

WEST MONONA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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West Monona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 election)</b>		
Robert Skelton	President	2004
John Maule	Vice President	2004
Larry Kreger	Board Member	2005
Denise Johnson	Board Member	2003
Mary Jo Dehn	Board Member	2005
<b>Board of Education (After September 2003 election)</b>		
Robert Skelton	President	2004
John Maule	Vice President	2004
Larry Kreger	Board Member	2005
Mary Jo Dehn	Board Member	2005
Denise Johnson	Board Member	2006
<b>School Officials</b>		
Dr. John Stanton	Superintendent	2004
Donna Archer	District Secretary/ Treasurer (Resigned)	2004
Kathryn Holverson	District Secretary/ Treasurer (Interim)	

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
West Monona 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 Monona 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 Monona 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 10 to the financial statements, during the year ended June 30, 2004, West Monona 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 - State and Local Governments: Omnibus; and 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 October 29, 2004 on our consideration of the West Monona Community School District's internal control over financial reporting and our tests of its compliance with certain

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

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West Monona Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for 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 PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

October 29, 2004

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

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West Monona 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 \$4,709,117 in fiscal 2003 to \$5,079,733 in fiscal 2004, while General Fund expenditures decreased from \$5,001,151 in fiscal 2003 to \$4,996,816 in fiscal 2004. The District's General Fund balance increased from \$83,471 in fiscal 2003 to \$163,716 in fiscal 2004, a 96% increase from the prior year.
- The 2003-04 school year saw a state aid formula revenue decrease due to the effect of a loss of fourteen (14) students from the previous year. Budget enrollment moved down from 714.5 to 700.4 students this year.
- An adjusted addition of \$7,282,607 of assessed taxable value was added to the West Monona Community School District tax base because of the dissolution of the East Monona Community School District. A total of 17 East Monona students were added to the resident student base count at West Monona but 11 of those were formally open enrolled to the West Monona district prior to the dissolution.
- Teaching Full Time Equivalent (FTEs) were adjusted downward from 61.5 to 60.5 certified staff members for the 2003-04 school year.
- As a reflection of economic conditions, interest income for the school district decreased by \$7,586 over the fiscal year.
- Students being educated at home generated a loss in revenue to the school of \$103,000 this year.
- High enrollments of special education students (18 to 20 percent) continue to make budget impact difficult to establish from year to year.

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Monona 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 Monona Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

