

WILTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2004

WILTON COMMUNITY SCHOOL DISTRICT

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WILTON COMMUNITY SCHOOL DISTRICT  
 Officials  
 June 30, 2004

Name	Title	Term Expires
<b>Board of Education</b>		
(Before September 2003 Election)		
Christopher Wheeler	Board President	2003
Jeffrey Kaufmann	Board Member	2004
Perry Hartman	Board Member	2004
Julie Bauer-Cook	Board Member	2005
Linda Duncan	Board Member	2005
(After September 2003 Election)		
Jeffrey Kaufmann	Board President	2004
Perry Hartman	Board Member	2004
Julie Bauer-Cook	Board Member	2005
Linda Duncan	Board Member	2005
Barbara Smith	Board Member	2006
<b>School Officials</b>		
John Sauer	Superintendent	2004
Joy Gehrls	District Secretary	2004
Staci Owens-Kirkman	District Treasurer/Business Manager	2004

# KAY L. CHAPMAN, CPA PC

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Muscataine, Iowa 52761

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Wilton Community School District  
Wilton, Iowa

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

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Wilton 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 9 to the financial statements, during the year ended June 30, 2004, Wilton 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, I have also issued my reports dated November 12, 2004 on my consideration of Wilton Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 42 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilton Community School District's basic financial statements. I 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 8, 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 my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC  
November 12, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Wilton 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 \$6,423,080 in fiscal 2003 to \$6,337,068 in fiscal 2004, and General Fund expenditures increased from \$6,233,524 in fiscal 2003 to \$6,871,802 in fiscal 2004. The District's General Fund balance decreased from \$1,236,623 in fiscal 2003 to \$705,989 in fiscal 2004, a 43% decrease.
- The increase in General Fund revenues was attributable to an increase in property taxes and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits package with a very large increase in employee insurance costs, and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- 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 \$21,210 in fiscal 2003 to \$8,657 in fiscal 2004.

### USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wilton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

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

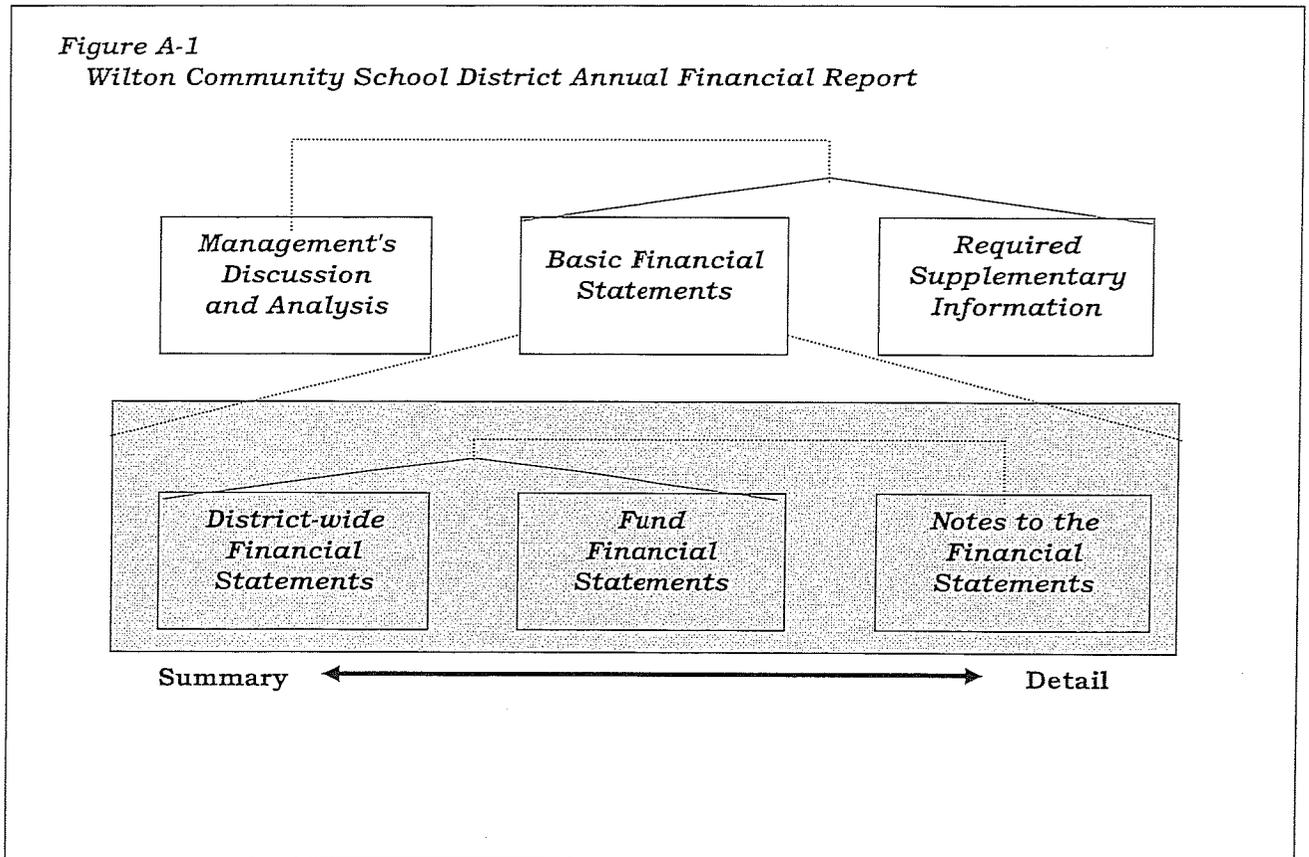


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide 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, FFA farm operations, swimming pool operations and latchkey programs are included here.

#### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

The required financial statements for 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 four Enterprise Funds, the School Nutrition Fund, FFA Farm Fund, Swimming Pool Fund and Latchkey Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and

services for other District programs and activities. The District currently has one Internal Service Fund, the Self-funded Insurance Fund.

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

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

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

- Private-purpose Trust Funds - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain revenue collected for an employee flex benefit plan, a community student mentoring program, and student group trips.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-2004
	Current and other assets	\$ 4,785,094	\$ 4,819,973	\$155,656	\$ 166,755	\$ 4,940,750	\$ 4,986,728
Capital assets	<u>7,145,388</u>	<u>6,137,287</u>	<u>55,678</u>	<u>62,681</u>	<u>7,201,066</u>	<u>6,199,968</u>	16.15%
Total assets	<u>11,930,482</u>	<u>10,957,260</u>	<u>211,334</u>	<u>229,436</u>	<u>12,141,816</u>	<u>11,186,696</u>	8.54%
Long-term obligations	1,018,364	1,177,393	-	-	1,018,364	1,177,393	-13.51%
Other liabilities	<u>3,588,124</u>	<u>2,379,255</u>	<u>13,474</u>	<u>14,454</u>	<u>3,601,598</u>	<u>2,393,709</u>	50.46%
Total liabilities	<u>4,606,488</u>	<u>3,556,648</u>	<u>13,474</u>	<u>14,454</u>	<u>4,619,962</u>	<u>3,571,102</u>	29.37%
Net assets							
Invested in capital assets,							
net of related debt	6,180,388	4,992,287	55,678	62,681	6,236,066	5,054,968	23.37%
Restricted	358,022	1,052,736	-	-	358,022	1,052,736	-65.99%
Unrestricted	<u>785,584</u>	<u>1,355,589</u>	<u>142,182</u>	<u>152,301</u>	<u>927,766</u>	<u>1,507,890</u>	-38.47%
Total net assets	<u>\$ 7,323,994</u>	<u>\$ 7,400,612</u>	<u>\$197,860</u>	<u>\$ 214,982</u>	<u>\$ 7,521,854</u>	<u>\$ 7,615,594</u>	-1.23%

The District's combined net assets decreased by approximately 1.2%, or \$93,740, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$694,714, or 66% from the prior year. The decrease was primarily a result of a construction project that was begun during fiscal 2004.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$580,124, or 38.5%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

	Figure A-4 Change in Net Assets		
	Governmental Activities	Business Type Activities	Total School District
Revenues			
Program revenues			
Charges for service and sales	\$ 678,225	\$ 485,230	\$ 1,163,455
Operating grants, contributions and restricted interest	669,703	129,788	799,491
General revenues			
Property tax	3,028,495	-	3,028,495
Unrestricted state grants	2,942,253	-	2,942,253
Unrestricted investment earnings	16,582	866	17,448
Other	<u>77,743</u>	<u>-</u>	<u>77,743</u>
Total revenues	<u>7,413,001</u>	<u>615,884</u>	<u>8,028,885</u>
Program expenses			
Governmental activities			
Instruction	5,078,644	-	5,078,644
Support services	1,847,865	-	1,847,865
Non-instructional programs	40,301	633,006	673,307
Other expenses	<u>522,809</u>	<u>-</u>	<u>522,809</u>
Total expenses	<u>7,489,619</u>	<u>633,006</u>	<u>8,122,625</u>
Change in net assets	<u>\$ (76,618)</u>	<u>\$ (17,122)</u>	<u>\$ (93,740)</u>

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$7,413,001 and expenses were \$7,489,619. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,078,644	\$ 3,990,355
Support services	1,847,865	1,836,318
Non-instructional programs	40,301	40,301
Other expenses	<u>522,809</u>	<u>274,717</u>
 Total expenses	 <u>\$ 7,489,619</u>	 <u>\$ 6,141,691</u>

- The cost financed by users of the District's programs was \$678,225.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$669,703.
- The net cost of governmental activities was financed with \$3,028,495 in property and other taxes and \$2,942,253 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$615,884 and expenses were \$633,006. The District's business type activities include the School Nutrition Fund, FFA Farm Fund, Swimming Pool Fund and Latchkey 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 for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund which the District has obligated for the increase cost of Nutrition Department wages and insurance benefit increases.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,115,449, well below last year's ending fund

balances of \$2,323,015. However, the primary reason for the decrease in combined fund balances in fiscal 2004 is due to costs associated with refunding bonds.

#### **Governmental Fund Highlights**

- The District's declining General Fund financial position is the result of many factors. Growth during the year in taxes and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,236,623 to \$705,989, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid, an unplanned employee insurance group assessment, and existing expenditure commitments of the District.

#### **Proprietary Fund Highlights**

Enterprise Fund net assets decreased from \$214,982 at June 30, 2003 to \$197,860 at June 30, 2004, representing a decrease of approximately 8%. Again, the primary reason for this would be increased salaries/wages and insurance benefits, which were partly financed by carryover balances.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Wilton Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the insurance premium increases and bond refinancing of the 1992 Jr/Sr High Addition.

The District's receipts were \$209,275 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state aid 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 close to 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**

##### **Capital Assets**

At June 30, 2004, the District had invested \$7,201,066, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 16% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$268,937.

