

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT
WILLIAMSBURG, IOWA

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

JUNE 30, 2004

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WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------------------|--------------------|---------------------|
| <u>Board of Education</u> | | |
| (Before September 2003 Election) | | |
| Tom Claypool | President | 2003 |
| Robert Martin | Vice President | 2005 |
| Bob Lillis | Board Member | 2004 |
| Darren Spenler | Board Member | 2004 |
| Mark Armstrong | Board Member | 2005 |
| <u>Board of Education</u> | | |
| (After September 2003 Election) | | |
| Robert Martin | President | 2005 |
| Mark Armstrong | Vice President | 2005 |
| Bob Lillis | Board Member | 2004 |
| Darren Spenler | Board Member | 2004 |
| James McMillin | Board Member | 2006 |
| <u>School Officials</u> | | |
| William Thompson | Superintendent | 2004 |
| Kathryn McMann | District Secretary | 2004 |
| Melinda Driscoll | District Treasurer | 2004 |
| Tom Buchanan | Attorney | Indefinite |

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Williamsburg 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 Williamsburg Community School District, 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 basic 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 basic 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 Williamsburg 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, Williamsburg Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; 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 September 2, 2004 on our consideration of Williamsburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 48 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Williamsburg 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 supplementary 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.

Oskaloosa, Iowa
September 2, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Williamsburg 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 decreased from \$7,911,365 in fiscal 2003 to \$7,595,252 in fiscal 2004, while General Fund expenditures increased from \$7,712,707 in fiscal 2003 to \$7,956,077 in fiscal 2004. The District's General Fund balance decreased from \$1,294,834 in fiscal 2003 to \$894,431 in fiscal 2004, a 31% decrease.
- The decrease in General fund revenues was attributable to a decrease in property tax and income surtax and state and federal grant revenue in fiscal 2004, which included a 2.5% across the board state budget cut.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$40,476 in fiscal 2003 to \$12,977 in fiscal 2004.

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 *District-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 district-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the district operates like businesses, such as food services.

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.

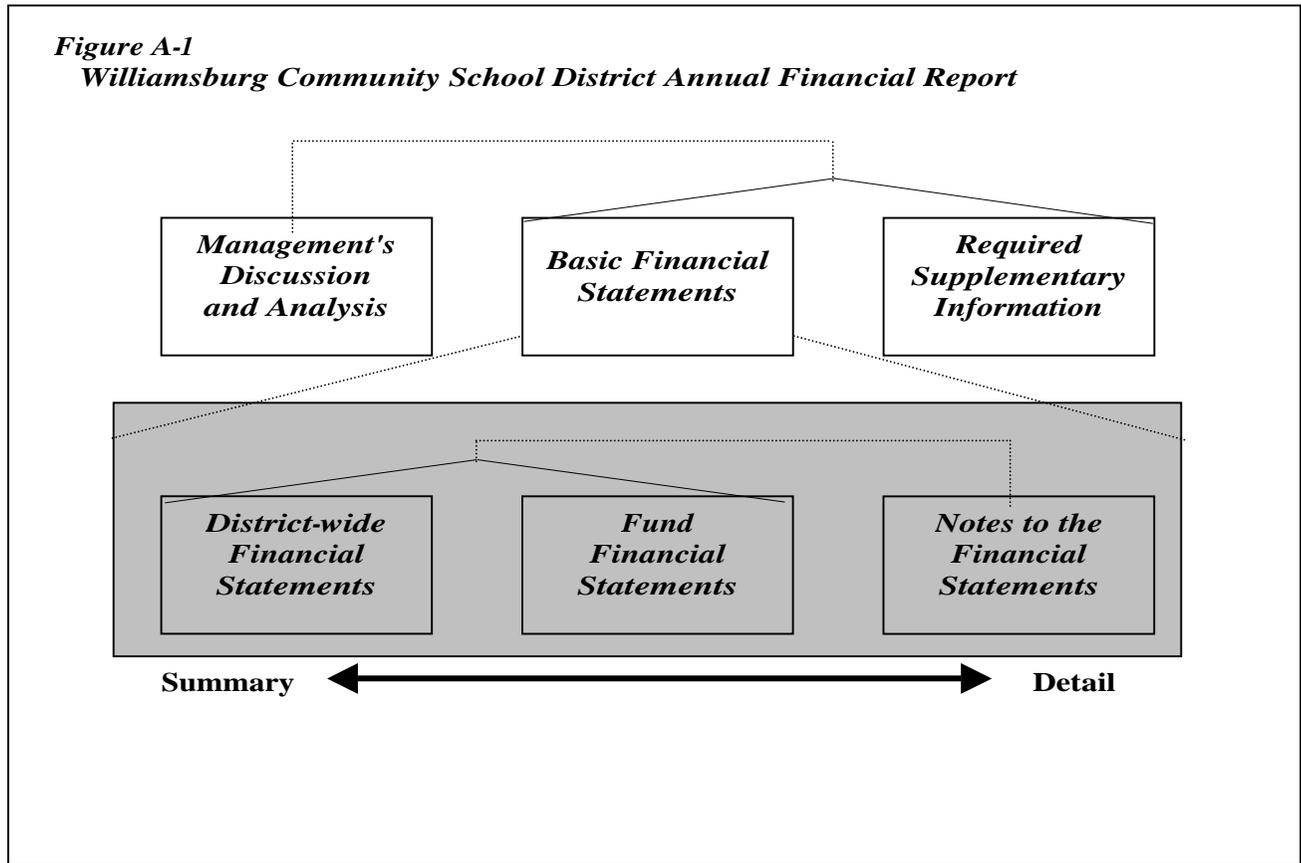


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| 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"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | |
| 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, 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 financial position.

