
Statement of Changes in Net Assets	K	25
Notes to Financial Statements		26-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		37-38
Budget to GAAP Reconciliation		39
Notes to Required Supplementary Information - Budgetary Reporting		40
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	42
Schedule of Changes in Student Activity Accounts	3	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	44
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		45-46
Schedule of Findings		47-49

West Harrison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Walter Utman	President	2005
Michael Carritt	Vice President	2004
Roger Jenson	Board Member	2004
Bruce Norris	Board Member	2003
Tammy Neill	Board Member	2003

Board of Education (After September 2003 Election)		
Roger Jenson	President	2004
Walter Utman	Vice President	2005
Dale Davis	Board Member	2006
Sue Maule	Board Member	2006
Michael Carritt	Board Member	2004

School Officials

Richard Gerking	Superintendent	2004
Jane Roden	Board Secretary/ Business Manager	2004
Ahlers & Cooney, P.C.	Attorney	2004

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Harrison Community School District:

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

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As described in Note 9 to the financial statements, during the year ended June 30, 2004, West Harrison Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 9, 2004, on our consideration of the West Harrison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

Member American Institute & Iowa Society of Certified Public Accountants

laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West Harrison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 9, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,069,885 in fiscal 2003 to \$4,137,497 in fiscal 2004, while General Fund expenditures also increased from \$3,821,329 in fiscal 2003 to \$4,208,881 in fiscal 2004. This resulted in a decrease in the District's fund balance from \$171,646 in fiscal 2003 to \$101,544 in fiscal 2004, which was a 41% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and federal sources. The increase in General Fund expenditures was attributable to an increase in both instructional and support services functional program areas.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Harrison Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