The original cost of the District's capital assets was \$14,362,138. Governmental funds account for \$14,175,665, with the remainder of \$186,473 accounted for in the Proprietary Funds.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,259,622 at June 30, 2004, compared to \$58,561 reported at June 30, 2003. This significant increase resulted from construction activity financed by the Local Option Sales and Service Tax balance on hand in fiscal 2004 for construction of a new auditorium/multipurpose room at the Jr/Sr High School.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$ 116,103	\$ 116,103	\$ -	\$ -	\$ 116,103	\$ 116,103	0.00%
Construction in progress	989,942	-	-	-	989,942	-	0.00%
Buildings and improvements	4,549,205	4,605,435	-	-	4,549,205	4,605,435	-1.22%
Improvements other than buildings	129,130	102,929	-	-	129,130	102,929	25.46%
Furniture and equipment	<u>1,361,008</u>	<u>1,312,820</u>	<u>55,678</u>	<u>62,681</u>	<u>1,416,686</u>	<u>1,375,501</u>	2.99%
Totals	<u>\$7,145,388</u>	<u>\$6,137,287</u>	<u>\$ 55,678</u>	<u>\$ 62,681</u>	<u>\$7,201,066</u>	<u>\$6,199,968</u>	16.15%

### Long-Term Debt

At June 30, 2004, the District had \$1,018,364 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 14% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In July 2003 the District issued general obligation bonds of \$965,000 for the purpose of refinancing the bond issue from 1998. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are not recorded by the District. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$950,000 at June 30, 2004.

Figure A-7  
Outstanding Long-term Obligations

	Total		Total Change
	School District		
	2004	2003	
General obligation bonds	\$ 965,000	\$ 1,145,000	-15.72%
Compensated absences	7,181	4,718	52.20%
Early retirement	<u>46,183</u>	<u>27,675</u>	66.88%
 Total	 <u>\$ 1,018,364</u>	 <u>\$ 1,177,393</u>	 -13.51%

**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:

- Muscatine County has advised the District that, due to the addition of new industrial sites and the recent completion of property revaluation assessments, the District's total taxable valuation will increase 3.5 percent for property tax collected in fiscal 2005.
- The District has experienced fluctuating enrollment for the past several years. The District expects this trend in enrollment to continue, making it difficult to anticipate future revenues based on enrollment.
- Fiscal 2004 was the first year of a two-year contract with the Wilton Education Association (WEA). The District will negotiate a new agreement during fiscal 2005 for 2006. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

**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 Staci Owens-Kirkman, Business Manager, Wilton Community School District, 1002 Cypress Street, Wilton, Iowa 52778.

## Basic Financial Statements

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2004

Exhibit A

ASSETS	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 356,924	\$ -	\$ 356,924
Other	1,737,578	138,902	1,876,480
Receivables			
Property tax			
Delinquent	23,979	-	23,979
Succeeding year	2,535,311	-	2,535,311
Accrued interest	76	-	76
Accounts receivable	4,200	6,700	10,900
Due from other governments	127,026	442	127,468
Inventories	-	9,612	9,612
Capital assets, net of accumulated depreciation	7,145,388	55,678	7,201,066
Total assets	<u>11,930,482</u>	<u>211,334</u>	<u>12,141,816</u>
<b>LIABILITIES</b>			
Accounts payable	411,340	1,502	412,842
Salaries and benefits payable	275,080	11,972	287,052
Accrued interest payable	5,255	-	5,255
Deferred revenue - succeeding year property tax	2,535,311	-	2,535,311
Deferred revenue - unspent grant revenues	1,214	-	1,214
ISCAP warrants payable	355,000	-	355,000
ISCAP unamortized premium	4,924	-	4,924
Long-term liabilities			
Portion due within one year			
Bonds payable	215,000	-	215,000
Early retirement	28,369	-	28,369
Portion due after one year			
Bonds payable	750,000	-	750,000
Compensated absences	7,181	-	7,181
Early retirement	17,814	-	17,814
Total liabilities	<u>4,606,488</u>	<u>13,474</u>	<u>4,619,962</u>

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2004

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 6,180,388	\$ 55,678	\$ 6,236,066
Restricted for			
Management levy	54,339	-	54,339
Physical plant and equipment levy	65,644	-	65,644
Other special revenue purposes	52,117	-	52,117
Capital projects	157,162	-	157,162
Debt service	28,760	-	28,760
Unrestricted	<u>785,584</u>	<u>142,182</u>	<u>927,766</u>
 Total net assets	 <u>\$ 7,323,994</u>	 <u>\$197,860</u>	 <u>\$ 7,521,854</u>