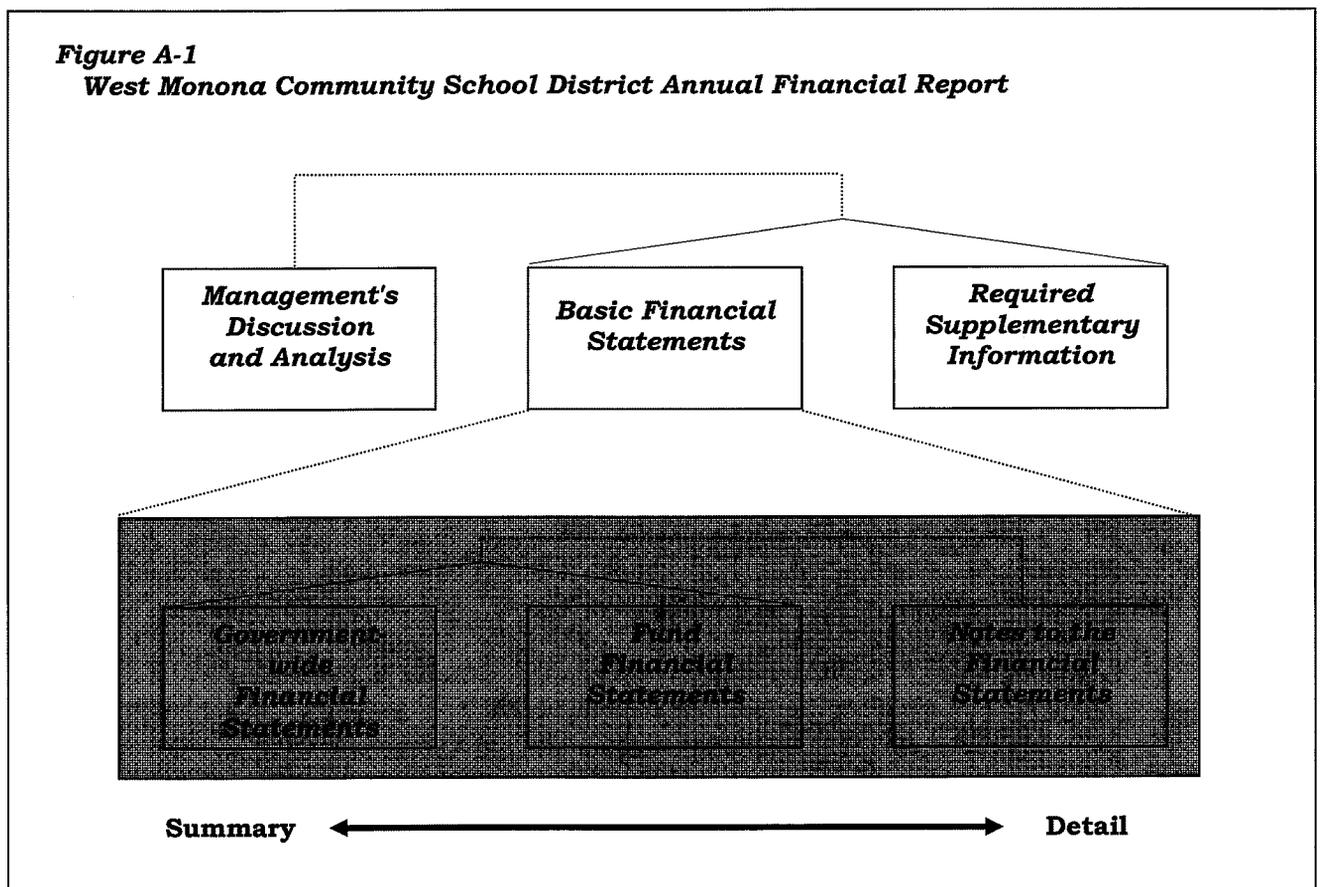


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities, need to be considered.

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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 two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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

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

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

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## 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	Business-type Activities	Total
	2004	2004	2004
Current and other assets	\$ 4,131,337	76,039	4,207,376
Capital assets	1,483,584	6,298	1,489,882
Total assets	<u>5,614,921</u>	<u>82,337</u>	<u>5,697,258</u>
Long-term obligations	1,109,526	0	1,109,526
Other liabilities	3,350,400	8,173	3,358,573
Total liabilities	<u>4,459,926</u>	<u>8,173</u>	<u>4,468,099</u>
Net assets:			
Invested in capital assets, net of related debt	953,446	6,298	959,744
Restricted	62,216	0	62,216
Unrestricted	139,333	67,866	207,199
Total net assets	<u>\$ 1,154,995</u>	<u>74,164</u>	<u>1,229,159</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	Business-type Activities	Total School District
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 383,891	127,148	511,039
Operating grants and contributions and restricted interest	676,245	124,603	800,848
Capital grants and contributions and restricted interest	30,400	0	30,400
<b>General revenues:</b>			
Property tax	1,835,592	0	1,835,592
Local option sales and services tax	252,024	0	252,024
Unrestricted state grants	2,531,414	0	2,531,414
Unrestricted investment earnings	8,404	0	8,404
Gain on sale of equipment	2,496	0	2,496
<b>Total revenues</b>	<b>5,720,466</b>	<b>251,751</b>	<b>5,972,217</b>
<b>Program expenses:</b>			
<b>Governmental activities:</b>			
Instructional	3,317,127	0	3,317,127
Support services	1,739,472	0	1,739,472
Non-instructional programs	8,031	234,548	242,579
Other expenses	345,350	0	345,350
<b>Total expenses</b>	<b>5,409,980</b>	<b>234,548</b>	<b>5,644,528</b>
<b>Changes in net assets</b>	<b>\$ 310,486</b>	<b>17,203</b>	<b>327,689</b>

Property tax, local option sales and services tax and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$5,720,466 and expenses were \$5,409,980.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,317,127	2,465,966
Support services	1,739,472	1,739,472
Non-instructional programs	8,031	8,031
Other expenses	345,350	105,975
<b>Totals</b>	<b>\$ 5,409,980</b>	<b>4,319,444</b>

- The cost financed by users of the District's programs was \$383,891.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$706,645.

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- The net cost of governmental activities was financed with \$1,835,592 in property tax, \$252,024 in local option sales and services tax, \$2,531,414 in unrestricted state grants, \$8,404 in interest income and \$2,496 in gain on sale of equipment.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$251,751 and expenses were \$234,548. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$794,605, above last year's ending fund balances of \$669,264. The primary reason for the increase in combined fund balances in fiscal 2004 is due to the decrease in expenditures.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Increases during the year in state and federal grants resulted in increased revenues. The increase in revenues was more than the increase in expenditures resulted in the District fund balance increasing by \$80,065.
- The General Fund balance increased from \$83,471 to \$162,716, due in part to the increase of state and federal grant revenues received.
- The Debt Service Fund balance increased from \$270,528 in fiscal 2003 to \$296,285 in fiscal 2004. Part of the requirement for the revenue bonds was to reserve 10% of the bond issue to make the final payment. The District transfers local option sales and services tax monthly to the Debt Service Fund to repay the revenue bonds. The increase in the Debt Service Fund is due to the excess amount of local option sales and services tax transferred to make the future bond payment.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$56,961 at June 30, 2003 to \$74,164 at June 30, 2004, representing an increase of approximately 30.20%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$27,077 more than budgeted revenues, a variance of .45%. The most significant variance resulted from the District receiving more in federal grants than originally anticipated.