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The 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, and Debt Service Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the

same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund, and one Internal Service Fund, used to account for the District's flexible benefits plan.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

| | <u>Condensed Statement of Net Assets</u> | | |
|-----------------------------|--|-------------------|---------------------|
| | Governmental | Business- | Total |
| | <u>Activities</u> | type | <u>School</u> |
| | <u>2004</u> | <u>2004</u> | <u>District</u> |
| Current and other assets | \$5,035,671 | \$95,195 | \$ 5,130,866 |
| Capital assets | <u>9,270,624</u> | <u>176,587</u> | <u>9,447,211</u> |
| Total assets | <u>14,306,295</u> | <u>271,782</u> | <u>14,578,077</u> |
| Long-term obligations | 2,042,293 | - | 2,042,293 |
| Other liabilities | <u>3,134,417</u> | <u>30</u> | <u>3,134,447</u> |
| Total liabilities | <u>5,176,710</u> | <u>30</u> | <u>5,176,740</u> |
| Net assets | | | |
| Invested in capital assets, | | | |
| net of related debt | 7,660,624 | 176,587 | 7,837,211 |
| Restricted | 476,697 | - | 476,697 |
| Unrestricted | <u>992,264</u> | <u>95,165</u> | <u>1,087,429</u> |
| Total net assets | <u>\$9,129,585</u> | <u>\$ 271,752</u> | <u>\$ 9,401,337</u> |

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

| Figure A-4 | <u>Change in Net Assets</u> | | |
|---|------------------------------------|--|--------------------------------------|
| | <u>Governmental Activities</u> | <u>Business- type Activities</u> | <u>Total School District</u> |
| Revenues | | | |
| Program revenues | | | |
| Charges for service and sales | \$ 658,428 | \$300,852 | \$ 959,280 |
| Operating grants, contributions and restricted interest | 882,079 | 110,350 | 992,429 |
| Capital grants, contributions and restricted interest | - | - | - |
| General revenues | | | |
| Property tax | 3,328,073 | - | 3,328,073 |
| Income Surtax | 273,293 | - | 273,293 |
| Unrestricted state grants | 3,551,244 | - | 3,551,244 |
| Unrestricted investment earnings | 19,524 | - | 19,524 |
| Other | <u>5,882</u> | <u>683</u> | <u>6,565</u> |
| Total revenues | <u>8,718,523</u> | <u>411,885</u> | <u>9,130,408</u> |
| Program expenses | | | |
| Governmental activities | | | |
| Instruction | 5,882,319 | - | 5,882,319 |
| Support services | 2,286,716 | - | 2,286,716 |
| Non-instructional programs | 33,675 | 411,220 | 444,895 |
| Other expenses | <u>774,709</u> | <u>-</u> | <u>774,709</u> |
| Total expenses | <u>8,977,419</u> | <u>411,220</u> | <u>9,388,639</u> |
| Change in net assets | <u>\$ (258,896)</u> | <u>\$ 665</u> | <u>\$(258,231)</u> |

Property tax and unrestricted state grants account for 79% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,718,523 and expenses were \$8,977,419.

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

| | <u>Total and Net Cost of Governmental Activities</u> | |
|----------------------------|--|---------------------|
| | <u>Total Cost</u> | <u>Net Cost</u> |
| | <u>of Services</u> | <u>of Services</u> |
| Instruction | \$ 5,882,319 | \$ 4,743,454 |
| Support services | 2,286,716 | 2,203,482 |
| Non-instructional programs | 33,675 | 33,675 |
| Other expenses | <u>774,709</u> | <u>456,301</u> |
| Total expenses | <u>\$ 8,977,419</u> | <u>\$ 7,436,912</u> |

- The cost financed by users of the District's programs was \$658,428.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$882,079.

The net cost of governmental activities was financed with \$3,328,073 in property, \$3,551,244 in State Foundation Aid, \$273,293 in income surtax, and \$25,406 in other general revenues.

Business Type Activities

Revenues for business type activities were \$411,885 and expenses were \$411,220. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District increased meal prices by \$.10 for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The financial performance of the District is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,493,174.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. A decrease in the budgeted income surtax and the 2.5% across the board cuts contributed to the decrease in revenues. The increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,294,834 to \$894,431, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$271,087 at June 30, 2003 to \$271,752 at June 30, 2004, representing an increase of \$665. For fiscal 2004, the District increased meal prices, resulting in the net assets remaining stable.

BUDGETARY HIGHLIGHTS

Over the course of the year, Williamsburg Community School District amended its annual budget in the support services and noninstructional programs functional areas to reflect additional revenue and expenditures.

The District's receipts were \$374,078 less than budgeted receipts, a variance of 3.9%. The most significant variances resulted from the District receiving less in state aid and income surtax than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2004, the District had invested \$9,447,211, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$375,392.

The balance of the District's capital assets at June 30, 2004 was \$9,447,211, net of accumulated depreciation of \$4,271,470. Governmental funds account for \$9,270,624, with the remaining \$176,587 accounted for in the Enterprise, School Nutrition Fund.

Figure A-6

| | Capital Assets, Net of Depreciation | | |
|----------------------------|-------------------------------------|-------------------|---------------------|
| | Governmental | Business- | Total |
| | <u>Activities</u> | type | <u>School</u> |
| | <u>2004</u> | <u>Activities</u> | <u>District</u> |
| | <u>2004</u> | <u>2004</u> | <u>2004</u> |
| Land | \$255,800 | | \$255,800 |
| Buildings and improvements | 8,614,165 | - | 8,614,165 |
| Furniture and equipment | <u>400,659</u> | <u>176,587</u> | <u>577,246</u> |
| Totals | <u>\$ 9,270,624</u> | <u>\$ 176,587</u> | <u>\$ 9,447,211</u> |

Long-Term Debt

At June 30, 2004, the District had \$1,610,000 in general obligation bonds, \$131,230 for an asbestos loan and \$301,063 in early retirement benefits long-term liabilities outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7

| <u>Outstanding Long-term</u> | |
|------------------------------|---------------------|
| <u>Obligations</u> | |
| <u>2004</u> | |
| General Obligation | \$ 1,610,000 |
| Asbestos | 131,230 |
| Early retirement | <u>301,063</u> |
| Total | <u>\$ 2,042,293</u> |

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:

- Open enrollment-out expenditures should be at approximately the same level for the fiscal 2005 as the previous year.
- There is talk in Iowa County about holding an election in 2005 to determine the collection of the School Infrastructure Local Option Sales tax. If passed the revenue would be received in fiscal 2007.
- District enrollment continues to remain constant.

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 McMann, District Secretary and Business Manager, Williamsburg Community School District, 810 West Walnut, Williamsburg, IA 52361.