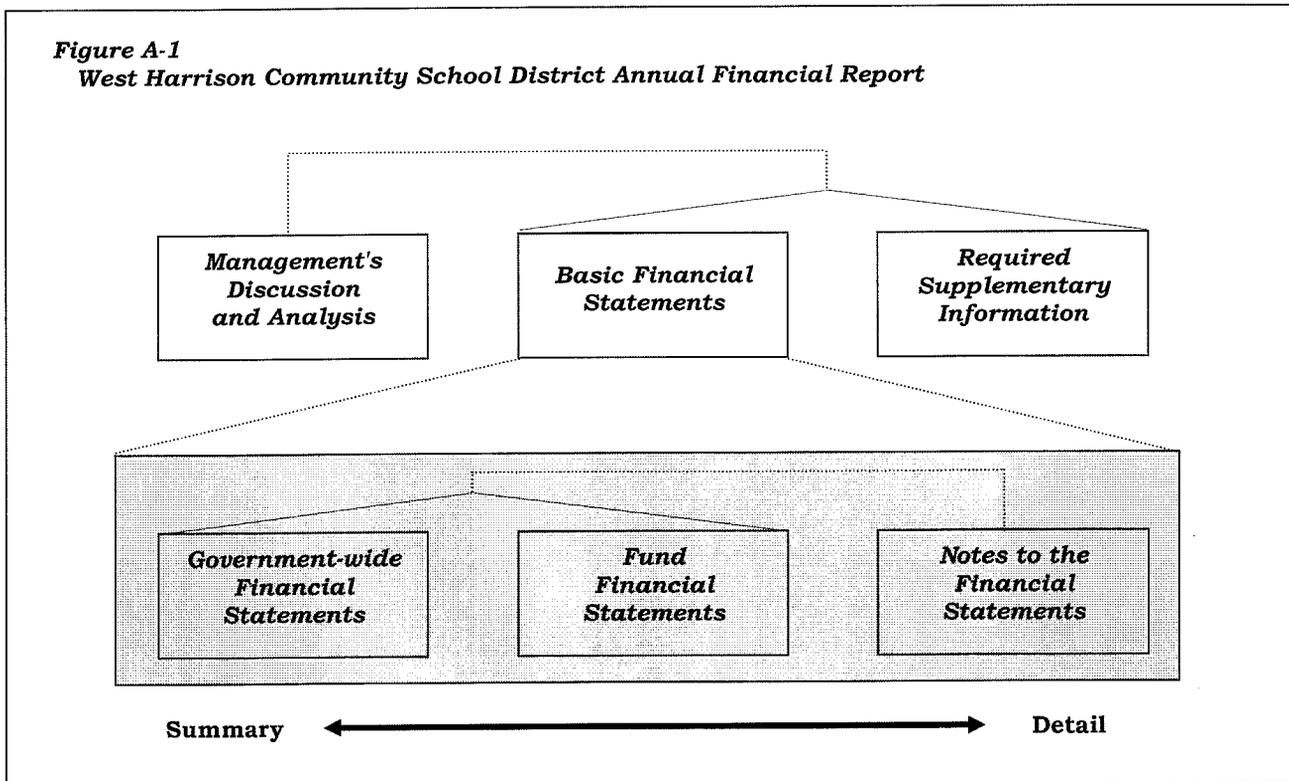


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide 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:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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 information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 3,970,185	25,581	3,995,766
Capital assets	4,616,205	27,199	4,643,404
Total assets	<u>8,586,390</u>	<u>52,780</u>	<u>8,639,170</u>
Long-term obligations	3,042,344	0	3,042,344
Other liabilities	3,601,698	2,204	3,603,902
Total liabilities	<u>6,644,042</u>	<u>2,204</u>	<u>6,646,246</u>
Net assets:			
Invested in capital assets, net of related debt	1,772,701	27,199	1,799,900
Restricted	69,287	0	69,287
Unrestricted	100,360	23,377	123,737
Total net assets	<u>\$ 1,942,348</u>	<u>50,576</u>	<u>1,992,924</u>

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 495,136	111,430	606,566
Operating grants and contributions and restricted interest	583,741	107,974	691,715
General revenues:			
Property tax	2,064,050	0	2,064,050
Local option sales and services tax	50,361	0	50,361
Unrestricted state grants	1,624,901	0	1,624,901
Unrestricted investment earnings	24,480	75	24,555
Other	1,282	0	1,282
Total revenues	4,843,951	219,479	5,063,430
Program expenses:			
Governmental activities:			
Instructional	2,806,152	0	2,806,152
Support services	1,395,900	0	1,395,900
Non-instructional programs	5,406	212,167	217,573
Other expenses	392,820	0	392,820
Total expenses	4,600,278	212,167	4,812,445
Change in net assets	\$ 243,673	7,312	250,985

Property tax and unrestricted state grants account for 73% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,843,951 and expenses were \$4,600,278. The District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,806,152	1,867,215
Support services	1,395,900	1,395,900
Non-instructional	5,406	5,406
Other expenses	392,820	252,880
Totals	\$ 4,600,278	3,521,401

-
- A portion of the cost financed by users of the District's programs was \$495,136
 - The federal and state government subsidized certain programs with operating grants and contributions totaling \$583,741
 - The net cost portion of governmental activities was financed with \$2,064,050 in property tax, \$50,361 in local option sales and services tax, \$1,624,901 in unrestricted state grants, and unrestricted investment earnings of \$24,480

Business-Type Activities

The District's only business-type activity is the School Nutrition Fund. Revenues of the District's business-type activities totaled \$219,479 in 2004, which is an increase of 1.9% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 8.9% to \$212,167 for business-type activities in 2004.

INDIVIDUAL FUND ANALYSIS

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

A strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$262,097, a decrease of \$25,163 from last years ending fund balances of \$287,260.

Governmental Fund Highlights

- The District's decrease in General Fund financial position is the result of many factors. A decrease during the year in state sources resulted in a decrease in revenues. The District also increased its General Fund expenditures over the prior year. The biggest change in General Fund expenditures came in the instructional area.
- The District began receiving Local Option Sales and Services Tax during the 2004 fiscal year helping to offset the decrease in the governmental funds financial position.

Proprietary Fund Highlights

- The School Nutrition Fund increased its financial position with increased revenues over the prior year, attributable to an increase in charges for services as well as an increase federal sources.

BUDGETARY HIGHLIGHTS

The District's receipts were \$105,660 more than budgeted receipts. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

In spite of the Districts budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of disbursements paid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$4,643,404, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$176,376.

