

WHITING COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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## Independent Auditor's Report

To the Board of Education of  
Whiting Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Whiting Community School District, Whiting, Iowa, 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 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, the business type activities, each major fund and the aggregate remaining fund information of Whiting Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Whiting Community School District adopted Governmental Accounting Standards Board 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; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 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 reports dated August 3, 2004, on our consideration of Whiting Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whiting Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

August 3, 2004

## Whiting Community School District

### Management Discussion & Analysis

This section of the Whiting Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. Because the Whiting Community School 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.

#### Financial Highlights

- The Whiting CSD Board of Directors approved a Property Tax decrease from \$15.41 to \$14.64 per \$1,000 taxable valuation creating a savings to tax payers.
- The State of Iowa imposed a 2.25% reduction in State Foundation Aid, Instructional Support Programs, Educational Excellence Allocations, Teacher Compensation Allocations, and Iowa Early Intervention Allocations in November, which reduced state FY04 revenues by \$97,792 in the General Fund.
- Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by a combination of reducing expenditures in technology; purchased services; equipment and supplies; and using a portion of fund balance.
- In spite of the state aid reduction the District managed to increase the General Fund balance by \$125,649.

#### Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

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

Figure A-1

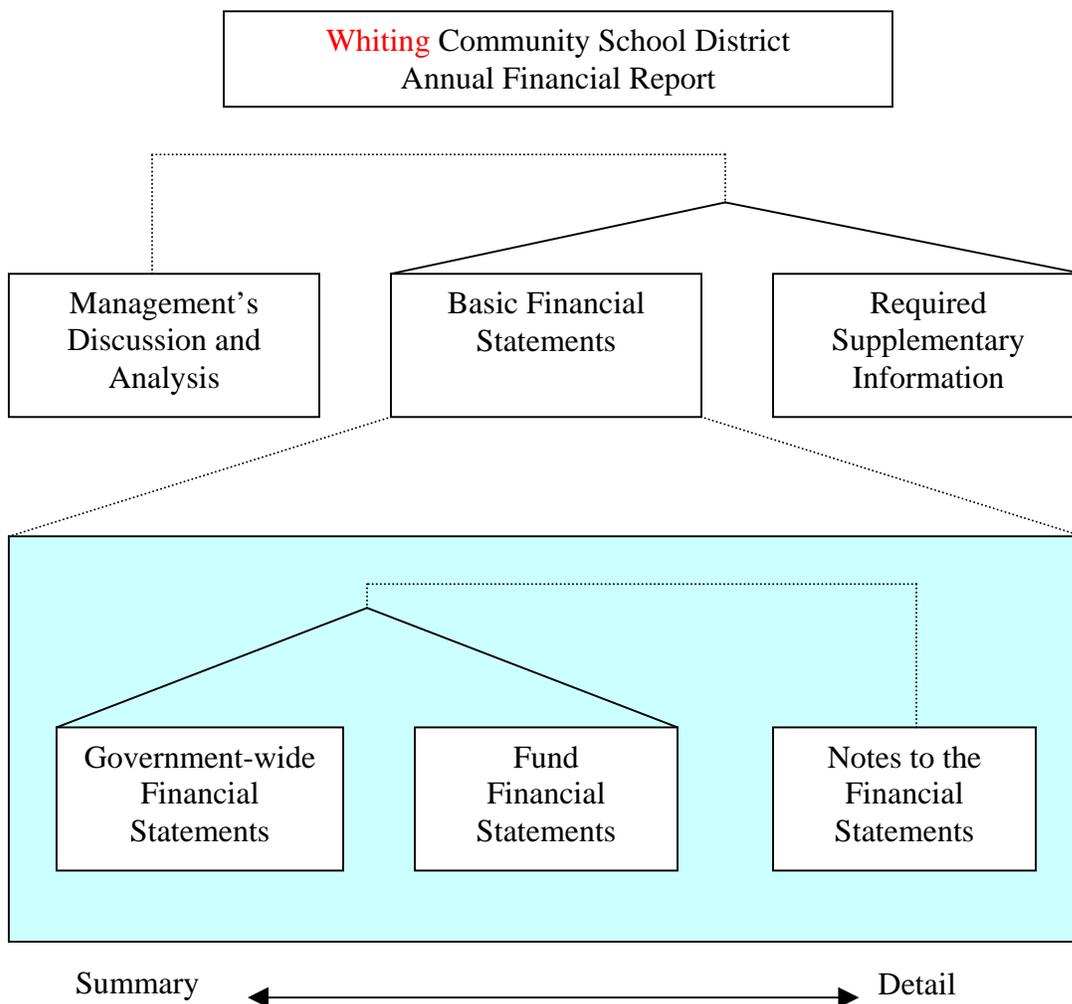


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

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

	Government-wide Statements	Fund Financial 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 business: food services is included here	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"> <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 balance</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 flow</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</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	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 and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### **Government-wide Statements**

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

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes 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 food service program would be included here.