Total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements 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 disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instructional programs and other expenditures functional areas due to the timing of disbursements paid at year end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$1.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.76% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$109,676.

The original cost of the District's capital assets was \$5.1 million. Governmental funds account for \$5.09 million with the remainder of \$.02 million in the Proprietary, School Nutrition Fund.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities	Business-type Activities	Total
Land	\$ 92,999	0	92,999
Buildings	1,207,772	0	1,207,772
Improvements other than buildings	71,691	0	71,691
Machinery and equipment	111,122	6,298	117,420
Total	\$ 1,483,584	6,298	1,489,882

### Long-Term Debt

At June 30, 2004, the District had \$1,109,526 in revenue bonds and other long-term debt outstanding. This represents a decrease of 10.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$320,000 at June 30, 2004.

The District had outstanding Revenue Bonds payable of \$765,000 at June 30, 2004.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total
	2004	2003	Change
Capital Loan Notes	\$ 320,000	355,000	-9.9%
Revenue Bonds	765,000	870,000	-12.1%
Car Lease	5,856	12,024	-51.3%
Early Retirement	18,670	0	100.0%
Totals	\$ 1,109,526	1,237,024	-10.3%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- Historically, the District has entered into annual contracts with its collective bargaining units. The District will negotiate new agreements during fiscal 2005. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- The District will reduce teaching FTEs from 60.5 to 55.5 for the 2004-05 school year in order to increase the net income balance being generated between total revenues and total expenditures.
- Taxable property value is expected to continue to decline because of state level policy.
- Student budget enrollment increased from 700.4 to 727.5 students.

## **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 Kathryn Holverson, Interim District Secretary/Treasurer, West Monona Community School District, 1314 15th St, Onawa, Iowa, 51040.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 1,466,794	0	1,466,794
Other	777,619	70,913	848,532
Receivables:			
Property tax:			
Delinquent	35,983	0	35,983
Succeeding year	1,738,037	0	1,738,037
Accounts	21,269	0	21,269
Accrued interest - ISCAP (Note 4)	2,240	0	2,240
Due from other governments	89,395	0	89,395
Inventories	0	5,126	5,126
Capital assets, net of accumulated depreciation (Note 5)	1,483,584	6,298	1,489,882
<b>TOTAL ASSETS</b>	<b>5,614,921</b>	<b>82,337</b>	<b>5,697,258</b>
<b>LIABILITIES</b>			
Accounts payable	120,327	0	120,327
Accrued interest payable	13,668	0	13,668
ISCAP warrants payable (Note 4)	1,473,000	0	1,473,000
ISCAP accrued interest payable (Note 4)	3,397	0	3,397
ISCAP unamortized premium	1,971	0	1,971
Deferred revenue:			
Succeeding year property tax	1,738,037	0	1,738,037
Other	0	8,173	8,173
Long-term liabilities (Note 6):			
Portion due within one year:			
Capital loan notes payable	35,000	0	35,000
Revenue bonds payable	110,000	0	110,000
Car lease payable	4,134	0	4,134
Early retirement payable	18,670	0	18,670
Portion due after one year:			
Capital loan notes payable	285,000	0	285,000
Revenue bonds payable	655,000	0	655,000
Car lease payable	1,722	0	1,722
<b>TOTAL LIABILITIES</b>	<b>4,459,926</b>	<b>8,173</b>	<b>4,468,099</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	953,446	6,298	959,744
Restricted for:			
Early intervention	17,169	0	17,169
Teacher compensation	358	0	358
Management levy	18,875	0	18,875
Other special revenue purposes	25,814	0	25,814
Unrestricted	139,333	67,866	207,199
<b>TOTAL NET ASSETS</b>	<b>\$ 1,154,995</b>	<b>74,164</b>	<b>1,229,159</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,983,230	160,398	442,466	0
Special instruction	962,651	94,566	24,804	0
Other instruction	371,246	128,927	0	0
	<u>3,317,127</u>	<u>383,891</u>	<u>467,270</u>	<u>0</u>
Support services:				
Student services	202,449	0	0	0
Instructional staff services	92,142	0	0	0
Administration services	730,528	0	0	0
Operation and maintenance of plant services	528,910	0	0	0
Transportation services	185,443	0	0	0
	<u>1,739,472</u>	<u>0</u>	<u>0</u>	<u>0</u>
Non-instructional programs:				
Community service and education operations	8,031	0	0	0
Other expenditures:				
Facilities acquisitions	4,706	0	0	30,400
Long-term debt interest	65,505	0	0	0
AEA flowthrough	208,975	0	208,975	0
Depreciation (unallocated)*	66,164	0	0	0
	<u>345,350</u>	<u>0</u>	<u>208,975</u>	<u>30,400</u>
Total governmental activities	5,409,980	383,891	676,245	30,400
Business-Type activities:				
Non-instructional programs:				
Nutrition services	234,548	127,148	124,603	0
Total	<u>\$ 5,644,528</u>	<u>511,039</u>	<u>800,848</u>	<u>30,400</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Capital outlay  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Gain on sale of equipment