The original cost of the District's capital assets was \$6,677,573. Governmental funds account for \$6,633,114, with the remainder of \$44,459 accounted for in the Proprietary School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$249,345 at June 30, 2004, compared to \$165,750 reported at June 30, 2003.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type	Total
	Activities		Activities	School District
	2004		2004	2004
Land	\$	20,000	0	20,000
Buildings		4,314,877	0	4,314,877
Land improvements		31,983	0	31,983
Machinery and equipment		249,345	27,199	276,544
Total	\$	4,616,205	27,199	4,643,404

Long-Term Debt

At year-end, the District had \$3,042,344 in general obligation and early retirement debt outstanding. This represents a decrease of 8.6% from last year's balance of \$3,327,218. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 2,935,000	3,195,000	-8.1%
Early retirement	107,344	132,218	-18.8%
Totals	\$ 3,042,344	3,327,218	-8.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The District started receiving Local Option Sales and Services Tax monies during the 2004 fiscal year.

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 Jane Roden, Business Manager, West Harrison Community School District, 410 Pine Street, Mondamin, Iowa, 51557.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 3)	\$ 1,298,445	0	1,298,445
Other	605,395	14,113	619,508
Receivables			
Property tax:			
Delinquent	26,463	0	26,463
Succeeding year	1,898,234	0	1,898,234
Income surtax	113,688	0	113,688
Accounts	1,548	123	1,671
Accrued ISCAP interest(Note 3)	2,317	0	2,317
Due from other governments	24,095	0	24,095
Inventories	0	11,345	11,345
Capital assets, net of accumulated depreciation(Note 4)	4,616,205	27,199	4,643,404
TOTAL ASSETS	8,586,390	52,780	8,639,170
LIABILITIES			
Accounts payable	3,997	0	3,997
Salaries and benefits payable	383,617	0	383,617
ISCAP warrants payable(Note 3)	1,303,000	0	1,303,000
ISCAP accrued interest payable(Note 3)	3,513	0	3,513
ISCAP unamortized premium	2,039	0	2,039
Accrued interest payable	7,298	0	7,298
Deferred revenue:			
Succeeding year property tax	1,898,234	0	1,898,234
Other	0	2,204	2,204
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds payable	295,000	0	295,000
Early retirement	26,727	0	26,727
Portion due after one year:			
General obligation bonds payable	2,640,000	0	2,640,000
Early retirement	80,617	0	80,617
TOTAL LIABILITIES	6,644,042	2,204	6,646,246
NET ASSETS			
Investment in capital assets, net of related debt	1,772,701	27,199	1,799,900
Restricted for:			
Teacher Quality	128	0	128
Early intervention	8,395	0	8,395
Physical plant and equipment levy	37,119	0	37,119
Other special revenue purposes	23,645	0	23,645
Unrestricted	100,360	23,377	123,737
TOTAL NET ASSETS	\$ 1,942,348	50,576	1,992,924

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,619,298	353,316	423,575
Special instruction	812,876	141,820	20,226
Other instruction	373,978	0	0
	<u>2,806,152</u>	<u>495,136</u>	<u>443,801</u>
Support services:			
Student services	94,346	0	0
Instructional staff services	123,822	0	0
Administration services	560,520	0	0
Operation and maintenance of plant services	278,358	0	0
Transportation services	338,854	0	0
	<u>1,395,900</u>	<u>0</u>	<u>0</u>
Non-instructional programs	5,406	0	0
Other expenditures:			
Facilities acquisitions	25,563	0	0
Long-term debt interest	113,203	0	0
AEA flowthrough	139,940	0	139,940
Depreciation(unallocated)*	114,114	0	0
	<u>392,820</u>	<u>0</u>	<u>139,940</u>
Total governmental activities	4,600,278	495,136	583,741
Business-Type activities:			
Non-instructional programs:			
Nutrition services	212,167	111,430	107,974
Total business-type activities	<u>212,167</u>	<u>111,430</u>	<u>107,974</u>
Total	<u>\$ 4,812,445</u>	<u>606,566</u>	<u>691,715</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Sale of equipment