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2004

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 3,349,472	\$ 298,269	\$ 301,917	\$ -	\$(2,749,286)	\$ -	\$(2,749,286)
Special instruction	1,091,956	166,999	97,325	-	(827,632)	-	(827,632)
Other instruction	<u>637,216</u>	<u>208,472</u>	<u>15,307</u>	<u>-</u>	<u>(413,437)</u>	<u>-</u>	<u>(413,437)</u>
	<u>5,078,644</u>	<u>673,740</u>	<u>414,549</u>	<u>-</u>	<u>(3,990,355)</u>	<u>-</u>	<u>(3,990,355)</u>
Support services							
Student services	302,904	-	-	-	(302,904)	-	(302,904)
Instructional staff services	141,931	-	-	-	(141,931)	-	(141,931)
Administration services	662,338	-	-	-	(662,338)	-	(662,338)
Operation and maintenance of plant services	517,074	888	-	-	(516,186)	-	(516,186)
Transportation services	<u>223,618</u>	<u>3,597</u>	<u>7,062</u>	<u>-</u>	<u>(212,959)</u>	<u>-</u>	<u>(212,959)</u>
	<u>1,847,865</u>	<u>4,485</u>	<u>7,062</u>	<u>-</u>	<u>(1,836,318)</u>	<u>-</u>	<u>(1,836,318)</u>
Non-instructional programs	<u>40,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,301)</u>	<u>-</u>	<u>(40,301)</u>
Other expenditures							
Long-term debt interest	77,083	-	-	-	(77,083)	-	(77,083)
AEA flowthrough	248,092	-	248,092	-	-	-	-
Depreciation (unallocated) *	<u>197,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(197,634)</u>	<u>-</u>	<u>(197,634)</u>
	<u>522,809</u>	<u>-</u>	<u>248,092</u>	<u>-</u>	<u>(274,717)</u>	<u>-</u>	<u>(274,717)</u>
Total governmental activities	<u>7,489,619</u>	<u>678,225</u>	<u>669,703</u>	<u>-</u>	<u>(6,141,691)</u>	<u>-</u>	<u>(6,141,691)</u>

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2004

Exhibit B

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Business type activities							
Non-instructional programs							
Nutrition services	\$ 411,043	\$ 270,884	\$ 129,788	\$ -	\$ -	\$ (10,371)	\$ (10,371)
FFA farm program	10,989	13,016	-	-	-	2,027	2,027
Swimming pool	139,646	126,314	-	-	-	(13,332)	(13,332)
Latchkey program	71,328	75,016	-	-	-	3,688	3,688
Total business type activities	<u>633,006</u>	<u>485,230</u>	<u>129,788</u>	<u>-</u>	<u>-</u>	<u>(17,988)</u>	<u>(17,988)</u>
Total	<u>\$ 8,122,625</u>	<u>\$ 1,163,455</u>	<u>\$ 799,491</u>	<u>\$ -</u>	<u>(6,141,691)</u>	<u>(17,988)</u>	<u>(6,159,679)</u>
<b><u>General Revenues</u></b>							
Property tax levied for							
General purposes					2,311,731	-	2,311,731
Capital projects					475,059	-	475,059
Debt service					241,705	-	241,705
Unrestricted state grants					2,942,253	-	2,942,253
Unrestricted investment earnings					16,582	866	17,448
Other					77,743	-	77,743
Total general revenues					<u>6,065,073</u>	<u>866</u>	<u>6,065,939</u>
Change in net assets					(76,618)	(17,122)	(93,740)
Net assets, beginning of year, as restated					7,400,612	214,982	7,615,594
Net assets, end of year					<u>\$ 7,323,994</u>	<u>\$ 197,860</u>	<u>\$ 7,521,854</u>

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

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2004

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and pooled investments				
ISCAP	\$ 356,924	\$ -	\$ -	\$ 356,924
Other	915,904	478,569	252,539	1,647,012
Receivables				
Property tax				
Delinquent	20,158	-	3,821	23,979
Succeeding year	2,181,626	-	353,685	2,535,311
Accounts receivable	3,054	-	1,050	4,104
Accrued interest	76	-	-	76
Due from other governments	68,473	58,553	-	127,026
Total assets and other debits	<u>\$ 3,546,215</u>	<u>\$ 537,122</u>	<u>\$ 611,095</u>	<u>\$ 4,694,432</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 22,382	\$ 379,960	\$ 5,112	\$ 407,454
Salaries and benefits payable	275,080	-	-	275,080
ISCAP warrants payable	355,000	-	-	355,000
ISCAP unamortized premium	4,924	-	-	4,924
Deferred revenue				
Succeeding year property tax	2,181,626	-	353,685	2,535,311
Other	1,214	-	-	1,214
Total liabilities	<u>2,840,226</u>	<u>379,960</u>	<u>358,797</u>	<u>3,578,983</u>
 Fund balances				
Reserved for				
Capital projects	-	157,162	-	157,162
Debt service	-	-	34,015	34,015
Unreserved, undesignated				
Special revenue funds	-	-	218,283	218,283
Other governmental funds	705,989	-	-	705,989
Total fund balances	<u>705,989</u>	<u>157,162</u>	<u>252,298</u>	<u>1,115,449</u>
Total liabilities and fund balances	<u>\$ 3,546,215</u>	<u>\$ 537,122</u>	<u>\$ 611,095</u>	<u>\$ 4,694,432</u>

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2004

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$ 1,115,449</b>
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,145,388
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.	(5,255)
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	86,776
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,018,364)</u>
 <b>Net assets of governmental activities</b>	 <b><u>\$ 7,323,994</u></b>