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 10)

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
(1,380,366)	0	(1,380,366)
(843,281)	0	(843,281)
(242,319)	0	(242,319)
<u>(2,465,966)</u>	<u>0</u>	<u>(2,465,966)</u>
(202,449)	0	(202,449)
(92,142)	0	(92,142)
(730,528)	0	(730,528)
(528,910)	0	(528,910)
(185,443)	0	(185,443)
<u>(1,739,472)</u>	<u>0</u>	<u>(1,739,472)</u>
<u>(8,031)</u>	<u>0</u>	<u>(8,031)</u>
25,694	0	25,694
(65,505)	0	(65,505)
0	0	0
(66,164)	0	(66,164)
<u>(105,975)</u>	<u>0</u>	<u>(105,975)</u>
(4,319,444)	0	(4,319,444)
0	17,203	17,203
<u>(4,319,444)</u>	<u>17,203</u>	<u>(4,302,241)</u>
\$ 1,672,108	0	1,672,108
163,484	0	163,484
252,024	0	252,024
2,531,414	0	2,531,414
8,404	0	8,404
2,496	0	2,496
<u>4,629,930</u>	<u>0</u>	<u>4,629,930</u>
310,486	17,203	327,689
<u>844,509</u>	<u>56,961</u>	<u>901,470</u>
<u>\$ 1,154,995</u>	<u>74,164</u>	<u>1,229,159</u>

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

	General	Debt Service	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 1,466,794	0	0	1,466,794
Other	183,301	296,285	298,033	777,619
Receivables:				
Property tax:				
Delinquent	32,033	0	3,950	35,983
Succeeding year	1,524,663	0	213,374	1,738,037
Accounts	21,269	0	0	21,269
Accrued interest - ISCAP(Note 4)	2,240	0	0	2,240
Due from other governments	52,613	0	36,782	89,395
<b>TOTAL ASSETS</b>	<b>\$ 3,282,913</b>	<b>296,285</b>	<b>552,139</b>	<b>4,131,337</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 117,166	0	3,161	120,327
ISCAP warrants payable(Note 4)	1,473,000	0	0	1,473,000
ISCAP accrued interest payable(Note 4)	3,397	0	0	3,397
ISCAP unamortized premium	1,971	0	0	1,971
Deferred revenue:				
Succeeding year property tax	1,524,663	0	213,374	1,738,037
Total liabilities	<u>3,120,197</u>	<u>0</u>	<u>216,535</u>	<u>3,336,732</u>
Fund balances:				
Reserved for:				
Debt service	0	296,285	0	296,285
Early intervention	17,169	0	0	17,169
Teacher compensation	358	0	0	358
Unreserved:				
Undesignated	145,189	0	335,604	480,793
Total fund balances	<u>162,716</u>	<u>296,285</u>	<u>335,604</u>	<u>794,605</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,282,913</b>	<b>296,285</b>	<b>552,139</b>	<b>4,131,337</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA 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 16)	\$	794,605
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,483,584
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.		(13,668)
Long-term liabilities, including capital loan notes payable, revenue bonds payable, car lease payable, and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,109,526)</u>
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b><u>1,154,995</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,577,492	0	510,124	2,087,616
Tuition	254,964	0	0	254,964
Other	39,835	648	96,848	137,331
State sources	3,011,996	0	217	3,012,213
Federal sources	195,446	0	30,400	225,846
Total revenues	<u>5,079,733</u>	<u>648</u>	<u>637,589</u>	<u>5,717,970</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,892,937	0	45,229	1,938,166
Special instruction	962,651	0	0	962,651
Other instruction	283,294	0	87,952	371,246
	<u>3,138,882</u>	<u>0</u>	<u>133,181</u>	<u>3,272,063</u>
Support services:				
Student services	202,449	0	0	202,449
Instructional staff services	92,142	0	0	92,142
Administration services	650,208	0	80,320	730,528
Operation and maintenance of plant services	521,815	0	52,760	574,575
Student transportation services	174,314	0	77,901	252,215
	<u>1,640,928</u>	<u>0</u>	<u>210,981</u>	<u>1,851,909</u>
Non-instructional programs:				
Community service and education operations	8,031	0	0	8,031
	<u>8,031</u>	<u>0</u>	<u>0</u>	<u>8,031</u>
Other expenditures:				
Facilities acquisition	0	0	40,659	40,659
Long-term debt:				
Principal	0	146,168	0	146,168
Interest and fiscal charges	0	67,320	0	67,320
AEA flowthrough	208,975	0	0	208,975
	<u>208,975</u>	<u>213,488</u>	<u>40,659</u>	<u>463,122</u>
Total expenditures	<u>4,996,816</u>	<u>213,488</u>	<u>384,821</u>	<u>5,595,125</u>
Excess(deficiency) of revenues over(under) expenditures	82,917	(212,840)	252,768	122,845
Other financing sources(uses):				
Sale of equipment	2,496	0	0	2,496
Transfers in	0	238,597	0	238,597
Transfers out	(6,168)	0	(232,429)	(238,597)
Total other financing sources(uses)	<u>(3,672)</u>	<u>238,597</u>	<u>(232,429)</u>	<u>2,496</u>
Net change in fund balances	79,245	25,757	20,339	125,341
Fund balance beginning of year	83,471	270,528	315,265	669,264
Fund balance end of year	<u>\$ 162,716</u>	<u>296,285</u>	<u>335,604</u>	<u>794,605</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA 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