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 9)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(842,407)	0	(842,407)
(650,830)	0	(650,830)
(373,978)	0	(373,978)
(1,867,215)	0	(1,867,215)
(94,346)	0	(94,346)
(123,822)	0	(123,822)
(560,520)	0	(560,520)
(278,358)	0	(278,358)
(338,854)	0	(338,854)
(1,395,900)	0	(1,395,900)
(5,406)		(5,406)
(25,563)	0	(25,563)
(113,203)	0	(113,203)
0	0	0
(114,114)	0	(114,114)
(252,880)	0	(252,880)
(3,521,401)	0	(3,521,401)
0	7,237	7,237
0	7,237	7,237
(3,521,401)	7,237	(3,514,164)
\$ 1,596,330	0	1,596,330
422,906	0	422,906
44,814	0	44,814
50,361	0	50,361
1,624,901	0	1,624,901
24,480	75	24,555
1,282	0	1,282
3,765,074	75	3,765,149
243,673	7,312	250,985
1,698,675	43,264	1,741,939
\$ 1,942,348	50,576	1,992,924

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

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 3)	\$ 1,298,445	0	1,298,445
Other	462,036	143,359	605,395
Receivables:			
Property tax:			
Delinquent	19,260	7,203	26,463
Succeeding year	1,386,690	511,544	1,898,234
Income surtax	113,688	0	113,688
Accounts	0	1,548	1,548
Accrued ISCAP interest (Note 3)	2,317	0	2,317
Due from other governments	15,153	8,942	24,095
TOTAL ASSETS	\$ 3,297,589	672,596	3,970,185
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,498	499	3,997
Salaries and benefits payable	383,617	0	383,617
ISCAP warrants payable (Note 3)	1,303,000	0	1,303,000
ISCAP accrued interest payable (Note 3)	3,513	0	3,513
ISCAP unamortized premium	2,039	0	2,039
Deferred revenue:			
Succeeding year property tax	1,386,690	511,544	1,898,234
Income surtax	113,688	0	113,688
Total liabilities	<u>3,196,045</u>	<u>512,043</u>	<u>3,708,088</u>
Fund balances:			
Reserved for:			
Teacher Quality	128	0	128
Early intervention	8,395	0	8,395
Debt Service	0	68,642	68,642
Unreserved:			
Designated for special purpose	5,006	0	5,006
Undesignated	88,015	91,911	179,926
Total fund balances	<u>101,544</u>	<u>160,553</u>	<u>262,097</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,297,589	672,596	3,970,185

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 17)	\$ 262,097
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,616,205
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,298)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	113,688
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,042,344)</u>
Net assets of governmental activities (page 14)	<u>\$ 1,942,348</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,531,781	582,630	2,114,411
Tuition	351,140	0	351,140
Other	46,273	122,203	168,476
State sources	1,938,180	339	1,938,519
Federal sources	270,123	0	270,123
Total revenues	<u>4,137,497</u>	<u>705,172</u>	<u>4,842,669</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,650,477	25,629	1,676,106
Special instruction	811,205	0	811,205
Other instruction	274,533	99,963	374,496
	<u>2,736,215</u>	<u>125,592</u>	<u>2,861,807</u>
Support services:			
Student services	94,346	0	94,346
Instructional staff services	123,822	0	123,822
Administration services	566,158	0	566,158
Operation and maintenance of plant services	298,321	66,999	365,320
Transportation services	248,973	50,095	299,068
	<u>1,331,620</u>	<u>117,094</u>	<u>1,448,714</u>
Non-instructional programs	1,106	4,300	5,406
Other expenditures:			
Facilities acquisitions	0	37,741	37,741
Long-term debt:			
Principal	0	260,000	260,000
Interest and fiscal charges	0	115,506	115,506
AEA flowthrough	139,940	0	139,940
	<u>139,940</u>	<u>413,247</u>	<u>553,187</u>
Total expenditures	<u>4,208,881</u>	<u>660,233</u>	<u>4,869,114</u>
Excess (deficiency) of revenues over (under) expenditures	(71,384)	44,939	(26,445)
Other financing sources:			
Sale of equipment	1,282	0	1,282
Total other financing sources	<u>1,282</u>	<u>0</u>	<u>1,282</u>
Net change in fund balances	(70,102)	44,939	(25,163)
Fund balance beginning of year	171,646	115,614	287,260
Fund balance end of year	<u>\$ 101,544</u>	<u>160,553</u>	<u>262,097</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 19) \$ (25,163)

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

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

Capital outlays	\$ 154,495	
Depreciation expense	(172,836)	(18,341)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	260,000
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,303