## **Fund Financial Statements**

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental 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, [Capital Projects](#), [Debt Service](#) and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.

- *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 fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship funds. The District accounts for outside donations for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

**Net assets.** The District's combined net assets were slightly larger on June 30, 2004, than they were the year before, increasing **\$270,643** (see Figure A-3). The largest increase is noted in the restricted area where the use of funds are limited by legislation.

*Figure A-3*

**Condensed Statement of Net Assets**

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total School District</b>
	<b>2004</b>	<b>2004</b>	<b>2004</b>
Current and other assets	\$2,254,411	\$11,873	\$2,266,284
Capital assets	1,365,518	3,040	1,368,558
<b>Total Assets</b>	<b>3,619,929</b>	<b>14,913</b>	<b>3,634,842</b>
Long-term liabilities	944,043	-	944,043
Other liabilities	1,775,358	4,249	1,779,607
<b>Total liabilities</b>	<b>2,719,401</b>	<b>4,249</b>	<b>2,723,650</b>
Net Assets:			
Invested in capital assets, net of related debt	464,622	3,040	467,662
Restricted	377,758	-	377,759
Unrestricted	58,147	7,624	65,771
<b>TOTAL NET ASSETS</b>	<b>\$900,528</b>	<b>\$10,664</b>	<b>\$911,192</b>

**Changes in net assets.** Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. Figure A-4 reflects only totals from the current fiscal year ending June 30, 2004.

*Governmental Activities -*

Referring to *Figure A-4*, revenues for the District’s governmental activities were \$2,484,156 for fiscal year 2004. Total governmental expenditures were \$2,212,323.

In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues in a year when the Board of Directors had lowered the overall District tax rate from \$15.41 per thousand dollars of taxable valuation to \$14.64

*Figure A-4*

**Changes in Net Assets from Operating Results**

	<u>Governmental Activities</u> 2004	<u>Business-type Activities</u> 2004	<u>Total School District</u> 2004
<b>Revenues</b>			
Program Revenues			
Charges for services	\$407,646	\$40,287	\$447,933
Operating Grants & Contributions	276,270	53,564	329,834
Capital Grants & Contributions	32,151	-	32,151
General Revenues			
Property taxes & other taxes	1,257,075	-	1,257,075
Unrestricted State Grants	506,051	-	506,051
Unrestricted Investment Earnings	3,445	39	3,484
Other Revenue	1,518	-	1,518
<b>Total Revenues</b>	<b>\$2,484,156</b>	<b>\$93,890</b>	<b>\$2,578,046</b>
<b>Expenses</b>			
Instruction	1,465,743	-	1,465,743
Support Services	587,281	-	587,281
Non-Instructional Programs	-	95,080	95,080
Other Expenses	159,299	-	159,299
<b>Total Expenses</b>	<b>\$2,212,323</b>	<b>\$95,080</b>	<b>\$2,307,403</b>
Transfers	(552)	552	-
<b>Change in Net Assets</b>	<b>\$271,281</b>	<b>\$(638)</b>	<b>\$270,643</b>

*Figure A-5*

**Net Cost of Governmental Activities**

	<u>Total Cost of Services</u> 2004	<u>Net Cost of Services</u> 2004
Instruction	\$1,465,743	\$880,366
Support Services	587,281	556,145
Non-instructional Programs	-	-
Other Expenses	159,299	59,745

TOTAL	<u>\$2,212,323</u>	<u>\$1,496,256</u>
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Figure A-5 presents the cost of the District’s major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions. (As with Figure A-4, a two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future a two-year comparison will be provided.)

- The cost of all governmental activities this year was \$2,212,323.
- Some of the cost was financed by the users of the District’s programs (\$407,646).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (\$308,421).
- Most of the District’s costs (\$1,496,256), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$1,257,075 in property and other local taxes, and \$511,014 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

*Business-Type Activities -*

The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District’s business-type activities show a slight decrease in net assets with expenses exceeding revenues \$1,190 (refer to Figure A-4). The \$552 transfer from Governmental Activities to Business-Type Activities was for equipment that was purchased using general funds then added to the Nutrition Fund’s capital assets making the Change in Net Assets \$(638). The Board of Education did not increase school meal prices for fiscal year 2004, but made a decision to increase meal prices \$0.05 for fiscal year 2005.

**Financial Analysis of the District’s Funds**

The 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 \$429,029, an increase over last year’s ending fund balances of \$203,543.

**Governmental Fund Highlights**

The General Fund balance increased from a negative \$98,548 to plus \$27,101, due partially to the reduction in student enrollment, a freeze on negotiated salary and benefit settlement, and events such as the Governor’s 2.25% rollback; the elimination of Phase III funding; and the elimination of a sharing agreement of a staff member with a neighboring district. The major factors that enabled the district to achieve a positive balance in the General Fund balance was through the reduction in teaching staff, support staff, administrative staff, instructional materials, instructional equipment, instructional supplies, reductions in maintenance supplies and equipment, deferred maintenance and repairs. Additionally, the Board chose to use the carryover fund balance to maintain obligations and student programming.