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2004

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 2,222,778	\$ 412,482	\$ 384,593	\$ 3,019,853
Tuition	424,635	-	-	424,635
Other	63,934	7,932	246,650	318,516
State sources	3,490,976	-	7,156	3,498,132
Federal sources	134,745	-	-	134,745
Total revenues	<u>6,337,068</u>	<u>420,414</u>	<u>638,399</u>	<u>7,395,881</u>
 Expenditures				
Current				
Instruction				
Regular instruction	3,342,968	-	46,749	3,389,717
Special instruction	1,091,956	-	-	1,091,956
Other instruction	378,529	-	251,086	629,615
	<u>4,813,453</u>	<u>-</u>	<u>297,835</u>	<u>5,111,288</u>
Support services				
Student services	302,783	-	121	302,904
Instructional staff services	141,931	-	-	141,931
Administration services	637,020	-	18,050	655,070
Operation and maintenance				
of plant services	475,825	-	13,970	489,795
Transportation services	212,698	-	8,647	221,345
	<u>1,770,257</u>	<u>-</u>	<u>40,788</u>	<u>1,811,045</u>
Non-instructional programs	<u>40,000</u>	<u>-</u>	<u>301</u>	<u>40,301</u>
Other expenditures				
Facilities acquisition	-	1,152,032	-	1,152,032
Long-term debt				
Principal	-	-	195,000	195,000
Interest and fiscal charges	-	-	62,809	62,809
AEA flowthrough	248,092	-	-	248,092
	<u>248,092</u>	<u>1,152,032</u>	<u>257,809</u>	<u>1,657,933</u>
Total expenditures	<u>6,871,802</u>	<u>1,152,032</u>	<u>596,733</u>	<u>8,620,567</u>

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2004

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (534,734)	\$ (731,618)	\$ 41,666	\$ (1,224,686)
Other financing sources (uses)				
Proceeds from sale of refunding bonds	-	-	965,000	965,000
Discount on bonds sold	-	-	(1,930)	(1,930)
Payment to refunding bond escrow agent	-	-	(965,000)	(965,000)
Accrued interest on refunding	-	-	14,950	14,950
Sale of equipment and materials	4,100	-	-	4,100
Total other financing sources	<u>4,100</u>	<u>-</u>	<u>13,020</u>	<u>17,120</u>
Net change in fund balances	(530,634)	(731,618)	54,686	(1,207,566)
Fund balance, beginning of year	<u>1,236,623</u>	<u>888,780</u>	<u>197,612</u>	<u>2,323,015</u>
Fund balance, end of year	<u>\$ 705,989</u>	<u>\$ 157,162</u>	<u>\$ 252,298</u>	<u>\$ 1,115,449</u>

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2004

Exhibit F

**Net change in fund balances - total governmental funds** \$ (1,207,566)

**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	\$ 1,266,791	
Depreciation expense	<u>(258,690)</u>	1,008,101

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (36,908)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(965,000)	
Repaid	<u>1,145,000</u>	180,000

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, as follows:

Early retirement	(18,508)	
Compensated absences	<u>(2,463)</u>	(20,971)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 726

**Change in net assets of governmental activities** \$ (76,618)

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

Exhibit G

	<u>Business Type Activities</u>			Governmental
	<u>School</u>	<u>Nonmajor</u>	<u>Total</u>	<u>Activity</u>
	<u>Nutrition</u>	<u>Enterprise</u>	<u>Enterprise</u>	<u>Internal</u>
				<u>Service</u>
<b>ASSETS</b>				
Cash and pooled investments	\$ 105,255	\$ 33,647	\$ 138,902	\$ 90,566
Accounts receivable	3,226	3,474	6,700	96
Due from other governments	-	442	442	-
Inventories	9,612	-	9,612	-
Capital assets, net of accumulated depreciation	<u>37,661</u>	<u>18,017</u>	<u>55,678</u>	<u>-</u>
Total assets	<u>155,754</u>	<u>55,580</u>	<u>211,334</u>	<u>90,662</u>
<b>LIABILITIES</b>				
Accounts payable	-	1,502	1,502	3,886
Salaries and benefits payable	<u>601</u>	<u>11,371</u>	<u>11,972</u>	<u>-</u>
Total liabilities	<u>601</u>	<u>12,873</u>	<u>13,474</u>	<u>3,886</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	37,661	18,017	55,678	-
Unreserved retained earnings	<u>117,492</u>	<u>24,690</u>	<u>142,182</u>	<u>86,776</u>
Total net assets	<u>\$ 155,153</u>	<u>\$ 42,707</u>	<u>\$ 197,860</u>	<u>\$ 86,776</u>

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit H

	Business Type Activities			Governmental
	School	Nonmajor	Total	Activity
	<u>Nutrition</u>	<u>Enterprise</u>	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>
Operating revenue				
Local sources				
Charges for service	\$ 270,884	\$ 201,925	\$ 472,809	\$ 131,074
Sale of product	-	12,421	12,421	-
Total operating revenue	270,884	214,346	485,230	131,074
Operating expenses				
Non-instructional programs				
Salaries	140,168	116,655	256,823	-
Benefits	82,378	24,095	106,473	167,982
Purchased services	10,909	24,696	35,605	-
Supplies	168,903	49,920	218,823	-
Equipment repairs	-	3,080	3,080	-
Miscellaneous	354	1,601	1,955	-
Depreciation	8,331	1,916	10,247	-
Total operating expenses	411,043	221,963	633,006	167,982
Operating (loss)	(140,159)	(7,617)	(147,776)	(36,908)
Non-operating revenues				
Interest income	642	224	866	-
State sources	5,266	-	5,266	-
Federal sources	124,522	-	124,522	-
Total non-operating revenues	130,430	224	130,654	-
Change in net assets	(9,729)	(7,393)	(17,122)	(36,908)
Net assets, beginning of year	164,882	50,100	214,982	123,684
Net assets, end of year	\$ 155,153	\$ 42,707	\$ 197,860	\$ 86,776