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Basic Financial Statements

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|--|--|---|--------------|
| Assets | | | |
| Cash and pooled investments | \$ 1,360,855 | \$ 74,815 | \$ 1,435,670 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 101,410 | - | 101,410 |
| Succeeding year | 3,083,000 | - | 3,083,000 |
| Interfund receivable (payable) (note 3) | (1,886) | 1,886 | - |
| Accounts | 11,632 | - | 11,632 |
| Income surtax | 407,247 | - | 407,247 |
| Due from other governments | 73,413 | - | 73,413 |
| Inventories | - | 18,494 | 18,494 |
| Capital assets, net of accumulated depreciation (note 6) | 9,270,624 | 176,587 | 9,447,211 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | 14,306,295 | 271,782 | 14,578,077 |
| Liabilities | | | |
| Accounts payable | 46,330 | 30 | 46,360 |
| Accrued interest payable | 5,087 | - | 5,087 |
| Deferred revenue: | | | |
| Succeeding year property tax | 3,083,000 | - | 3,083,000 |
| Long-term liabilities (note 7): | | | |
| Portion due within one year: | | | |
| Bonds payable | 385,000 | - | 385,000 |
| Asbestos loan | 20,189 | - | 20,189 |
| Early retirement | 106,422 | - | 106,422 |
| Portion due after one year: | | | |
| Bonds payable | 1,225,000 | - | 1,225,000 |
| Asbestos loan | 111,041 | - | 111,041 |
| Early retirement | 194,641 | - | 194,641 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | 5,176,710 | 30 | 5,176,740 |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|---------------------|
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 7,660,624 | \$ 176,587 | \$ 7,837,211 |
| Restricted for: | | | |
| Physical plant and equipment levy | 331,336 | - | 331,336 |
| Other special revenue purposes | 78,315 | - | 78,315 |
| Debt service | 67,046 | - | 67,046 |
| Unrestricted | <u>992,264</u> | <u>95,165</u> | <u>1,087,429</u> |
| Total net assets | <u>\$ 9,129,585</u> | <u>\$ 271,752</u> | <u>\$ 9,401,337</u> |

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

| Functions/Programs | Expenses | Program Revenues | |
|---|---------------------|----------------------|---|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest |
| Governmental Activities: | | | |
| Instruction: | | | |
| Regular instruction | \$ 4,047,886 | \$ 292,460 | \$ 355,918 |
| Special instruction | 1,049,161 | 16,128 | 111,717 |
| Other instruction | 785,272 | 344,040 | 18,602 |
| | <u>5,882,319</u> | <u>652,628</u> | <u>486,237</u> |
| Support services: | | | |
| Student services | 177,231 | - | 5,655 |
| Instructional staff services | 218,051 | 814 | 16,895 |
| Administration services | 622,624 | - | - |
| Operation and maintenance of plant services | 798,808 | 4,986 | - |
| Transportation services | 429,596 | - | 54,884 |
| Central services | 40,406 | - | - |
| | <u>2,286,716</u> | <u>5,800</u> | <u>77,434</u> |
| Non-instructional programs | <u>33,675</u> | <u>-</u> | <u>-</u> |
| Other expenditures: | | | |
| Facilities acquisition | 124,478 | - | - |
| Long-term debt interest and fiscal charges | 74,555 | - | - |
| AEA flowthrough | 318,408 | - | 318,408 |
| Depreciation (unallocated) * | 257,268 | - | - |
| | <u>774,709</u> | <u>-</u> | <u>318,408</u> |
| Total governmental activities | 8,977,419 | 658,428 | 882,079 |
| Business-Type Activities: | | | |
| Non-instructional programs: | | | |
| Food service operations | <u>411,220</u> | <u>300,852</u> | <u>110,350</u> |
| Total | <u>\$ 9,388,639</u> | <u>\$ 959,280</u> | <u>\$ 992,429</u> |

and Changes in Net Assets

| <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|--|---|--------------------|
| \$ (3,399,508) | \$ - | \$ (3,399,508) |
| (921,316) | - | (921,316) |
| (422,630) | - | (422,630) |
| <u>(4,743,454)</u> | <u>-</u> | <u>(4,743,454)</u> |
| (171,576) | - | (171,576) |
| (200,342) | - | (200,342) |
| (622,624) | - | (622,624) |
| (793,822) | - | (793,822) |
| (374,712) | - | (374,712) |
| (40,406) | - | (40,406) |
| <u>(2,203,482)</u> | <u>-</u> | <u>(2,203,482)</u> |
| <u>(33,675)</u> | <u>-</u> | <u>(33,675)</u> |
| (124,478) | - | (124,478) |
| (74,555) | - | (74,555) |
| - | - | - |
| <u>(257,268)</u> | <u>-</u> | <u>(257,268)</u> |
| <u>(456,301)</u> | <u>-</u> | <u>(456,301)</u> |
| (7,436,912) | - | (7,436,912) |
| <u>-</u> | <u>(18)</u> | <u>(18)</u> |
| <u>(7,436,912)</u> | <u>(18)</u> | <u>(7,436,930)</u> |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 11)

Net assets end of year

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

Net (Expense) Revenue
and Changes in Net Assets

| <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|--|---|---------------------|
| \$ 2,783,763 | \$ - | \$ 2,783,763 |
| 445,032 | - | 445,032 |
| 99,278 | - | 99,278 |
| 273,293 | - | 273,293 |
| 3,551,244 | - | 3,551,244 |
| 19,524 | 683 | 20,207 |
| 5,882 | - | 5,882 |
| <hr/> | | |
| 7,178,016 | 683 | 7,178,699 |
| <hr/> | | |
| (258,896) | 665 | (258,231) |
| 9,388,481 | 271,087 | 9,659,568 |
| <hr/> | | |
| <u>\$ 9,129,585</u> | <u>\$ 271,752</u> | <u>\$ 9,401,337</u> |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