The Capital Projects Fund is being used to account for proceeds from and expenditures of the local option sales and services tax. The balance in this fund is being accumulated to finance future capital asset projects.

The Physical Plant and Equipment Levy (PEEL) Fund balance increased \$51,911 to \$90,522. While revenues decreased slightly due to a rollback in valuation (decrease of \$7,585), the District substantially reduced spending from the PEEL Fund during fiscal 2004 in lieu of repair and remodeling projects scheduled to be completed during the summer break.

### **Business Type Fund Highlights**

The School Nutrition Fund net assets decreased from \$11,302 at June 30, 2003 to \$10,664 at June 30, 2004. Ala carte sales more than doubled, and there was a slight increase in free/reduced meals served that contributed to an increase in federal aid reimbursement. The districts small decrease in enrollment had a slight impact on the net assets of the fund.

### **Budgetary Highlights**

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

During FY04, total revenues were below expectations held when the FY04 budget was assembled in February, 2003. This was due to a variety of factors that could not have been anticipated when a budget estimate was assembled. For example, in November, 2003, the Governor announced a 2.5% across the board cut. The District also found out after the budget was established that Phase III revenues were going to be eliminated. On the expense side, the District began adjusting to all of these factors, and succeeded in keeping total disbursements below total receipts. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget should always exceed the actual expenditures during the year. It is apparent that even in such a difficult fiscal year in which to accurately predict revenues, the District was able to meet its goal and keep total disbursements (\$2,367,034) slightly below total receipts (\$2,561,291).

## **Capital Asset and Debt Administration**

### **Capital Assets**

By the end of 2004, the District had invested \$1,368,558, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net

increase of \$12,424 from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) The District was able to stay within its means and not accumulate any debt in FY04. Capital assets were purchased as revenue became available and included **computer equipment for special needs students**.

**Figure A-6**

**Capital Assets (net of depreciation)**

	<b>Governmental Activities 2004</b>	<b>Business--type Activities 2004</b>	<b>Total School District 2004</b>
Land	10,000	-	10,000
Improvements	44,550	-	44,550
Buildings	1,229,400	-	1,229,400
Equipment & Furniture	81,568	3,040	84,608
<b>TOTAL</b>	<b>1,365,518</b>	<b>3,040</b>	<b>1,368,558</b>

### Long-Term Debt

At June 30, 2004, the District had \$944,043 in, general obligation and other long-term debt outstanding (Figure A-7). This represents a decrease of approximately 3.7% from the previous year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7**

**Long-Term Debt**

	<u>Balance End of 2004</u>	<u>Due Within One Year</u>
General obligation bonds	\$880,000	\$55,000
Capital Leases	20,896	5,575
Compensated absences	22,759	2,360
Early retirement	20,388	10,194
Total	<u>\$944,043</u>	<u>\$73,129</u>

### Factors Bearing on the District's Future

The District is projected to remain in good financial health far into the future. Budgeting practices such as making sure disbursements do not exceed receipts, even during challenging years like FY04, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. In FY05, the District did not receive new money, however, FY06 looks brighter for new money when an enrollment increase is combined with projected 4% allowable growth. However, costs outside of the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have a substantial effect on the District's financial viability.

The community and school district as a whole are very focused upon the future of the school and community. The Whiting Community Club continues to work in partnership with the district for the purpose of growing the business community and population of the school district. The

district has implemented a short term and long term district wide facility infrastructure plans for the purpose of remodeling, improving and maintaining a positive learning environment within the school facilities and school grounds. The City of Whiting is sponsoring their second annual open house in May of 2005 in partnership with the school district. The intent is to promote the school district and community as a quality and safe community for the purpose of growing the school and community population as well as the business community. The impact of the open house brought about a slight increase in student population during the 2004-2005 school year. Additionally, the district anticipates that the board approved open enrollment applications for the 2005-2006 school year will increase the number of Open Enrollment In students from 22 to 32 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 of the money it receives. If you have questions about this report or need additional financial information, contact **Myron Ballain**, Superintendent, **Whiting** Community School District, **606 West Street, Whiting, Iowa 51063**.