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit I

	Business Type Activities			Governmental
	School	Nonmajor	Total	Activity
	Nutrition	Enterprise	Enterprise	Service
Cash flows from operating activities				
Cash received from sale of services	\$ 275,975	\$ 198,280	\$ 474,255	\$131,234
Cash received from other operations	-	12,421	12,421	-
Cash payments to employees for services	(222,714)	(141,086)	(363,800)	(172,201)
Cash payments to suppliers for goods and services	(154,069)	(78,754)	(232,823)	-
Net cash (used in) operating activities	(100,808)	(9,139)	(109,947)	(40,967)
Cash flows from non-capital financing activities				
State grants received	5,266	-	5,266	-
Federal grants received	101,063	-	101,063	-
Net cash provided by non-capital financing activities	106,329	-	106,329	-
Cash flows from capital and related financing activities				
Acquisition of capital assets	-	(3,244)	(3,244)	-
Cash flows from investing activities				
Interest on investments	642	224	866	-
Net increase (decrease) in cash and cash equivalents	6,163	(12,159)	(5,996)	(40,967)
Cash and cash equivalents, beginning of year	99,092	45,806	144,898	131,533
Cash and cash equivalents, end of year	\$ 105,255	\$ 33,647	\$ 138,902	\$ 90,566
 <b>Reconciliation of operating (loss) to</b>				
<b>net cash (used in) operating activities</b>				
Operating (loss)	\$(140,159)	\$ (7,617)	\$(147,776)	\$(36,908)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities				
Depreciation	8,331	1,916	10,247	-
Commodities used	23,459	-	23,459	-
(Increase) decrease in accounts receivable	5,092	(3,646)	1,446	160
Decrease in inventories	2,816	-	2,816	-
Increase (decrease) in accounts payable	(179)	543	364	(4,219)
(Decrease) in accrued salaries and benefits	(168)	(335)	(503)	-
Net cash (used in) operating activities	\$(100,808)	\$ (9,139)	\$(109,947)	\$(40,967)

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

During the year ended June 30, 2004, the District received \$23,459 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004

Exhibit J

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarships</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 67,255	\$ 29,093
Interest receivable	30	-
Total assets	67,285	29,093
Liabilities		
Due to others	-	29,093
Net assets		
Reserved for scholarships	\$ 67,285	\$ -

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2004

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$ 5,895
Interest	<u>847</u>
Total additions	6,742
Deductions	
Support services	
Scholarships	<u>6,400</u>
Change in net assets	342
Net assets, beginning of year	<u>66,943</u>
Net assets, end of year	<u>\$ 67,285</u>

See notes to financial statements and Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2004

**Note 1. Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

For financial reporting purposes, Wilton Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Wilton 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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

The District reports the following major proprietary fund:

The proprietary fund, Enterprise, School Nutrition Fund is used to account for the food service operations of the District. Additionally, the District reports a nonmajor proprietary fund. The Internal Service, Self-funded Insurance Fund is utilized for employee flexible medical insurance.

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement or results of operations.

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 balance sheet:

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

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

Property Tax Receivable - Property tax in 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. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal 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 property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$2,500
Buildings	\$2,500
Improvements other than buildings	\$2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$2,500

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

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

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2004. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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

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

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

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures did not exceed the amounts budgeted nor did District expenditures exceed the General Fund unspent authorized budget.

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

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

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

The District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$1,258 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 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. 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. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2004-05A	6/30/04	6/30/05	\$ 356,924	\$ -	\$ 355,000	\$ -	\$ 4,924

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 additions, 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. There was no ISCAP advance activity for the year ended June 30, 2004.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.000%	2.6030%
2003-04B	2.000%	1.3920%
2004-05A	3.000%	2.4600%

#### Note 4. Capital Assets

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

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 116,103	\$ -	\$ -	\$ 116,103
Construction in progress	-	989,942	-	989,942
Total capital assets, not being depreciated	<u>116,103</u>	<u>989,942</u>	<u>-</u>	<u>1,106,045</u>
Capital assets being depreciated:				
Buildings and improvements	10,033,516	123,955	-	10,157,471
Improvements other than buildings	678,830	38,135	-	716,965
Furniture and equipment	<u>2,267,013</u>	<u>114,759</u>	<u>(186,588)</u>	<u>2,195,184</u>
Total capital assets being depreciated	<u>12,979,359</u>	<u>276,849</u>	<u>(186,588)</u>	<u>13,069,620</u>
Less accumulated depreciation for:				
Buildings and improvements	5,428,081	180,185	-	5,608,266
Improvements other than buildings	575,901	11,934	-	587,835
Furniture and equipment	<u>954,193</u>	<u>66,571</u>	<u>(186,588)</u>	<u>834,176</u>
Total accumulated depreciation	<u>6,958,175</u>	<u>258,690</u>	<u>(186,588)</u>	<u>7,030,277</u>
Total capital assets being depreciated, net	<u>6,021,184</u>	<u>18,159</u>	<u>-</u>	<u>6,039,343</u>
Governmental activities capital assets, net	<u>\$ 6,137,287</u>	<u>\$ 1,008,101</u>	<u>\$ -</u>	<u>\$ 7,145,388</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 183,229	\$ 3,244	\$ -	\$ 186,473
Less accumulated depreciation	<u>120,548</u>	<u>10,247</u>	<u>-</u>	<u>130,795</u>
Business type activities capital assets, net	<u>\$ 62,681</u>	<u>\$ (7,003)</u>	<u>\$ -</u>	<u>\$ 55,678</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction		
Regular	\$	19,098
Other		7,601
Support services		
Administration		4,805
Operation and maintenance of plant		2,273
Transportation		27,279
Unallocated depreciation		<u>197,634</u>
Total governmental activities depreciation expense	\$	<u>258,690</u>