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

Early retirement	24,874
------------------	--------

Changes in net assets of governmental activities (page 16) \$ 243,673

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 14,113
Accounts receivable	123
Inventories	11,345
Capital assets, net of accumulated depreciation	27,199
Total assets	<u>52,780</u>
LIABILITIES	
Deferred Revenue:	
Other	2,204
Total liabilities	<u>2,204</u>
NET ASSETS	
Invested in capital assets, net of related debt	27,199
Unrestricted	23,377
Total net assets	<u>\$ 50,576</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 111,430
TOTAL OPERATING REVENUES	111,430
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	84,073
Benefits	15,769
Services	2,483
Supplies	106,302
Depreciation	3,540
TOTAL OPERATING EXPENSES	212,167
OPERATING LOSS	(100,737)
NON-OPERATING REVENUES:	
State sources	3,178
Federal sources	104,796
Interest income	75
TOTAL NON-OPERATING REVENUES	108,049
Change in net assets	7,312
Net assets beginning of year	43,264
Net assets end of year	\$ 50,576

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
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	\$ 106,766
Cash received from miscellaneous operating activities	4,779
Cash payments to employees for services	(110,693)
Cash payments to suppliers for goods or services	(86,585)
Net cash used in operating activities	(85,733)
Cash flows from non-capital financing activities:	
State grants received	3,178
Federal grants received	83,067
Net cash provided by non-capital financing activities	86,245
Cash flows from capital and related financing activities:	
Purchase of capital assets	(4,795)
Net cash used in capital and related financing activities	(4,795)
Cash flows from investing activities:	
Interest on investments	75
Net cash provided by investing activities	75
Net decrease in cash and cash equivalents	(4,208)
Cash and cash equivalents at beginning of year	18,321
Cash and cash equivalents at end of year	\$ 14,113
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (100,737)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	21,729
Depreciation	3,540
Decrease in inventories	471
Increase in accounts receivable	(123)
Decrease in salaries and benefits payable	(10,851)
Increase in deferred revenue	238
Net cash used in operating activities	\$ (85,733)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 14,113
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2004, the District received Federal commodities valued at \$21,729.	

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 6,000
Total assets	<u>6,000</u>
Liabilities	
Total liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 6,000</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2004

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 0
Interest income	0
Total additions	0
Deductions:	
Instruction:	
Scholarships awarded	0
Change in net assets	0
Net assets beginning of year	6,000
Net assets end of year	\$ 6,000

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition 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 fund includes the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

received.

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500

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

<u>Asset Class</u>	<u>Useful Lives (In Years)</u>
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

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

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

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

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

Fund Equity - In the governmental fund financial statements,

reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services functional areas exceeded the amounts budgeted.

(2) Cash and Pooled Investments

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

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$237,201 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.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School 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 corporations 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. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	425,881	2,317	423,000	3,513
2004-05A	6/30/04	6/30/05	872,564	0	880,000	0
Total			\$ 1,298,445	2,317	1,303,000	3,513

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 of 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	\$ 0	730,000	730,000	0

The warrants bear interest and the available proceeds of the warrants area invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	2.603%
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

(4) Capital Assets

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

	Balance Beginning of Year, as restated (Note 9)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	0	0	20,000
Total capital assets not being depreciated	20,000	0	0	20,000
Capital assets being depreciated:				
Buildings	5,577,401	8,901	0	5,586,302
Land improvements	179,982	3,277	0	183,259
Machinery and equipment	701,236	142,317	0	843,553
Total capital assets being depreciated	6,458,619	154,495	0	6,613,114
Less accumulated depreciation for:				
Buildings	1,161,209	110,216	0	1,271,425
Land improvements	147,378	3,898	0	151,276
Machinery and equipment	535,486	58,722	0	594,208
Total accumulated depreciation	1,844,073	172,836	0	2,016,909
Total capital assets being depreciated, net	4,614,546	(18,341)	0	4,596,205
Governmental activities capital assets, net	\$ 4,634,546	(18,341)	0	4,616,205
Business-type activities:				
Machinery and equipment	\$ 39,664	4,795	0	44,459
Less accumulated depreciation	13,720	3,540	0	17,260
Business-type activities capital assets, net	\$ 25,944	1,255	0	27,199