| | General | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 788,636 | \$ 60,014 | \$ 513,504 | \$ 1,362,154 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 79,615 | 12,119 | 9,676 | 101,410 |
| Succeeding year | 2,321,000 | 403,000 | 359,000 | 3,083,000 |
| Income surtax | 407,247 | - | | 407,247 |
| Interfund receivable (note 3) | - | - | 3,931 | 3,931 |
| Accounts | 11,632 | - | - | 11,632 |
| Due from other governments | 73,413 | - | - | 73,413 |
| | <u>\$ 3,681,543</u> | <u>\$ 475,133</u> | <u>\$ 886,111</u> | <u>\$ 5,042,787</u> |
| Total assets | | | | |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Excess of warrants issued over bank balance | \$ 7,219 | \$ - | \$ - | \$ 7,219 |
| Accounts payable | 45,829 | - | 501 | 46,330 |
| Interfund payable | 5,817 | - | - | 5,817 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,321,000 | 403,000 | 359,000 | 3,083,000 |
| Other | 407,247 | - | - | 407,247 |
| Total liabilities | <u>2,787,112</u> | <u>403,000</u> | <u>359,501</u> | <u>3,549,613</u> |
| Fund balance: | | | | |
| Reserved for: | | | | |
| Debt service | - | 72,133 | - | 72,133 |
| Unreserved: | | | | |
| Reported in nonmajor Special Revenue Funds | - | - | 526,610 | 526,610 |
| Undesignated | 894,431 | - | - | 894,431 |
| Total fund balances | <u>894,431</u> | <u>72,133</u> | <u>526,610</u> | <u>1,493,174</u> |
| | <u>\$ 3,681,543</u> | <u>\$ 475,133</u> | <u>\$ 886,111</u> | <u>\$ 5,042,787</u> |
| Total liabilities and fund balances | <u>\$ 3,681,543</u> | <u>\$ 475,133</u> | <u>\$ 886,111</u> | <u>\$ 5,042,787</u> |

See notes to financial statements.

WILLIAMSBURG 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 | \$ 1,493,174 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 9,270,624 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. | 407,247 |
| 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. | (5,087) |
| Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | (2,042,293) |
| The balance in the Internal Service Fund is incorporated into the government-wide financial statements due to the internal nature of the transactions. | <u>5,920</u> |
| Net assets of governmental activities | <u>\$ 9,129,585</u> |
| See notes to financial statements | |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

| | General | Debt Service | Nonmajor Governmental Funds | Total |
|---|------------------|-----------------|-----------------------------------|------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,829,747 | \$ 444,744 | \$ 323,231 | \$ 3,597,722 |
| Tuition | 280,034 | - | - | 280,034 |
| Other | 52,052 | 337 | 352,395 | 404,784 |
| Intermediate sources | 51,710 | - | - | 51,710 |
| State sources | 4,220,000 | 288 | 229 | 4,220,517 |
| Federal sources | 161,709 | - | - | 161,709 |
| Total revenues | <u>7,595,252</u> | <u>445,369</u> | <u>675,855</u> | <u>8,716,476</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | 3,880,181 | - | 172,190 | 4,052,371 |
| Special instruction | 1,049,161 | - | - | 1,049,161 |
| Other instruction | 423,605 | - | 361,667 | 785,272 |
| | <u>5,352,947</u> | <u>-</u> | <u>533,857</u> | <u>5,886,804</u> |
| Support services: | | | | |
| Student services | 177,231 | - | - | 177,231 |
| Instructional staff services | 218,051 | - | - | 218,051 |
| Administration services | 624,215 | - | - | 624,215 |
| Operation and maintenance of plant services | 778,213 | - | 52,107 | 830,320 |
| Transportation services | 412,931 | - | 18,735 | 431,666 |
| Central and other support services | 40,406 | - | - | 40,406 |
| | <u>2,251,047</u> | <u>-</u> | <u>70,842</u> | <u>2,321,889</u> |
| Non-instructional programs | <u>33,675</u> | <u>-</u> | <u>-</u> | <u>33,675</u> |
| Other expenditures: | | | | |
| Facilities acquisition | - | - | 184,478 | 184,478 |
| Long term debt: | | | | |
| Principal | - | 390,189 | - | 390,189 |
| Interest and fiscal charges | - | 76,156 | - | 76,156 |
| AEA flowthrough | 318,408 | - | - | 318,408 |
| | <u>318,408</u> | <u>466,345</u> | <u>184,478</u> | <u>969,231</u> |
| Total expenditures | <u>7,956,077</u> | <u>466,345</u> | <u>789,177</u> | <u>9,211,599</u> |
| Deficiency of revenues under expenditures | <u>(360,825)</u> | <u>(20,976)</u> | <u>(113,322)</u> | <u>(495,123)</u> |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|--------------------------------------|-------------------|-------------------------|--|---------------------|
| Other financing sources (uses): | | | | |
| Sale of equipment | \$ 800 | \$ - | \$ - | \$ 800 |
| Interfund transfers in | - | 20,189 | 20,189 | 40,378 |
| Interfund transfers out | (40,378) | - | - | (40,378) |
| Total other financing sources (uses) | <u>(39,578)</u> | <u>20,189</u> | <u>20,189</u> | <u>800</u> |
| Net change in fund balances | (400,403) | (787) | (93,133) | (494,323) |
| Fund balances beginning of year | <u>1,294,834</u> | <u>72,920</u> | <u>619,743</u> | <u>1,987,497</u> |
| Fund balances end of year | <u>\$ 894,431</u> | <u>\$ 72,133</u> | <u>\$ 526,610</u> | <u>\$ 1,493,174</u> |

See notes to financial statements.

WILLIAMSBURG 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

Net change in fund balances - total governmental funds \$ (494,323)

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

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

| | | | |
|--|----------------------|------------------|-----------|
| | Capital outlays | \$ 169,154 | |
| | Depreciation expense | <u>(351,384)</u> | (182,230) |

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 1,247

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 390,189

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,601

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 governmental funds. 32,801

The decrease in the Internal Service Fund represents an undercharge to the governmental funds and is incorporated into the statement of net assets as a correction of governmental activities expenses. (8,181)

Change in net assets of governmental activities \$ (258,896)

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2004

| | Enterprise Fund School Nutrition | Internal Service Fund |
|--|---|-----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 74,815 | \$ 5,920 |
| Receivables: | | |
| Interfund receivable (note 3) | 1,886 | - |
| Inventories | 18,494 | - |
| Capital assets, net of accumulated depreciation (note 6) | <u>176,587</u> | <u>-</u> |
| Total assets | <u>271,782</u> | <u>5,920</u> |
| Liabilities | | |
| Accounts payable | <u>30</u> | <u>-</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 176,587 | - |
| Unrestricted | <u>95,165</u> | <u>5,920</u> |
| Total net assets | <u>\$ 271,752</u> | <u>\$ 5,920</u> |