<b>Net change in fund balances - total governmental funds (page 18)</b>	\$	125,341
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
<p>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. Capital outlay expenditures exceeded depreciation expense in the current year are as follows:</p>		
Expenditures for capital assets	\$ 163,704	
Depreciation expense	<u>(107,872)</u>	55,832
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		146,168
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.		1,815
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early Retirement	\$ (18,670)	<u>(18,670)</u>
<b>Changes in net assets of governmental activities (page 15)</b>	<b>\$</b>	<b><u>310,486</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
ASSETS	
Cash and cash equivalents:	\$ 70,913
Inventories	5,126
Capital assets, net of accumulated depreciation (Note 5)	6,298
TOTAL ASSETS	82,337
LIABILITIES	
Deferred revenue:	
Other	8,173
TOTAL LIABILITIES	8,173
NET ASSETS	
Investment in capital assets, net of related debt	6,298
Unrestricted	67,866
TOTAL NET ASSETS	\$ 74,164

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 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	\$ 127,148
TOTAL OPERATING REVENUES	127,148
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	94,035
Benefits	12,670
Services	561
Supplies	125,478
Depreciation	1,804
TOTAL OPERATING EXPENSES	234,548
OPERATING LOSS	(107,400)
NON-OPERATING REVENUES:	
State sources	5,880
Federal sources	118,723
TOTAL NON-OPERATING REVENUES	124,603
Change in net assets	17,203
Net assets beginning of year	56,961
Net assets end of year	\$ 74,164

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA 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	\$ 135,369
Cash received from miscellaneous operating activities	203
Cash payments to employees for services	(106,705)
Cash payments to suppliers for goods or services	(108,507)
Net cash used in operating activities	(79,640)
Cash flows from non-capital financing activities:	
State grants received	5,880
Federal grants received	101,191
Net cash provided by non-capital financing activities	107,071
Net increase in cash and cash equivalents	27,431
Cash and cash equivalents at beginning of year	43,482
Cash and cash equivalents at end of year	\$ 70,913
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (107,400)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,532
Depreciation	1,804
Decrease in accounts receivable	251
Increase in deferred revenue	8,173
Net cash used in operating activities	\$ (79,640)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 70,913
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2004, the District received Federal commodities valued at \$17,532.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The West Monona 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 Onawa, Iowa, and the predominate agricultural territory in Monona and Harrison 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 Monona 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 Monona 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 Monona County 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 Debt Service Fund is utilized to account for the long-term debt repayment of principal and interest.

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.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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

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

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

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

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

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

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 0
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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, expenditures in the support services, non-instructional programs and other expenditures functional areas exceeded the amount budgeted.

**(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 and the Treasurer of the State of Iowa; 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 \$26,035 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) Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 6,168
Debt Service	Capital Projects	180,372
Debt Service	Special Revenue, Physical Plant and Equipment Levy	<u>52,057</u>
Total		<u>\$ 238,597</u>

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

**(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. These accounts are reflected as restricted assets on the balance sheet. 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:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04B	1/30/04	1/28/05	\$ 411,785	2,240	409,000	3,397
2004-05A	6/30/04	6/30/05	1,055,009	0	1,064,000	0
Total			<u>\$ 1,466,794</u>	<u>2,240</u>	<u>1,473,000</u>	<u>3,397</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and 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. No ISCAP advance activity in the General Fund was noted for the year ended June 30, 2004.