## BASIC FINANCIAL STATEMENTS

## WHITING COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	603,544	-	603,544
Other	519,193	9,491	528,684
Receivables:			
Property tax:			
Delinquent	18,016	-	18,016
Succeeding year	968,109	-	968,109
Accounts	6,946	-	6,946
Accrued interest:			
ISCAP	1,150	-	1,150
Due from other governments	137,453	-	137,453
Inventories	-	2,382	2,382
Capital assets, net of accumulated depreciation	1,365,518	3,040	1,368,558
<b>Total assets</b>	<b>3,619,929</b>	<b>14,913</b>	<b>3,634,842</b>
<b>Liabilities</b>			
Accounts payable	17,130	-	17,130
Salaries and benefits payable	178,173	3,603	181,776
Accrued interest payable	3,781	-	3,781
Deferred revenue:			
Succeeding year property tax	968,109	-	968,109
Other	-	646	646
ISCAP warrants payable	600,000	-	600,000
ISCAP accrued interest payable	1,744	-	1,744
ISCAP premium	6,421	-	6,421
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	55,000	-	55,000
Capital leases	5,575	-	5,575
Early retirement	10,194	-	10,194
Compensated absences	2,360	-	2,360
Portion due after one year:			
General obligation bonds payable	825,000	-	825,000
Capital leases	15,321	-	15,321
Early retirement	10,194	-	10,194
Compensated absences	20,399	-	20,399
<b>Total liabilities</b>	<b>2,719,401</b>	<b>4,249</b>	<b>2,723,650</b>

## WHITING COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	464,622	3,040	467,662
Restricted for:			
Management levy	7,154	-	7,154
Capital outlay	343,919	-	343,919
Other special revenue purposes	16,778	-	16,778
Debt service	9,908	-	9,908
Unrestricted	<u>58,147</u>	<u>7,624</u>	<u>65,771</u>
<b>Total net assets</b>	<u><u>900,528</u></u>	<u><u>10,664</u></u>	<u><u>911,192</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	864,233	318,256	127,136	-
Special instruction	383,182	31,974	50,614	-
Other instruction	218,328	57,397	-	-
	<u>1,465,743</u>	<u>407,627</u>	<u>177,750</u>	<u>-</u>
Support services:				
Student services	26,968	-	30,961	-
Instructional staff services	49,023	-	-	-
Administration services	292,704	-	-	-
Operation and maintenance of plant services	153,789	19	-	-
Transportation services	64,797	-	156	-
	<u>587,281</u>	<u>19</u>	<u>31,117</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	2,760	-	-	32,151
Long-term debt interest	49,811	-	-	-
AEA flowthrough	67,403	-	67,403	-
Depreciation (unallocated)*	39,325	-	-	-
	<u>159,299</u>	<u>-</u>	<u>67,403</u>	<u>32,151</u>
Total governmental activities	2,212,323	407,646	276,270	32,151
<b>Business type activities</b>				
Non-instructional programs:				
Food service operations	95,080	40,287	53,564	-
Total	<u>2,307,403</u>	<u>447,933</u>	<u>329,834</u>	<u>32,151</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

## WHITING COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(418,841)	-	(418,841)
(300,594)	-	(300,594)
(160,931)	-	(160,931)
<u>(880,366)</u>	<u>-</u>	<u>(880,366)</u>
3,993	-	3,993
(49,023)	-	(49,023)
(292,704)	-	(292,704)
(153,770)	-	(153,770)
(64,641)	-	(64,641)
<u>(556,145)</u>	<u>-</u>	<u>(556,145)</u>
29,391	-	29,391
(49,811)	-	(49,811)
-	-	-
<u>(39,325)</u>	<u>-</u>	<u>(39,325)</u>
<u>(59,745)</u>	<u>-</u>	<u>(59,745)</u>
(1,496,256)	-	(1,496,256)
-	(1,229)	(1,229)
<u>(1,496,256)</u>	<u>(1,229)</u>	<u>(1,497,485)</u>
959,514	-	959,514
97,235	-	97,235
73,331	-	73,331
48,827	-	48,827
78,168	-	78,168
506,051	-	506,051
3,445	39	3,484
1,518	-	1,518
<u>1,768,089</u>	<u>39</u>	<u>1,768,128</u>
<u>(552)</u>	<u>552</u>	<u>-</u>
<u>1,767,537</u>	<u>591</u>	<u>1,768,128</u>
271,281	(638)	270,643
<u>629,247</u>	<u>11,302</u>	<u>640,549</u>
<u>900,528</u>	<u>10,664</u>	<u>911,192</u>