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

| | Enterprise Fund <u>School Nutrition</u> | Internal Service Fund <u>Fund</u> |
|------------------------------|---|--|
| Operating revenues: | | |
| Local sources: | | |
| Charges for services | \$ 300,852 | \$ 34,364 |
| Operating expenses: | | |
| Non-instructional programs: | | |
| Food service operations: | | |
| Salaries | 153,334 | - |
| Benefits | 19,195 | - |
| Purchased services | 9,656 | 42,545 |
| Supplies | 205,027 | - |
| Depreciation | 24,008 | - |
| | <u>411,220</u> | <u>42,545</u> |
| Operating loss | <u>(110,368)</u> | <u>(8,181)</u> |
| Non-operating revenues: | | |
| Interest on investments | 683 | - |
| State sources | 5,620 | - |
| Federal sources | 104,730 | - |
| Total non-operating revenues | <u>111,033</u> | <u>-</u> |
| Change in net assets | 665 | (8,181) |
| Net assets beginning of year | <u>271,087</u> | <u>14,101</u> |
| Net assets end of year | <u>\$ 271,752</u> | <u>\$ 5,920</u> |

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

| | Enterprise Fund School Nutrition | Internal Service Fund |
|---|---|-----------------------------|
| Cash flows from operating activities: | | |
| Cash received from sale of lunches and breakfasts | \$ 296,961 | \$ - |
| Cash received from miscellaneous operating activities | 3,891 | 34,364 |
| Cash payments to employees for services | (172,529) | - |
| Cash payments to suppliers for goods or services | (185,952) | (42,545) |
| Net cash used in operating activities | <u>(57,629)</u> | <u>(8,181)</u> |
| Cash flows from non-capital financing activities: | | |
| State grants received | 5,620 | - |
| Federal grants received | 78,223 | - |
| Net cash provided by non-capital financing activities | <u>83,843</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of capital assets | (8,919) | - |
| Cash flows from investing activities: | | |
| Interest on investments | 683 | - |
| Net increase (decrease) in cash and cash equivalents | 17,978 | (8,181) |
| Cash and cash equivalents beginning of year | 58,723 | 14,101 |
| Cash and cash equivalents end of year | <u>\$ 76,701</u> | <u>\$ 5,920</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (110,368) | \$ (8,181) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 24,008 | - |
| Commodities used | 26,507 | - |
| Decrease in inventories | 2,194 | - |
| Increase in accounts payable | 30 | - |
| Net cash used in operating activities | <u>\$ (57,629)</u> | <u>\$ (8,181)</u> |
| Non-cash investing, capital and financing activities: | | |
| During the year ended June 30, 2004, the District received \$26,507 of federal commodities. | | |

See notes to financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Williamsburg 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 Williamsburg, Iowa, and the predominate agricultural territory in Iowa 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, Williamsburg 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. Williamsburg 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 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 Iowa County Assessor's Conference Board.

B. Basis of Presentation

District-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.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 and proprietary funds. 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 main 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 expenses, including instructional, support and other costs.

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

C. Measurement Focus and Basis of Accounting

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

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

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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.

All proprietary funds of the District apply 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 non-operating 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 non-operating 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 statement of net assets and 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.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. 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 to the County Auditor by April 15 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes 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 contributed value for 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 District-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 | \$ 5,000 |
| Buildings | 5,000 |
| Improvements other than buildings | 5,000 |
| Furniture and equipment: | |
| School Nutrition Fund Equipment | 500 |
| Other furniture and equipment | 5,000 |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

| Asset Class | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings | 50 years |
| Improvements other than buildings | 20 years |
| Furniture and equipment | 5-20 years |

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

Deferred revenue in 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.

Compensated Absences – The District’s policy is not to reimburse employees for unused vacation. Vacation can only be used by the employee in the year it is earned. The District had no compensated absences liability at June 30, 2004.

Long-term Liabilities – In the District-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 Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Restricted Net Assets – In the District-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. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional services functional area exceeded the amount budgeted before the District amended the budget.

Note 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 investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$141,457 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Interfund Receivables/Payables

The District had the following interfund receivables and payables at June 30, 2004:

| Receivable Fund | Payable Fund | Amount |
|------------------------------|--------------|-----------------|
| Enterprise, School Nutrition | General | \$ 1,886 |
| Special Revenue, Management | General | <u>3,931</u> |
| | | <u>\$ 5,817</u> |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Interfund Transfers

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

| Transfer to | Transfer from | Amount |
|---|---------------|------------------|
| Debt Service | General | \$ 20,189 |
| Special Revenue, Physical Plant and Equipment Levy | General | <u>20,189</u> |
| Total | | <u>\$ 40,378</u> |

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

Note 5. Iowa Schools 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. The District had no ISCAP balances at June 30, 2004.

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. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets

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

| | Balance Beginning of Year, as Restated (note 11) | Increases | Decreases | Balance End of Year |
|---|--|---------------------|---------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 195,800 | \$ 60,000 | \$ - | \$ 255,800 |
| Capital assets being depreciated: | | | | |
| Buildings | 11,251,464 | - | - | 11,251,464 |
| Improvements other than buildings | 662,598 | - | - | 662,598 |
| Furniture and equipment | 1,197,921 | 109,154 | 29,196 | 1,277,879 |
| Total capital assets being depreciated | <u>13,111,983</u> | <u>109,154</u> | <u>29,196</u> | <u>13,191,941</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,780,462 | 226,879 | - | 3,007,341 |
| Improvements other than buildings | 262,167 | 30,389 | - | 292,556 |
| Furniture and equipment | 812,300 | 94,116 | 29,196 | 877,220 |
| Total accumulated depreciation | <u>3,854,929</u> | <u>351,384</u> | <u>29,196</u> | <u>4,177,117</u> |
| Total capital assets being depreciated, net | <u>9,257,054</u> | <u>(242,230)</u> | <u>-</u> | <u>9,014,824</u> |
| Governmental activities capital assets, net | <u>\$ 9,452,854</u> | <u>\$ (182,230)</u> | <u>\$ -</u> | <u>\$ 9,270,624</u> |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets (continued)