The warrants bear an interest rate and the available 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%	1.310%
2003-04B	2.000%	1.392%
2004-05A	3.000%	2.463%

**(5) Capital Assets**

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

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,999	0	0	92,999
Construction in progress	11,336	0	11,336	0
Total capital assets not being depreciated	104,335	0	11,336	92,999
Capital assets being depreciated:				
Buildings	2,669,425	76,104	0	2,745,529
Land improvements	758,678	0	0	758,678
Machinery and equipment	1,429,689	98,936	32,395	1,496,230
Total capital assets being depreciated	4,857,792	175,040	32,395	5,000,437
Less accumulated depreciation for:				
Buildings	1,489,756	48,001	0	1,537,757
Land improvements	668,824	18,163	0	686,987
Machinery and equipment	1,375,795	41,708	32,395	1,385,108
Total accumulated depreciation	3,534,375	107,872	32,395	3,609,852
Total capital assets being depreciated, net	1,323,417	67,168	0	1,390,585
Governmental activities capital assets, net	\$ 1,427,752	67,168	11,336	1,483,584
Business-type activities:				
Machinery and equipment	\$ 21,654	0	0	21,654
Less accumulated depreciation	13,552	1,804	0	15,356
Business-type activities capital assets, net	\$ 8,102	(1,804)	0	6,298

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 30,579
Support services:		
Transportation		11,129
		<u>41,708</u>
Unallocated depreciation		<u>66,164</u>
		<u>\$ 107,872</u>
Business-type activities:		
Food service operations		\$ 1,804
Total business-type activities depreciation expense		<u>\$ 1,804</u>

**(6) Long-Term Liabilities**

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

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Capital Loan Notes	\$ 355,000	0	35,000	320,000	35,000
Revenue Bonds	870,000	0	105,000	765,000	110,000
Car Lease	12,024	0	6,168	5,856	4,134
Early Retirement	0	50,452	31,782	18,670	18,670
Total	<u>\$ 1,237,024</u>	<u>50,452</u>	<u>177,950</u>	<u>1,109,526</u>	<u>167,804</u>

Capital Loan Notes Payable

Details of the District's June 30, 2004 capital loan notes indebtedness are as follows:

Year	Loan Issue of May 1, 2001			
	Ending	Interest	Principal	Interest
June 30,	Rate			Total
2005	4.15 %	\$ 35,000	14,738	49,738
2006	4.35	35,000	13,285	48,285
2007	4.45	35,000	11,762	46,762
2008	4.55	40,000	10,205	50,205
2009	4.65	40,000	8,385	48,385
2010	4.75	45,000	6,525	51,525
2011	4.80	45,000	4,388	49,388
2012	4.95	45,000	2,227	47,227
Total		<u>\$ 320,000</u>	<u>71,515</u>	<u>391,515</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of July 1, 2000			
	Interest Rate	Principal	Interest	Total
2005	6.00 %	\$ 110,000	41,563	151,563
2006	6.00	115,000	34,812	149,812
2007	6.00	125,000	27,613	152,613
2008	5.75	130,000	20,125	150,125
2009	5.75	140,000	12,362	152,362
2010	5.75	145,000	4,169	149,169
Total		\$ 765,000	140,644	905,644

#### Car Lease Payable

During the year ending June 30, 2002 the District entered into a lease for a 2000 Buick Century. Payments are \$334 per month for 60 months. Payments will continue until June, 2007.

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees desiring to elect early retirement under this program must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is based on various percentages of their current employment contract depending on the age of the retiree at the end of the year. Early retirement benefits paid during the year ended June 30, 2004, totaled \$31,782. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

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

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll 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 \$163,456, \$183,413 and \$174,859 respectively, equal to the required contributions for each year.

#### **(8) Risk Management**

West Monona Community School District is a member in the Iowa School Employees Benefits Association, and 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 July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following category: medical.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP 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 were \$438,156.

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 period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

West Monona 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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$208,975 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.

**(10) Accounting Change and Restatements**

Governmental Accounting Standards Board(GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and

Expenditures in Governmental Fund Financial Statements was implemented 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 District-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 \$8,044,352 were restated to \$4,962,127. The restatement primarily removed assets below the District's capitalization threshold and an adjustment to restate assets to agree with an appraisal completed after the prior year end.