## WHITING COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	603,544	-	-	603,544
Other	146,640	221,748	150,805	519,193
Receivables:				
Property tax:				
Delinquent	14,503	-	3,513	18,016
Succeeding year	753,461	-	214,648	968,109
Accounts	6,946	-	-	6,946
Accrued interest - ISCAP	1,150	-	-	1,150
Interfund receivable/payable	6,488	20,324	(26,812)	-
Due from other governments	105,103	11,325	21,025	137,453
<b>Total assets</b>	<u>1,637,835</u>	<u>253,397</u>	<u>363,179</u>	<u>2,254,411</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	17,130	-	-	17,130
Salaries and benefits payable	178,173	-	-	178,173
ISCAP warrants payable	600,000	-	-	600,000
ISCAP accrued interest payable	1,744	-	-	1,744
ISCAP premium	6,421	-	-	6,421
Deferred revenue:				
Succeeding year property tax	753,461	-	214,648	968,109
Other	53,805	-	-	53,805
Total liabilities	<u>1,610,734</u>	<u>-</u>	<u>214,648</u>	<u>1,825,382</u>
Fund balances:				
Reserved for:				
Debt service	-	-	13,689	13,689
Unreserved	27,101	253,397	134,842	415,340
Total fund balances	<u>27,101</u>	<u>253,397</u>	<u>148,531</u>	<u>429,029</u>
<b>Total liabilities and fund balances</b>	<u>1,637,835</u>	<u>253,397</u>	<u>363,179</u>	<u>2,254,411</u>

## WHITING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	429,029
 <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.	1,365,518
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	53,805
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	(3,781)
Long-term liabilities, including bonds payable, capital leases, compensated absences and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(944,043)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>900,528</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2004

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	961,365	78,168	220,323	1,259,856
Tuition	118,101	-	-	118,101
Other	235,351	926	58,231	294,508
State sources	670,677	-	111	670,788
Federal sources	111,533	-	32,151	143,684
Total revenues	<u>2,097,027</u>	<u>79,094</u>	<u>310,816</u>	<u>2,486,937</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	858,050	-	-	858,050
Special instruction	383,182	-	-	383,182
Other instruction	159,188	-	59,140	218,328
	<u>1,400,420</u>	<u>-</u>	<u>59,140</u>	<u>1,459,560</u>
Support services:				
Student services	26,968	-	-	26,968
Instructional staff services	49,023	-	-	49,023
Administration services	247,981	-	39,723	287,704
Operation and maintenance of plant services	130,566	-	22,152	152,718
Transportation services	48,465	-	9,248	57,713
	<u>503,003</u>	<u>-</u>	<u>71,123</u>	<u>574,126</u>
Non-instructional programs	<u>552</u>	<u>-</u>	<u>-</u>	<u>552</u>
Other expenditures:				
Facilities acquisition	-	13,645	41,090	54,735
Long-term debt:				
Principal	-	-	55,059	55,059
Interest and fiscal charges	-	-	50,016	50,016
AEA flowthrough	67,403	-	-	67,403
	<u>67,403</u>	<u>13,645</u>	<u>146,165</u>	<u>227,213</u>
Total expenditures	<u>1,971,378</u>	<u>13,645</u>	<u>276,428</u>	<u>2,261,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,649</u>	<u>65,449</u>	<u>34,388</u>	<u>225,486</u>
Other financing sources (uses):				
Operating transfers in	-	-	7,368	7,368
Operating transfers out	-	-	(7,368)	(7,368)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	125,649	65,449	34,388	225,486
Fund balances beginning of year, as restated	<u>(98,548)</u>	<u>187,948</u>	<u>114,143</u>	<u>203,543</u>

See notes to financial statements.

## WHITING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2004

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		225,486
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not 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 year as follows:		
Expenditures for capital assets	68,475	
Depreciation expense	<u>(56,051)</u>	12,424
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(2,781)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		55,059
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.		205
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	\$ (20,388)	
Compensated absences	<u>1,276</u>	<u>(19,112)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>271,281</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	9,491
Inventories	2,382
Capital assets, net of accumulated depreciation	<u>3,040</u>
<b>Total assets</b>	<u>14,913</u>
<b>Liabilities</b>	
Salaries and benefits payable	3,603
Deferred revenue	<u>646</u>
<b>Total liabilities</b>	<u>4,249</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	3,040
Unrestricted	<u>7,624</u>
<b>Total net assets</b>	<u><u>10,664</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition \$
Operating revenue:	
Local sources:	
Charges for service	<u>40,287</u>
Operating expenses:	
Non-instructional programs:	
Salaries	32,392
Benefits	14,290
Purchased services	745
Supplies	46,524
Depreciation	1,129
	<u>95,080</u>
Operating gain (loss)	<u>(54,793)</u>
Non-operating revenue:	
State sources	1,512
Federal sources	52,052
Interest income	39
Total non-operating revenue	<u>53,603</u>
Gain (loss) before capital contributions	(1,190)
Capital contributions	<u>552</u>
Change in net assets	(638)
Net assets beginning of year	<u>11,302</u>
Net assets end of year	<u><u>10,664</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	40,127
Cash payments to employees for services	(46,866)
Cash payments to suppliers for goods or services	(41,196)
Net cash used by operating activities	<u>(47,935)</u>
Cash flows from non-capital financing activities:	
State grants received	1,512
Federal grants received	45,967
Net cash provided by non-capital financing activities	<u>47,479</u>
Cash flows from capital and related financing activities:	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>39</u>
Net increase (decrease) in cash and cash equivalents	(417)
Cash and cash equivalents at beginning of year	<u>9,908</u>
Cash and cash equivalents at end of year	<u><u>9,491</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(54,793)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	6,085
Depreciation	1,129
Decrease (increase) in inventories	(12)
(Decrease) increase in salaries and benefits payable	(184)
(Decrease) increase in deferred revenue	(160)
Net cash used in operating activities	<u><u>(47,935)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$6,085 of federal commodities and \$552 of equipment purchased by the General Fund