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-------------|-----------|---------------------------|
| Business-type activities: | | | | |
| Furniture and equipment | \$ 264,016 | \$ 8,919 | \$ 1,995 | \$ 270,940 |
| Less accumulated depreciation | 72,340 | 24,008 | 1,995 | 94,353 |
| Business-type activities capital assets, net | \$ 191,676 | \$ (15,089) | \$ - | \$ 176,587 |

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 12,654

Support services:

Administration

5,890

Operation and maintenance of plant services

4,657

Transportation

70,915

94,116

Unallocated depreciation

257,268

Total governmental activities depreciation expense

\$ 351,384

Business-type activities:

Food service operations

\$ 24,008

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

| | Early Retirement | General Obligation Bonds | Asbestos Loan | Total |
|---------------------------|---------------------|--------------------------------|-------------------|---------------------|
| Balance beginning of year | \$ 333,864 | \$ 1,980,000 | \$ 151,419 | \$ 2,465,283 |
| Additions | 102,349 | - | - | 102,349 |
| Reductions | 135,150 | 370,000 | 20,189 | 525,339 |
| Balance end of year | <u>\$ 301,063</u> | <u>\$ 1,610,000</u> | <u>\$ 131,230</u> | <u>\$ 2,042,293</u> |
| Due within one year | <u>\$ 106,422</u> | <u>\$ 385,000</u> | <u>\$ 20,189</u> | <u>\$ 511,611</u> |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees and administrators. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the difference between the B.A. Step O and the employee's position on the salary scale as of the last contract year, based on age at retirement. Eligible employees will also receive paid single health and major medical insurance coverage until the employee reaches age 65 or becomes eligible for Medicare coverage. Early retirement benefits paid during the year ended June 30, 2004, totaled \$135,150. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities (continued)

Bonds Payable

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

| Year Ending June 30, | Issue dated March 1, 2003 | | Issue dated June 1, 2000 | | Total | |
|-------------------------|---------------------------|------------------|--------------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2005 | \$ 270,000 | \$ 15,475 | \$ 115,000 | \$ 45,570 | \$ 385,000 | \$ 61,045 |
| 2006 | 270,000 | 11,290 | 120,000 | 38,670 | 390,000 | 49,960 |
| 2007 | 280,000 | 6,160 | 130,000 | 31,470 | 410,000 | 37,630 |
| 2008 | - | - | 135,000 | 23,670 | 135,000 | 23,670 |
| 2009 | - | - | 140,000 | 16,246 | 140,000 | 16,246 |
| 2010 | - | - | 150,000 | 8,476 | 150,000 | 8,476 |
| Total | <u>\$ 820,000</u> | <u>\$ 32,925</u> | <u>\$ 790,000</u> | <u>\$ 164,102</u> | <u>\$ 1,610,000</u> | <u>\$ 197,027</u> |

During the year ended June 30, 2004, the District retired \$370,000 in general obligation bonds.

Asbestos Loan Program Grant

During the year ended June 30, 1991 the District entered into a loan agreement with the Environment Protection Agency to finance the removal of asbestos from the Junior-Senior High School. The agreement included a grant of \$2,274 and an interest free loan of \$363,405. The loan is to be paid back in 36 equal biannual installments of \$10,094. The final date of the loan in May 30, 2011. Details of the District's asbestos management loan are as follows:

| Year Ending June 30, | Payment |
|-------------------------|-------------------|
| 2005 | \$ 20,189 |
| 2006 | 20,189 |
| 2007 | 20,189 |
| 2008 | 20,189 |
| 2009 | 20,189 |
| 2010 | 20,189 |
| 2011 | <u>10,096</u> |
| Total | <u>\$ 131,230</u> |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 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. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$287,093, \$282,162, and \$267,999 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Williamsburg 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. District contributions to ISEBA for the year ended June 30, 2004 were \$933,053.

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 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.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 9. Risk Management (continued)

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

Note 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 \$318,408 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Accounting Change

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 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 Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year 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 District-wide financial statements separate the District's programs between business-type and governmental 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:

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 11. Accounting Change (continued)

| | Fund | | | Total |
|---|---------------------|------------------|-------------------|---------------------|
| | General | Debt Service | Nonmajor | |
| Net assets, June 30, 2003, as previously reported | \$ <u>1,294,834</u> | \$ <u>72,920</u> | \$ <u>619,743</u> | \$ 1,987,497 |
| GASB 34 adjustments: | | | | |
| Capital assets, net of accumulated depreciation of \$3,854,929 | | | | 9,452,854 |
| Long-term liabilities: | | | | |
| Bonds and notes | | | (1,980,000) | |
| Early retirement | | | (333,864) | |
| Asbestos loan | | | <u>(151,419)</u> | (2,465,283) |
| Accrued interest payable | | | | (6,688) |
| Internal Service Fund | | | | 14,101 |
| Deferred revenue | | | | <u>406,000</u> |
| Net assets, July 1, 2003, as restated | | | | \$ <u>9,388,481</u> |

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Required Supplementary Information