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

	Funds			Total
	General	Debt Service	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 83,471	270,528	315,265	669,264
GASB Interpretation 6 adjustments	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 83,471	270,528	353,999	669,264
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$3,534,375				1,427,752
Long-term liabilities:				
Capital loan notes payable			\$ 355,000	
Revenue bonds payable			870,000	
Car lease payable			12,024	(1,237,024)
Accrued interest payable				(15,483)
Net assets, July 1, 2003, as restated				\$ 844,509

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, expenditures in the support services, non-instructional programs and other expenditures functional program areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 2,479,911	127,148
State sources	3,012,213	5,880
Federal sources	225,846	118,723
Total revenues	5,717,970	251,751
Expenditures:		
Instruction	3,272,063	0
Support services	1,851,909	0
Non-instructional programs	8,031	234,548
Other expenditures	463,122	0
Total expenditures	5,595,125	234,548
Excess of revenues over expenditures	122,845	17,203
Other financing sources, net	2,496	0
Excess of revenues and other financing sources over expenditures	125,341	17,203
Balance beginning of year	669,264	56,961
Balance end of year	\$ 794,605	74,164

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,607,059	2,587,185	2,587,185	19,874
3,018,093	3,097,136	3,097,136	(79,043)
344,569	258,323	258,323	86,246
5,969,721	5,942,644	5,942,644	27,077
3,272,063	3,577,835	3,677,835	405,772
1,851,909	1,620,114	1,620,114	(231,795)
242,579	172,829	172,829	(69,750)
463,122	443,176	443,176	(19,946)
5,829,673	5,813,954	5,913,954	84,281
140,048	128,690	28,690	111,358
2,496	0	0	2,496
142,544	128,690	28,690	113,854
726,225	911,870	911,870	185,645
868,769	1,040,560	940,560	299,499

WEST MONONA 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 GAAP basis. Encumbrances are not recognized on the GAAP 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, the District adopted one budget amendment increasing budgeted expenditures by \$100,000.

During the year ended June 30, 2004, expenditures in the support services, non-instruction programs and other expenditures functional program areas exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

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

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Capital Projects	
ASSETS							
Cash and pooled investments	\$ 35,624	22,322	36,371	6,653	100,970	197,063	298,033
Receivables:							
Property tax:							
Current year delinquent	1,921	0	2,029	0	3,950	0	3,950
Succeeding year	115,000	0	98,374	0	213,374	0	213,374
Due from other governments	0	0	0	0	0	36,782	36,782
<b>TOTAL ASSETS</b>	<b>\$ 152,545</b>	<b>22,322</b>	<b>136,774</b>	<b>6,653</b>	<b>318,294</b>	<b>233,845</b>	<b>552,139</b>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 0	3,161	0	0	3,161	0	3,161
Deferred revenue:							
Succeeding year property tax	115,000	0	98,374	0	213,374	0	213,374
Total liabilities	115,000	3,161	98,374	0	216,535	0	216,535
Fund equity:							
Unreserved fund balance	37,545	19,161	38,400	6,653	101,759	233,845	335,604
	37,545	19,161	38,400	6,653	101,759	233,845	335,604
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 152,545</b>	<b>22,322</b>	<b>136,774</b>	<b>6,653</b>	<b>318,294</b>	<b>233,845</b>	<b>552,139</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA 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 Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant Levy Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Capital Projects	
REVENUES:							
Local sources:							
Local tax	\$ 94,616	0	163,484	0	258,100	252,024	510,124
Other	0	95,256	0	1,422	96,678	170	96,848
State sources	107	0	110	0	217	0	217
Federal sources	0	0	30,400	0	30,400	0	30,400
<b>TOTAL REVENUES</b>	<b>94,723</b>	<b>95,256</b>	<b>193,994</b>	<b>1,422</b>	<b>385,395</b>	<b>252,194</b>	<b>637,589</b>
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	31,782	0	13,447	0	45,229	0	45,229
Other instruction	0	87,952	0	0	87,952	0	87,952
Support services:							
Administration services	80,320	0	0	0	80,320	0	80,320
Operation and maintenance of plant services	0	0	52,760	0	52,760	0	52,760
Student transportation services	0	0	77,901	0	77,901	0	77,901
Other expenditures:							
Facilities acquisition	0	0	23,767	0	23,767	16,892	40,659
<b>TOTAL EXPENDITURES</b>	<b>112,102</b>	<b>87,952</b>	<b>167,875</b>	<b>0</b>	<b>367,929</b>	<b>16,892</b>	<b>384,821</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,379)	7,304	26,119	1,422	17,466	235,302	252,768
OTHER FINANCING USES:							
Transfer out	0	0	(52,057)	0	(52,057)	(180,372)	(232,429)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(17,379)	7,304	(25,938)	1,422	(34,591)	54,930	20,339
FUND BALANCE BEGINNING OF YEAR	54,924	11,857	64,338	5,231	136,350	178,915	315,265
FUND BALANCE END OF YEAR	\$ 37,545	19,161	38,400	6,653	101,759	233,845	335,604