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 7,983
Special				3,459
Other				1,979
Support services:				
Administration				1,409
Operation and maintenance of plant				4,106
Transportation				39,786
				58,722
Unallocated depreciation				114,114
Total governmental activities depreciation expense				\$ 172,836
Business-type activities:				
Food services				\$ 3,540
Total business-type activities depreciation expense				\$ 3,540

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,195,000	0	260,000	2,935,000	295,000
Early retirement	132,218	755	25,629	107,344	26,727
Total	\$ 3,327,218	755	285,629	3,042,344	321,727

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of March 1, 2003			
	Interest Rates	Principal	Interest	Total
2005	1.75-1.90	\$ 295,000	87,576	382,576
2006	2.10-2.30	300,000	81,883	381,883
2007	2.50-2.65	305,000	74,983	379,983
2008	2.85-3.00	315,000	66,791	381,791
2009	3.10-3.20	320,000	57,303	377,303
2010	3.30-3.40	330,000	46,980	376,980
2011	3.45-3.50	345,000	35,715	380,715
2012	3.55-3.65	355,000	23,551	378,551
2013	3.70-3.80	370,000	10,452	380,452
Total		<u>\$ 2,935,000</u>	<u>485,234</u>	<u>3,420,234</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and the current year BA Step I hiring base rate of pay. Early retirement benefits paid during the year ended June 30, 2004, totaled \$25,629.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$151,716, \$135,142, \$137,230, respectively, equal to the required contributions for each year.

(7) Risk Management

West Harrison Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA

was formed in July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each members' contributions to the ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 totaled \$370,579.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004 no liability has been recorded in the District's financial statements. As of June 30, 2004 settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$139,940 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.

(9) Accounting Change and Restatements

Governmental Accounting Standards Board(GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The

interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include Government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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

Beginning capital assets for governmental activities of \$7,490,847 were restated to \$6,478,619. The restatement primarily removed assets below the District's capitalizations threshold.

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

	Fund		
	General	Other Nonmajor Governmental Funds	Total
Net assets, June 30, 2003, as previously reported	\$ 171,646	115,614	287,260
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 171,646</u>	<u>115,614</u>	<u>287,260</u>
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$1,844,073			4,634,546
Long-term liabilities:			
Bonds		3,195,000	
Early retirement		<u>132,218</u>	(3,327,218)
Accrued interest payable			(9,601)
Income Surtax			<u>113,688</u>
Net assets, July 1, 2003, as restated			<u>\$ 1,698,675</u>

(10) Budget Overexpenditures

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional are level. During the year ended June 30, 2004, disbursements in the support services functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,682,452	111,620
State sources	1,938,715	3,178
Federal sources	293,568	104,796
Total revenues	<u>4,914,735</u>	<u>219,594</u>
Disbursements:		
Instruction	2,850,872	0
Support services	1,426,104	0
Non-instructional programs	8,416	223,802
Other expenditures	572,781	0
Total expenditures	<u>4,858,173</u>	<u>223,802</u>
Excess(Deficiency) of receipts Over(Under) disbursements	56,562	(4,208)
Other financing sources, net	<u>1,282</u>	0
Excess(Deficiency) of receipts and other financing sources over(under) disbursements	57,844	(4,208)
Balance beginning of year	<u>547,551</u>	18,321
Balance end of year	<u><u>\$ 605,395</u></u>	<u><u>14,113</u></u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,794,072	2,773,531	2,773,531	20,541
1,941,893	2,040,261	2,040,261	(98,368)
398,364	215,000	215,000	183,364
<u>5,134,329</u>	<u>5,028,792</u>	<u>5,028,792</u>	<u>105,537</u>
2,850,872	3,292,588	3,292,588	441,716
1,426,104	1,364,241	1,364,241	(61,863)
232,218	253,543	253,543	21,325
572,781	616,538	616,538	43,757
<u>5,081,975</u>	<u>5,526,910</u>	<u>5,526,910</u>	<u>444,935</u>
52,354	(498,118)	(498,118)	550,472
<u>1,282</u>	<u>0</u>	<u>0</u>	<u>1,282</u>
53,636	(498,118)	(498,118)	551,754
<u>565,872</u>	<u>543,766</u>	<u>543,766</u>	<u>22,106</u>
<u>619,508</u>	<u>45,648</u>	<u>45,648</u>	<u>573,860</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 4,914,735	(72,066)	4,842,669
Expenditures	4,858,173	10,941	4,869,114
Net	56,562	(83,007)	(26,445)
Other financing sources, net	1,282	0	1,282
Beginning fund balances	547,551	(260,291)	287,260
Ending fund balances	\$ 605,395	(343,298)	262,097