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2004

| | Governmental | Proprietary | Total | Budgeted Amounts | | Final to Actual Variance |
|--|-------------------|------------------|------------------|-------------------|-------------------|--------------------------------|
| | Funds - Actual | Fund - Actual | | Original | Final | |
| REVENUES: | | | | | | |
| Local sources | \$ 4,282,540 | \$ 301,535 | \$ 4,584,075 | \$ 4,830,308 | \$ 4,830,308 | \$ (246,233) |
| Intermediate sources | 51,710 | - | 51,710 | 7,500 | 7,500 | 44,210 |
| State sources | 4,220,517 | 5,620 | 4,226,137 | 4,376,448 | 4,376,448 | (150,311) |
| Federal sources | 161,709 | 104,730 | 266,439 | 288,183 | 288,183 | (21,744) |
| Total revenues | 8,716,476 | 411,885 | 9,128,361 | 9,502,439 | 9,502,439 | (374,078) |
| EXPENDITURES/EXPENSES: | | | | | | |
| Instruction | 5,886,804 | - | 5,886,804 | 6,540,000 | 6,540,000 | 653,196 |
| Support services | 2,321,889 | - | 2,321,889 | 2,356,600 | 2,400,000 | 78,111 |
| Non-instructional programs | 33,675 | 411,220 | 444,895 | 25,000 | 600,000 | 155,105 |
| Other expenditures | 969,231 | - | 969,231 | 1,497,641 | 1,497,641 | 528,410 |
| Total expenditures/expenses | 9,211,599 | 411,220 | 9,622,819 | 10,419,241 | 11,037,641 | 1,414,822 |
| Excess (deficiency) of revenues over (under) expenditures/ expenses | (495,123) | 665 | (494,458) | (916,802) | (1,535,202) | 1,040,744 |
| Other financing sources, net | 800 | - | 800 | (13) | (13) | 813 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses | (494,323) | 665 | (493,658) | (916,815) | (1,535,215) | 1,041,557 |
| Balance beginning of year | 1,987,497 | 271,087 | 2,258,584 | 2,067,574 | 2,067,574 | 191,010 |
| Balance end of year | \$ 1,493,174 | \$ 271,752 | \$ 1,764,926 | \$ 1,150,759 | \$ 532,359 | \$ 1,232,567 |

See accompanying independent auditor's report.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

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 accrual basis. Encumbrances are not recognized on the accrual 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 function 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 disbursements by \$618,400.

During the year ended June 30, 2004, disbursements in the non-instructional programs functional area exceeded the amount budgeted before being amended.

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Other Supplementary Information

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

| | Special Revenue | | | Total |
|-----------------------------------|--------------------|---------------------|--|-------------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | |
| Assets | | | | |
| Cash and pooled investments | \$ 106,055 | \$ 78,816 | \$ 328,633 | \$ 513,504 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 6,973 | - | 2,703 | 9,676 |
| Succeeding year | 271,000 | - | 88,000 | 359,000 |
| Interfund receivable | 3,931 | - | - | 3,931 |
| | | | | |
| Total assets | <u>\$ 387,959</u> | <u>\$ 78,816</u> | <u>\$ 419,336</u> | <u>\$ 886,111</u> |
| Liabilities and Fund Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 501 | \$ - | \$ 501 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 271,000 | - | 88,000 | 359,000 |
| Total liabilities | <u>271,000</u> | <u>501</u> | <u>88,000</u> | <u>359,501</u> |
| Fund equity: | | | | |
| Fund balances: | | | | |
| Unreserved: | | | | |
| Undesignated | 116,959 | 78,315 | 331,336 | 526,610 |
| | | | | |
| Total liabilities and fund equity | <u>\$ 387,959</u> | <u>\$ 78,816</u> | <u>\$ 419,336</u> | <u>\$ 886,111</u> |

See accompanying independent auditor's report.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

| | Special Revenue | | | Total |
|--|--------------------|---------------------|--|-------------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 224,017 | \$ - | \$ 99,214 | \$ 323,231 |
| Other | 943 | 346,740 | 4,712 | 352,395 |
| State sources | 165 | - | 64 | 229 |
| Total revenues | <u>225,125</u> | <u>346,740</u> | <u>103,990</u> | <u>675,855</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | 172,190 | - | - | 172,190 |
| Other instruction | - | 361,667 | - | 361,667 |
| Support services: | | | | |
| Operation and maintenance of plant services | 52,107 | - | - | 52,107 |
| Transportation services | 18,735 | - | - | 18,735 |
| Other expenditures: | | | | |
| Facilities acquisition | - | - | 184,478 | 184,478 |
| Total expenditures | <u>243,032</u> | <u>361,667</u> | <u>184,478</u> | <u>789,177</u> |
| Deficiency of revenues under expenditures | (17,907) | (14,927) | (80,488) | (113,322) |
| Other financing sources: | | | | |
| Interfund transfers in | - | - | 20,189 | 20,189 |
| Deficiency of revenues under expenditures | (17,907) | (14,927) | (60,299) | (93,133) |
| Fund balances beginning of year | <u>134,866</u> | <u>93,242</u> | <u>391,635</u> | <u>619,743</u> |
| Fund balances end of year | <u>\$ 116,959</u> | <u>\$ 78,315</u> | <u>\$ 331,336</u> | <u>\$ 526,610</u> |

See accompanying independent auditor's report.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|----------------------------------|---------------------------------|----------|--------------|---------------------------|
| All Weather Track | \$ 1,526 | \$ 1,762 | \$ 2,857 | \$ 431 |
| Athletics | 12,792 | 80,051 | 89,219 | 3,624 |
| Art Club | 77 | 240 | 199 | 118 |
| Baseball Club/Goodwin | 850 | 7,196 | 5,786 | 2,260 |
| Basketball Cheerleaders | 2,022 | 1,882 | 1,479 | 2,425 |
| Boys Golf Club | - | 1,735 | 1,511 | 224 |
| Change Fund | (600) | 4,930 | 5,130 | (800) |
| Cheerleaders | 563 | 1,349 | 1,908 | 4 |
| Class of: | | | | |
| 2004 | 7,581 | 1,201 | 7,439 | 1,343 |
| 2005 | 55 | 19,012 | 13,024 | 6,043 |
| 2006 | 13 | 50 | 40 | 23 |
| 2007 | 1,301 | (699) | 552 | 50 |
| 2008 | 141 | (141) | - | - |
| 2009 | 1,167 | (1,167) | - | - |
| 2010 | 1,221 | (1,221) | - | - |
| Drama | 2,894 | 5,770 | 11,128 | (2,464) |
| Future Farmers of America | 13,222 | 27,398 | 26,864 | 13,756 |
| Future Homemakers of America | 3,820 | 8,813 | 9,367 | 3,266 |
| General Revenue | 2,661 | 14,601 | 11,870 | 5,392 |
| German Club | 50 | 488 | 518 | 20 |
| Grade School Activities | 7,247 | 29,969 | 28,725 | 8,491 |
| Honor Society | 799 | 4,219 | 3,118 | 1,900 |
| Interest | 2,193 | 875 | 2,249 | 819 |
| Jr. High Account | 2,109 | 2,603 | 3,366 | 1,346 |
| Jr. High Honor Society | 8 | 1,169 | 1,079 | 98 |
| Jr. High Student Council | 1,229 | 845 | 417 | 1,657 |
| Jr. High Volleyball Club | 402 | - | - | 402 |
| Jr./Sr. High Book Rental | - | 40 | 40 | - |
| Letter Winners | 1,508 | 1,138 | 563 | 2,083 |
| Library | 1,121 | 1,582 | 1,508 | 1,195 |
| Little Raiders Girls' Basketball | 833 | 8,315 | 8,794 | 354 |
| M & M Club | - | 50 | 26 | 24 |
| Math Club | 971 | - | - | 971 |
| Mikana | 4,385 | 13,556 | 13,555 | 4,386 |
| Music Organization | 2,765 | 9,976 | 11,217 | 1,524 |
| Musicals | - | 7,395 | 5,352 | 2,043 |
| Pom Pom Squad | 1,165 | 15,862 | 12,473 | 4,554 |
| Raider Basketball Club | 4,019 | 15,650 | 16,051 | 3,618 |
| Raider Football Club | 1,325 | 20,218 | 20,513 | 1,030 |