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship <u>          </u> \$
<b>Assets</b>	
Cash and pooled investments	3,394
<b>Liabilities</b>	<u>          </u> -
<b>Net Assets</b>	
Reserved for scholarships	<u><u>          </u></u> 3,394

WHITING COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust <u>Scholarship</u> \$
Additions:	
Local sources:	
Interest	23
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net assets	(477)
Net assets beginning of year	<u>3,871</u>
Net assets end of year	<u><u>3,394</u></u>

# WHITING COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2004

### 1. Summary of Significant Accounting Policies

Whiting Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Whiting, Iowa and the predominately agricultural territory in a portion of Monona County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

For financial reporting purposes, Whiting Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Whiting Community School District has no component units that 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

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

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

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

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

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

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

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from 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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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>Assets Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 did not exceed the amounts budgeted.

## 2. **Cash and Pooled Investments**

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

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Special Revenue: Physical Plant and Equipment Levy Fund	6,488
Capital Projects	Special Revenue: Physical Plant and Equipment Levy Fund	20,324

The interfund receivable/payables are loans expected to be repaid in the next year.

### 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
		\$
Enterprise: School Nutrition Fund	General Fund	552

This transfer reflects equipment purchased by the General Fund that is used for the school nutrition program.

### 5. 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 corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of [June 30, 2004](#), is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2003-04B	1/30/04	1/28/05	211,430	1,150	210,000	1,744
2004-05A	6/30/04	6/30/05	392,114	-	390,000	-
Total			<u>603,544</u>	<u>1,150</u>	<u>600,000</u>	<u>1,744</u>

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

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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

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

## 6. Capital Assets

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

	Balance Beginning of Year as restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	2,020,000	-	-	2,020,000
Improvements other than buildings	-	51,975	-	51,975
Furniture and equipment	249,048	16,500	-	265,548
Total capital assets being deprec.	<u>2,269,048</u>	<u>68,475</u>	-	<u>2,337,523</u>
Less accumulated depreciation for:				
Buildings	758,700	31,900	-	790,600
Improvements other than buildings	-	7,425	-	7,425
Furniture and equipment	167,254	16,726	-	183,980
Total accumulated depreciation	<u>925,954</u>	<u>56,051</u>	-	<u>982,005</u>
Total capital assets being depreciated, net	<u>1,343,094</u>	<u>12,424</u>	-	<u>1,355,518</u>
Governmental activities capital assets, net	<u>1,353,094</u>	<u>12,424</u>	-	<u>1,365,518</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	14,483	551	-	15,034
Less accumulated depreciation	<u>10,865</u>	<u>1,129</u>	<u>-</u>	<u>11,994</u>
Business type activities capital assets, net	<u>3,618</u>	<u>(578)</u>	<u>-</u>	<u>3,040</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	3,571
Support Services:	
Administration services	5,000
Operation and maintenance of plant services	1,071
Transportation	<u>7,084</u>
	16,726
Unallocated depreciation	<u>39,325</u>
Total depreciation expense – governmental activities	<u>56,051</u>
Business type activities:	
Food services	<u>1,129</u>

## 7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	930,000	-	50,000	880,000	55,000
Capital leases	25,955	-	5,059	20,896	5,575
Early retirement	-	20,388	-	20,388	10,194
Compensated absences	<u>24,035</u>	<u>-</u>	<u>1,276</u>	<u>22,759</u>	<u>2,360</u>
Total	<u>979,990</u>	<u>20,388</u>	<u>56,335</u>	<u>944,043</u>	<u>73,129</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 must have completed [fifteen](#) years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentive includes three years of continued health insurance coverage, [with the District's liability set at the premium rate during the retiree's last year of employment.](#)

## General Obligation Bonds Payable

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

<u>Year Ending</u> <u>June 30,</u>	<u>Bond Issue of June 1997</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2005	4.80	55,000	45,033	100,033
2006	4.85	60,000	42,393	102,393
2007	4.90	60,000	39,483	99,483
2008	4.95	65,000	36,543	101,543
2009	5.00	65,000	33,325	98,325
2010-2014	5.1-5.3	390,000	112,106	502,106
2015-2016	5.4-5.5	185,000	15,030	200,030
		<u>880,000</u>	<u>323,913</u>	<u>1,203,913</u>

## Capital Leases

The District's capital lease indebtedness and related schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2004 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
	<u>\$</u>
2005	7,368
2006	7,368
2007	7,368
Minimum Lease Payments	<u>22,104</u>
Less Amount Representing Interest	<u>1,208</u>
Present Value of Minimum Lease Payments	<u>20,896</u>

## **8. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$68,557, \$74,380, and \$69,940 respectively, equal to the required contributions for each year.