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 219,594	(115)	219,479
Expenditures	223,802	(11,635)	212,167
Net	(4,208)	11,520	7,312
Beginning fund balances	18,321	24,943	43,264
Ending fund balances	\$ 14,113	36,463	50,576

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

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

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

During the year ended June 30, 2004, disbursements in the support services functional program area exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

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

	Special Revenue Funds							
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS								
Cash and pooled investments	\$ 121	12,953	36,513	9,643	59,230	62,919	21,210	143,359
Receivables:								
Property tax:								
Current year delinquent	874	0	606	0	1,480	5,723	0	7,203
Succeeding year	85,000	0	43,677	0	128,677	382,867	0	511,544
Accounts	0	1,548	0	0	1,548	0	0	1,548
Due from other governments	0	0	0	0	0	0	8,942	8,942
TOTAL ASSETS	\$ 85,995	14,501	80,796	9,643	190,935	451,509	30,152	672,596
LIABILITIES AND FUND EQUITY								
Liabilities:								
Accounts payable	\$ 0	499	0	0	499	0	0	499
Deferred revenue:								
Succeeding year property tax	85,000	0	43,677	0	128,677	382,867	0	511,544
Total Liabilities	85,000	499	43,677	0	129,176	382,867	0	512,043
Fund equity:								
Fund balances:								
Reserved:								
Debt Service	0	0	0	0	0	68,642	0	68,642
Unreserved:								
Undesignated	995	14,002	37,119	9,643	61,759	0	30,152	91,911
Total fund balances	995	14,002	37,119	9,643	61,759	68,642	30,152	160,553
TOTAL LIABILITIES AND FUND EQUITY	\$ 85,995	14,501	80,796	9,643	190,935	451,509	30,152	672,596

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Capital Projects	
REVENUES:								
Local sources:								
Local tax	\$ 64,549	0	44,814	0	109,363	422,906	50,361	582,630
Other	24	105,089	322	13,862	119,297	2,886	20	122,203
State sources	41	0	29	0	70	269	0	339
TOTAL REVENUES	64,614	105,089	45,165	13,862	228,730	426,061	50,381	705,172
EXPENDITURES:								
Current:								
Instruction:								
Regular instruction	25,629	0	0	0	25,629	0	0	25,629
Other instruction	0	99,963	0	0	99,963	0	0	99,963
Support services:								
Operation and maintenance of plant services	66,999	0	0	0	66,999	0	0	66,999
Student transportation	0	0	50,095	0	50,095	0	0	50,095
Non-instructional programs	0	0	0	4,300	4,300	0	0	4,300
Other expenditures:								
Facilities acquisitions	0	0	17,512	0	17,512	0	20,229	37,741
Long-term debt:								
Principal	0	0	0	0	0	260,000	0	260,000
Interest and fiscal charges	0	0	0	0	0	115,506	0	115,506
TOTAL EXPENDITURES	92,628	99,963	67,607	4,300	264,498	375,506	20,229	660,233
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,014)	5,126	(22,442)	9,562	(35,768)	50,555	30,152	44,939
FUND BALANCE BEGINNING OF YEAR	29,009	8,876	59,561	81	97,527	18,087	0	115,614
FUND BALANCE END OF YEAR	\$ 995	14,002	37,119	9,643	61,759	68,642	30,152	160,553