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------------|---------------------------------|----------------|----------------|---------------------------|
| Raider Softball Club | \$ 135 | \$ 4,524 | \$ 3,995 | \$ 664 |
| Refreshment Stand | 653 | 7,438 | 7,831 | 260 |
| Science Club | 43 | - | - | 43 |
| Spanish Club | 1,041 | 7,202 | 8,014 | 229 |
| Special Education Activities | 924 | 1,474 | 774 | 1,624 |
| Speech Club | 588 | 390 | 511 | 467 |
| Student Council | 3,215 | 7,626 | 9,941 | 900 |
| Swimming Account | 1,613 | 5,209 | 5,937 | 885 |
| Thirty Days of Fitness | 385 | 209 | 239 | 355 |
| Volleyball Club | 70 | 2,120 | 1,453 | 737 |
| Wrestling Club | 1,140 | 3,836 | 5,035 | (59) |
| Total | \$ 93,242 | \$ 346,740 | \$ 361,667 | \$ 78,315 |

See accompanying independent auditor's report.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

| | Modified Accrual Basis Years Ended June 30, | | | |
|---|--|---------------------|----------------------|---------------------|
| | 2004 | 2003 | 2002 | 2001 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,597,722 | \$ 3,742,959 | \$ 3,295,807 | \$ 3,179,783 |
| Tuition | 280,034 | 281,506 | 249,053 | 236,918 |
| Other | 404,784 | 1,254,200 | 2,661,776 | 590,777 |
| Intermediate sources | 51,710 | 59,339 | 18,707 | - |
| State sources | 4,220,517 | 4,230,375 | 4,152,927 | 3,925,309 |
| Federal sources | 161,709 | 181,268 | 173,883 | 135,809 |
| | <u>\$ 8,716,476</u> | <u>\$ 9,749,647</u> | <u>\$ 10,552,153</u> | <u>\$ 8,068,596</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 4,052,371 | \$ 3,979,400 | \$ 3,788,332 | \$ 3,506,241 |
| Special instruction | 1,049,161 | 916,704 | 941,545 | 786,169 |
| Other instruction | 785,272 | 846,106 | 785,238 | 598,247 |
| Support services: | | | | |
| Student services | 177,231 | 187,221 | 193,506 | 171,600 |
| Instructional staff services | 218,051 | 209,821 | 168,237 | 189,640 |
| Administration services | 624,215 | 627,898 | 540,404 | 527,214 |
| Operation and maintenance of plant services | 830,320 | 817,024 | 705,907 | 674,741 |
| Transportation services | 431,666 | 338,396 | 419,868 | 401,490 |
| Central and other support services | 40,406 | - | - | - |
| Non-instructional programs | 33,675 | 29,971 | 26,851 | 20,633 |
| Other expenditures: | | | | |
| Facilities acquisition | 184,478 | 768,503 | 2,732,248 | 781,138 |
| Long-term debt: | | | | |
| Principal | 390,189 | 360,189 | 340,188 | 325,189 |
| Interest and fiscal charges | 76,156 | 139,091 | 140,197 | 156,138 |
| AEA flowthrough | 318,408 | 334,046 | 328,355 | 317,524 |
| | <u>\$ 9,211,599</u> | <u>\$ 9,554,370</u> | <u>\$ 11,110,876</u> | <u>\$ 8,455,964</u> |

See accompanying independent auditor's report.

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

To the Board of Education of
Williamsburg Community School District:

We have audited the financial statements of Williamsburg Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 2, 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 Williamsburg Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 Williamsburg Community School 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. The District had no prior year statutory comments.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Williamsburg Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in 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 I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

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

Oskaloosa, Iowa
September 2, 2004

WILLIAMSBURG 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 internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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 for the general and schoolhouse funds.

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 believe the addition of a second full-time individual to assist in bookkeeping duties, primarily the disbursements and payables area and to a lesser extent in the receipting and reconciling functions has improved the segregation of duties in several areas. We will continue to review our operating procedures to improve in the areas needing further segregation of duties.

Conclusion – Response accepted.

I-B-04 Disbursement Support – We noted in our testing of disbursements that one disbursement was made based on a statement only, with no supporting detail, and two disbursements were made without supporting invoices.

Recommendation – The District should require all detailed support documentation, invoices, vendor agreements, or receipts before making future disbursements.

Response – We will require proper support documentation on all future disbursements.

Conclusion – Response accepted.

I-C-04 Financial Condition – We noted several individual accounts with deficit balances within the Special Revenue, Student Activity Fund.

Recommendation – The District should explore various options to resolve these deficit balances.

Response – We will discuss various options and resolve this situation.

Conclusion – Response accepted.

WILLIAMSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional services function before the District amended the budget.
- 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 – This was the result of an error in our original adopted budget. We will amend our budget before disbursements exceed the budget in the future.
- Conclusion – Response accepted.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of 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 or employees 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 – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – The number of students certified to the Department of Education as open enrolled into the District was overstated by three students.
- Recommendation – The District should contact the Department of Management and the Department of Education to resolve this difference.
- Response – We will contact the proper Departments and resolve this difference.
- Conclusion – Response accepted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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