**Business type activities**

Food services	\$	8,331
FFA farm		654
Swimming pool		268
Latchkey program		<u>994</u>
Total business type activities depreciation expense	\$	<u>10,247</u>

**Note 5. Long-term Liabilities**

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

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 1,145,000	\$ 965,000	\$(1,145,000)	\$ 965,000	\$ 215,000
Compensated absences	4,718	7,181	(4,718)	7,181	-
Early retirement	<u>27,675</u>	<u>18,508</u>	<u>(27,397)</u>	<u>46,183</u>	<u>28,369</u>
Totals	<u>\$ 1,177,393</u>	<u>\$ 990,689</u>	<u>\$(1,177,115)</u>	<u>\$ 1,018,364</u>	<u>\$ 243,369</u>

General Obligation Bonds Payable

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

Year Ending June 30.	Bond Issue of April 1, 2004			
	Interest Rates	Principal	Interest	Total
2005	1.20	\$ 215,000	\$ 18,392	\$ 233,392
2006	1.40	225,000	13,185	238,185
2007	1.70	225,000	10,035	235,035
2008	2.00	230,000	6,210	236,210
2009	2.30	<u>70,000</u>	<u>1,610</u>	<u>71,610</u>
Totals		<u>\$ 965,000</u>	<u>\$ 49,432</u>	<u>\$ 1,014,432</u>

#### Refunded General Obligation Bonds

On April 1, 2004, the District issued \$965,000 of general obligation refunding bonds, with interest rates ranging from 1.2% to 2.3%, for a current refunding of the general obligation bonds issued April 1, 1998. During the year ended June 30, 2004, \$1,145,000 of general obligation bonds were retired. During the year ended June 30, 2004, the District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds when they were called on June 1, 2004. After the principal and interest on all of the outstanding bonds were paid, the remaining funds were returned to the District. The transactions, balances and liabilities of the escrow account are not recorded by the District. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$950,000 at June 30, 2004.

The reacquisition price exceeded the net carrying amount of the old debt by \$3,301. This amount has been recorded as bond issuance cost, rather than netted against the new debt since it is immaterial to the financial statements. This current refunding was undertaken to reduce total debt service payments over the next five years by \$34,310 and resulted in an economic gain of \$30,647.

#### **Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$228,079, \$222,309 and \$217,844 respectively, equal to the required contributions for each year.

#### **Note 7. Risk Management**

The 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 8. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$248,092 adjusting entry to the cash basis financial statements.

#### **Note 9. Accounting Change and Restatements**

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

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

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

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

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor</u>	<u>Total</u>
Net assets June 30, 2003, as previously reported	\$ 1,236,623	\$ 888,780	\$ 170,215	\$ 2,295,618
GASB Interpretation 6 adjustments	-	-	27,397	27,397
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 1,236,623</u>	<u>\$ 888,780</u>	<u>197,612</u>	2,323,015
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$6,958,175				6,137,287
Long-term liabilities:				
General obligation bonds			\$ (1,145,000)	
Compensated absences			(4,718)	
Early retirement			<u>(27,675)</u>	(1,177,393)
Internal Service Fund balance				123,684
Accrued interest payable				<u>(5,981)</u>
Net assets July 1, 2003, as restated				<u>\$ 7,400,612</u>

**Note 10. Subsequent Event – Local Option Sales and Services Tax**

Cedar County voters authorized the Local Option Sales and Services Tax beginning July 1, 2004. This tax is an additional sales tax of 1% on all taxable sales in Cedar County and will continue for 10 years. The revenue from this tax will be distributed to all school districts with students residing in Cedar County on a per student basis. Wilton Community School District anticipates receiving revenue from this tax annually beginning with the fiscal year ending June 30, 2005.

**Note 11. Subsequent Event – Sale of Revenue Bonds**

In August, 2004 the District issued \$1.8 million of revenue bonds to be repaid from the proceeds of the Local Option Sales and Services Tax. The bond proceeds will be used for construction of an auditorium, which was begun during fiscal year 2004.

Required Supplementary Information

WILTON COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual  
 All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2004