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	110	103	7
Danz Team	0	430	269	161
Yearbook	(212)	6,920	6,708	0
Athletic Fundraiser	2,124	35,009	33,420	3,713
Pop/Snack/Pen/Pencil Fundraiser	(450)	27,562	25,612	1,500
JH History Day	0	240	416	(176)
Cheerleaders	0	972	846	126
Drama	1,423	1,070	1,098	1,395
Boys Summer League Basketball	0	2,061	550	1,511
Elem. Pictures	(87)	300	55	158
C.O.R.E. Fundraiser	43	167	106	104
Communications Video Fundraiser	92	0	0	92
Vocational Fundraiser	0	1,184	891	293
Choral & Senior Gowns	1,365	0	0	1,365
National Honor Society	140	1,676	1,418	398
Ind. Arts Marketing	112	150	303	(41)
Class of 2004	992	0	992	0
Class of 2005	0	5,142	4,710	432
JH Music	0	291	261	30
Instrumental Music	0	1,398	2,317	(919)
Elem. Music	50	50	0	100
Physics Field Trip	0	750	750	0
Vocal Music	0	3,781	5,206	(1,425)
Scholarship	2	0	0	2
Speech	0	6	144	(138)
Student Council	(105)	3,844	3,455	284
Softball Sign Account	1,050	745	892	903
JH Athletics	39	0	0	39
Lift-A-Thon Fundraiser	369	2,617	0	2,986
Football	487	3,121	3,491	117
Boys Track	717	397	1,114	0
Softball	0	100	100	0
Girls Track	30	1,008	1,071	(33)
Experiment in International Living	0	400	759	(359)
Elem Jump Rope For Heart Fundraiser	247	0	38	209
MS Student Council	0	788	360	428
Middle School Fundraiser	236	386	38	584
Elem Fundraiser	194	2,336	2,396	134
S.H. Fundraiser	18	78	74	22
Total	\$ 8,876	105,089	99,963	14,002

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 2,114,411	2,058,050	1,970,440	1,869,466
Tuition	351,140	229,838	206,837	207,892
Other	168,476	300,782	166,747	138,633
State sources	1,938,519	1,968,842	1,775,041	1,688,819
Federal sources	270,123	245,632	101,863	88,628
Total	<u>\$ 4,842,669</u>	<u>4,803,144</u>	<u>4,220,928</u>	<u>3,993,438</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,676,106	1,549,504	1,487,935	1,564,565
Special instruction	811,205	613,471	558,866	527,938
Other instruction	374,496	346,313	382,875	266,897
Support services:				
Student services	94,346	129,471	126,197	171,227
Instructional staff services	123,822	98,909	135,450	115,866
Administration services	566,158	493,160	446,765	417,201
Operation and maintenance of plant services	365,320	342,641	302,736	321,285
Transportation services	299,068	214,079	209,136	285,139
Central services	0	52,507	0	0
Non-instructional programs	5,406	11,335	2,900	26,514
Other expenditures:				
Facilities acquisitions	37,741	121,575	19,190	31,612
Long-term debt:				
Principal	260,000	235,000	225,000	215,000
Interest and other charges	115,506	192,388	203,713	213,925
AEA flow-through	139,940	148,523	141,214	138,408
Total	<u>\$ 4,869,114</u>	<u>4,548,876</u>	<u>4,241,977</u>	<u>4,295,577</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
West Harrison Community School District:

We have audited the financial statements of West Harrison Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 9, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether West Harrison Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

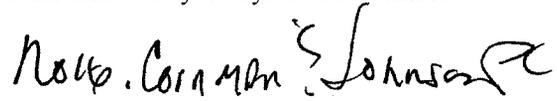
In planning and performing our audit, we considered West Harrison Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control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

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

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

August 9, 2004

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

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

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2004.

Recommendation - The district should increase their depository limits.

Response - We will raise them in the future.

Conclusion - Response accepted.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the certified budget amounts in the support services functional areas.

Recommendation - The certified 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 the certified budget is not exceeded.

Conclusion - Response accepted.

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

II-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.

II-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joyce Hall, Teacher Spouse of Owner of Hall Body Shop	Purchased Services	\$ 268

In accordance with the Attorney General's opinion dated November 9, 1976 the above transaction with the spouse does not appear to represent a conflict of interest.

II-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.

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-04 Certified Enrollment - We noted a variances in the basic enrollment data certified to the Department of Education. The number of students tuitioned out to a community college was understated by one student.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will comply

Conclusion – Response accepted.

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

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

II-K-04 Financial Condition - We noted that the Student Activity Fund had accounts with negative balances at June 30, 2004.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Response - We will monitor these accounts and investigate any available options to eliminate the deficits.

Conclusion - Response accepted.