## **9. Risk Management**

Whiting 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 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 member's contributions to ISEBA fund current operations and provide 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. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$163,404.

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.

Whiting 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.

## **10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$67,403 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.

## **11. Accounting Change and Restatement**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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

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

	Fund			Total
	General	Capital Projects	Nonmajor	
Net assets, June 30, 2003, as previously reported	\$ (98,548)	187,948	\$ 114,143	\$ 203,543
GASB Interpretation 6 adjustments	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>(98,548)</u>	<u>187,948</u>	<u>114,143</u>	203,543
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$925,954				1,353,094
Long-term liabilities:				
Bonds				(930,000)
Capital leases				(25,955)
Compensated absences				(24,035)
Accrued interest payable				(3,986)
Deferred revenue				<u>56,586</u>
Net assets, July 1, 2003, as restated				<u>629,247</u>

REQUIRED SUPPLEMENTARY INFORMATION

WHITING COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	1,649,361	40,166	1,689,527	1,782,583	1,782,583	(93,056)
State sources	670,787	1,512	672,299	814,132	814,132	(141,833)
Federal sources	147,413	52,052	199,465	189,000	189,000	10,465
Total receipts	<u>2,467,561</u>	<u>93,730</u>	<u>2,561,291</u>	<u>2,785,715</u>	<u>2,785,715</u>	<u>(224,424)</u>
Disbursements:						
Instruction	1,479,666	-	1,479,666	1,666,996	1,666,996	187,330
Support services	566,008	-	566,008	630,000	630,000	63,992
Non-instructional programs	552	94,147	94,699	335,186	335,186	240,487
Other expenditures	226,661	-	226,661	716,374	716,374	489,713
Total disbursements	<u>2,272,887</u>	<u>94,147</u>	<u>2,367,034</u>	<u>3,348,556</u>	<u>3,348,556</u>	<u>981,522</u>
Excess (deficiency) of receipts over (under) disbursements	194,674	(417)	194,257	(562,841)	(562,841)	757,098
Balance beginning of year	<u>324,519</u>	<u>9,908</u>	<u>334,427</u>	<u>713,373</u>	<u>713,373</u>	<u>(378,946)</u>
Balance end of year	<u><u>519,193</u></u>	<u><u>9,491</u></u>	<u><u>528,684</u></u>	<u><u>150,532</u></u>	<u><u>150,532</u></u>	<u><u>378,152</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	2,467,561	19,376	2,486,937
Expenditures	2,272,887	(11,436)	2,261,451
Net	194,674	30,812	225,486
Beginning fund balances	324,519	(120,976)	203,543
Ending fund balances	519,193	(90,164)	429,029

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	93,730	160	93,890
Expenditures	94,147	933	95,080
Net	(417)	(773)	(1,190)
Other financing sources (uses) net	-	552	552
Beginning fund balances	9,908	1,394	11,302
Ending fund balances	9,491	1,173	10,664

WHITING 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 Internal Service, 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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District didn't amend it's budget during the year.

During the year ended June 30, [2004](#), disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## WHITING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds				
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	Total
	\$	\$	\$	\$	\$
Cash and pooled investments	26,749	16,778	95,140	12,138	150,805
Receivables:					
Property tax:					
Delinquent	793	-	1,169	1,551	3,513
Succeeding year	48,212	-	66,103	100,333	214,648
Due from other governments	-	-	21,025	-	21,025
<b>Total assets</b>	<b>75,754</b>	<b>16,778</b>	<b>183,437</b>	<b>114,022</b>	<b>389,991</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Interfund payables	-	-	26,812	-	26,812
Deferred revenue:					
Succeeding year property tax	48,212	-	66,103	100,333	214,648
Total liabilities	48,212	-	92,915	100,333	241,460
Fund balances:					
Reserved for debt service	-	-	-	13,689	13,689
Unreserved fund balance	27,542	16,778	90,522	-	134,842
Total fund balances	27,542	16,778	90,522	13,689	148,531
<b>Total liabilities and fund balances</b>	<b>75,754</b>	<b>16,778</b>	<b>183,437</b>	<b>114,022</b>	<b>389,991</b>