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA 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
Speech	\$ 701	4,087	1,767	3,021
Vocal	2,376	671	1,059	1,988
Instrumental	380	50	292	138
Band Uniform	2,583	0	0	2,583
Boys Basketball Camp	163	850	782	231
Girls Basketball Camp	384	580	569	395
Football Camp	(405)	2,124	1,764	(45)
Wrestling Club	616	0	47	569
Basball Camp	308	31	0	339
Softball Camp	197	0	0	197
Weightlifting Club	352	4,465	1,433	3,384
General Athletics	5,943	1,178	89	7,032
Basketball	1,721	8,136	8,412	1,445
Track	(682)	1,020	4,252	(3,914)
Cross County	161	560	529	192
Golf	(1,288)	0	1,212	(2,500)
Football	(64)	9,470	8,479	927
Baseball	4	1,481	2,077	(592)
Wrestling	463	922	3,015	(1,630)
Volleyball	1,168	1,378	3,664	(1,118)
Softball	907	2,566	2,690	783
General Class	1,309	2,459	0	3,768
Class of 2003	(3,024)	3,024	0	0
Class of 2004	3,807	10,015	13,720	102
Class of 2005	0	14,448	9,225	5,223
Pep Club	616	0	0	616
HS Student Council	775	3,253	672	3,356
MS Student Council	1,063	0	0	1,063
Spanish Club	277	0	0	277
Science Club	207	354	361	200
Art Club	0	918	0	918
Dance Team	(446)	2,184	2,301	(563)
Cheerleaders	655	1,536	1,983	208
Yearbook	(8,371)	7,221	7,495	(8,645)
FCCLA	1,199	2,573	2,511	1,261
Interest	86	0	12	74
Raffle Tax	0	188	0	188
Pop/Juice	566	2,636	3,057	145
HS Reward Trips	(3,079)	2,365	0	(714)
MS Reward Trips	229	2,513	4,483	(1,741)
<b>Total</b>	<b>\$ 11,857</b>	<b>95,256</b>	<b>87,952</b>	<b>19,161</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,087,616	1,994,065	2,024,317	1,921,032
Tuition	254,964	241,953	271,034	185,979
Other	137,331	245,146	177,294	226,777
State sources	3,012,213	2,725,788	2,661,756	2,709,035
Federal sources	225,846	156,351	150,331	151,680
Total	<u>\$ 5,717,970</u>	<u>5,363,303</u>	<u>5,284,732</u>	<u>5,194,503</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 1,938,166	2,067,631	2,030,312	1,847,173
Special instruction	962,651	853,912	918,180	825,095
Other instruction	371,246	426,712	396,677	371,078
Support services:				
Student services	202,449	212,599	181,567	180,631
Instructional staff services	92,142	96,222	119,742	93,325
Administration services	730,528	636,064	510,568	545,885
Operation and maintenance of plant services	574,575	509,493	554,884	495,200
Transportation services	252,215	192,408	197,218	167,969
Non-instructional programs	8,031	13,028	0	0
Other expenditures:				
Facilities acquisitions	40,659	30,200	59,597	1,741,019
Long-term debt:				
Principal	146,168	125,000	80,000	0
Interest and other charges	67,320	71,378	76,627	46,247
AEA flow-through	208,975	205,920	206,046	217,340
Total	<u>\$ 5,595,125</u>	<u>5,440,567</u>	<u>5,331,418</u>	<u>6,530,962</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

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

We have audited the financial statements of West Monona Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 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 Monona 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 Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except items II-B-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Monona 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 Part I 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

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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 items I-A-04 and I-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of West Monona Community School District and other parties to whom West Monona 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 Monona 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 PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

October 29, 2004

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

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity and Nutrition Funds, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-04 Bank Reconciliations - We noted that monthly bank reconciliation's were not prepared on a timely basis. This is a necessary procedure that needs to be performed in order to ensure the accuracy of the accounting records.

Recommendation - We recommend that bank reconciliations be prepared on a monthly basis for all accounts of the District.

Response - We are working on this.

Conclusion - Response accepted.

- I-C-04 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

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

Response - We will review our procedures.

Conclusion - Response accepted.

- I-D-04 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

WEST MONONA 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 have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the support services, non-instructional programs and other expenditures functional program areas.

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 - We will amend the budget if necessary in the future.

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 - No business transactions between the District and District officials were noted.

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. However, we noted that the minutes were not always published in a timely manner.

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

Response - We are providing the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

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

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 not filed with the Department of Education timely, but we noted no significant deficiencies in the amounts reported.

Recommendation - The District should have filed the Certified Annual Report with the Department of Education timely.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-K-04 Financial Condition - The District had several deficit accounts in the Special Revenue, Student Activity Fund.

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

Response - We will investigate alternatives to eliminate the deficit accounts.

Conclusion - Response accepted.