## WHITING 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
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Fund	Equipment		
	\$	\$	Levy	\$	\$
Revenues:					
Local sources:					
Local tax	49,757	-	73,331	97,235	220,323
Other	194	57,492	444	101	58,231
State sources	25	-	37	49	111
Federal sources	-	-	32,151	-	32,151
Total revenues	<u>49,976</u>	<u>57,492</u>	<u>105,963</u>	<u>97,385</u>	<u>310,816</u>
Expenditures:					
Current:					
Instruction:					
Other instruction	-	59,140	-	-	59,140
Support services:					
Administration services	37,735	-	1,988	-	39,723
Operation and maintenance of plant services	18,546	-	3,606	-	22,152
Transportation services	9,248	-	-	-	9,248
Other expenditures:					
Facilities acquisition	-	-	41,090	-	41,090
Principal	-	-	-	55,059	55,059
Interest and fiscal charges	-	-	-	50,016	50,016
Total expenditures	<u>65,529</u>	<u>59,140</u>	<u>46,684</u>	<u>105,075</u>	<u>276,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,553)</u>	<u>(1,648)</u>	<u>59,279</u>	<u>(7,690)</u>	<u>34,388</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	7,368	7,368
Operating transfers out	-	-	(7,368)	-	(7,368)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,368)</u>	<u>7,368</u>	<u>-</u>
Net change in fund balances	(15,553)	(1,648)	51,911	(322)	34,388
Fund balances beginning of year, as restated	<u>43,095</u>	<u>18,426</u>	<u>38,611</u>	<u>14,011</u>	<u>114,143</u>
Fund balances end of year	<u><u>27,542</u></u>	<u><u>16,778</u></u>	<u><u>90,522</u></u>	<u><u>13,689</u></u>	<u><u>148,531</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Class of 2002	668	-	46	622
Class of 2004	1,606	219	1,825	-
Class of 2005	640	5,007	5,211	436
Class of 2006	245	265	-	510
Class of 2007	290	170	-	460
Class of 2008	215	100	-	315
Class of 2009	65	65	-	130
Class of 2010	-	85	-	85
Unallocated interest	4,523	96	-	4,619
Music parents	8,193	5,829	7,308	6,714
Band fund raiser	1	113	131	(17)
Athletics	3,865	40,784	36,677	7,972
Cheerleaders	495	1,082	1,203	374
National honor society	245	584	633	196
Annual	<u>(2,625)</u>	<u>3,093</u>	<u>6,106</u>	<u>(5,638)</u>
Total	<u><u>18,426</u></u>	<u><u>57,492</u></u>	<u><u>59,140</u></u>	<u><u>16,778</u></u>

## WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,259,856	949,151	980,113	969,755
Tuition	118,101	101,489	109,828	95,938
Other	294,508	246,466	172,305	237,226
State sources	670,788	912,566	865,169	844,389
Federal sources	143,684	88,448	85,152	62,918
	<u>2,486,937</u>	<u>2,298,120</u>	<u>2,212,567</u>	<u>2,210,226</u>
Expenditures:				
Instruction:				
Regular instruction	858,050	927,145	951,404	854,866
Special instruction	383,182	367,049	399,906	342,290
Other instruction	218,328	205,970	233,298	203,866
Support services:				
Student services	26,968	46,668	47,957	22,911
Instructional staff services	49,023	57,133	58,943	54,495
Administration services	287,704	318,051	266,940	193,940
Operation and maintenances of plant services	152,718	147,409	159,123	155,859
Transportation services	57,713	55,254	103,759	59,492
Central support services	-	-	903	23,896
Non-instructional programs	552	-	-	-
Other expenditures:				
Facilities acquisition	54,735	178,478	79,128	66,528
Long-term debt:				
Principal	55,059	53,110	50,000	45,000
Interest and other charges	50,016	51,860	52,358	54,383
AEA flowthrough	67,403	73,798	71,958	72,570
	<u>2,261,451</u>	<u>2,481,925</u>	<u>2,475,677</u>	<u>2,150,096</u>

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

To the Board of Education of the  
Whiting Community School District:

We have audited the financial statements of the Whiting Community School District as of and for the year ended June 30, 2004, and have issued our report dated August 3, 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 Whiting Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part 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 for items 04-II-K and 04-II-L.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Whiting 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 judgement, 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 Part I of 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 [04-I-A](#) is a material weakness. Prior year reportable conditions have all been resolved except for item [04-I-A](#).

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [Whiting](#) 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

August 3, [2004](#)

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not recorded in the minutes during the year ended June 30, 2004.

Recommendation: The District should record the official depository amounts in minutes each year.

District Response: We will record the amount of our depository resolutions in the minutes in the future.

Conclusion: Response accepted.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.

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

04-II-D Travel Expenses: 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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Storm, Board Member	Employed by bank used by District	-

The Board member is an employee of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

04-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

04-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (Continued):

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

04-II-I 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.

04-II-J Certified Annual Report (CAR): We reviewed a draft copy of the District's CAR, and noted no significant deficiencies in the amounts reported.

04-II-K Financial Condition-The Student Activity Fund: The Student Activity Fund has two accounts with a deficit balances at June 30, 2004.

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

District Response: We are working on ways to eliminate this deficit.

Conclusion: Response accepted.

04-II-L Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.