	Governmental	Proprietary	Total	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
	Funds	Funds				Original	Final	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>					
Revenues								
Local sources	\$3,763,004	\$617,170	\$4,380,174	\$(131,074)	\$4,249,100	\$4,284,826	\$4,284,826	\$ (35,726)
State sources	3,498,132	5,266	3,503,398	-	3,503,398	3,727,214	3,727,214	(223,816)
Federal sources	134,745	124,522	259,267	-	259,267	209,000	209,000	50,267
Total revenues	<u>7,395,881</u>	<u>746,958</u>	<u>8,142,839</u>	<u>(131,074)</u>	<u>8,011,765</u>	<u>8,221,040</u>	<u>8,221,040</u>	<u>(209,275)</u>
Expenditures								
Instruction	5,111,288	-	5,111,288	-	5,111,288	4,875,525	5,200,000	88,712
Support services	1,811,045	-	1,811,045	-	1,811,045	1,824,200	1,824,200	13,155
Non-instructional programs	40,301	800,988	841,289	(167,982)	673,307	808,935	808,935	135,628
Other expenditures	1,657,933	-	1,657,933	-	1,657,933	1,753,917	2,500,000	842,067
Total expenditures	<u>8,620,567</u>	<u>800,988</u>	<u>9,421,555</u>	<u>(167,982)</u>	<u>9,253,573</u>	<u>9,262,577</u>	<u>10,333,135</u>	<u>1,079,562</u>
Excess (deficiency) of revenues								
over (under) expenditures	(1,224,686)	(54,030)	(1,278,716)	36,908	(1,241,808)	(1,041,537)	(2,112,095)	870,287
Net other financing sources	<u>17,120</u>	<u>-</u>	<u>17,120</u>	<u>-</u>	<u>17,120</u>	<u>-</u>	<u>746,083</u>	<u>(728,963)</u>
Net change in fund balance	(1,207,566)	(54,030)	(1,261,596)	36,908	(1,224,688)	(1,041,537)	(1,366,012)	141,324
Balance, beginning of year	<u>2,323,015</u>	<u>338,666</u>	<u>2,661,681</u>	<u>(123,684)</u>	<u>2,537,997</u>	<u>2,506,379</u>	<u>2,506,379</u>	<u>31,618</u>
Balance, end of year	<u>\$1,115,449</u>	<u>\$284,636</u>	<u>\$1,400,085</u>	<u>\$ (86,776)</u>	<u>\$1,313,309</u>	<u>\$1,464,842</u>	<u>\$1,140,367</u>	<u>\$ 172,942</u>

See accompanying Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Internal Service funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a basis consistent with U.S. generally accepted accounting principles.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,070,558.

During the year ended June 30, 2004, District expenditures did not exceed the amounts budgeted in any of the four functions; nor did the General Fund expenditures exceed the unspent authorized budget.

Other Supplementary Information

WILTON COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

Schedule 1

	Special Revenue				
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and pooled investments	\$ 100,025	\$ 55,761	\$ 65,046	\$ 31,707	\$ 252,539
Receivables					
Property tax					
Current year delinquent	915	-	598	2,308	3,821
Succeeding year	70,000	-	59,992	223,693	353,685
Accounts receivable	548	502	-	-	1,050
Total assets	<u>\$ 171,488</u>	<u>\$ 56,263</u>	<u>\$ 125,636</u>	<u>\$ 257,708</u>	<u>\$ 611,095</u>
 <b>LIABILITIES AND FUND EQUITY</b>					
Liabilities					
Accounts payable	\$ 966	\$ 4,146	\$ -	\$ -	\$ 5,112
Deferred revenue					
Succeeding year property tax	70,000	-	59,992	223,693	353,685
Total liabilities	<u>70,966</u>	<u>4,146</u>	<u>59,992</u>	<u>223,693</u>	<u>358,797</u>
Fund Equity					
Reserved for debt service	-	-	-	34,015	34,015
Unreserved fund balances	100,522	52,117	65,644	-	218,283
Total fund equity	<u>100,522</u>	<u>52,117</u>	<u>65,644</u>	<u>34,015</u>	<u>252,298</u>
Total liabilities and fund equity	<u>\$ 171,488</u>	<u>\$ 56,263</u>	<u>\$ 125,636</u>	<u>\$ 257,708</u>	<u>\$ 611,095</u>

See accompanying Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2004

Schedule 2

Revenues	Special Revenue				<u>Total</u>
	<u>Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
Local sources					
Local taxes	\$ 87,401	\$ -	\$ 61,119	\$ 236,073	\$ 384,593
Other	1,146	244,612	195	697	246,650
State sources	66	-	1,458	5,632	7,156
Total revenues	88,613	244,612	62,772	242,402	638,399
Expenditures					
Instruction					
Regular program instruction	46,749	-	-	-	46,749
Other instruction	-	251,086	-	-	251,086
Support services					
Student services	121	-	-	-	121
Administration services	18,050	-	-	-	18,050
Operation and maintenance of plant services	13,970	-	-	-	13,970
Transportation services	8,647	-	-	-	8,647
Non-instructional programs	301	-	-	-	301
Other expenditures					
Long-term debt					
Principal	-	-	-	195,000	195,000
Interest and fiscal charges	-	-	-	62,809	62,809
Total expenditures	87,838	251,086	-	257,809	596,733
Excess (deficiency) of revenues over (under) expenditures	775	(6,474)	62,772	(15,407)	41,666
Other financing sources (uses)					
Proceeds from sale of refunding bonds	-	-	-	965,000	965,000
Discount on bonds	-	-	-	(1,930)	(1,930)
Payment to refunding bond escrow agent	-	-	-	(965,000)	(965,000)
Accrued interest on refunding	-	-	-	14,950	14,950
Total other financing sources	-	-	-	13,020	13,020
Net change in fund balances	775	(6,474)	62,772	(2,387)	54,686
Fund balances, beginning of year	99,747	58,591	2,872	36,402	197,612
Fund balances, end of year	\$ 100,522	\$ 52,117	\$ 65,644	\$ 34,015	\$ 252,298

See accompanying Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Combining Statement of Net Assets  
Nonmajor Proprietary Funds  
June 30, 2004

Schedule 3

	Nonmajor Enterprise			<u>Total</u>
	<u>FFA Farm</u>	<u>Swimming Pool</u>	<u>Latchkey</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$12,697	\$20,950	\$33,647
Accounts receivable	-	537	2,937	3,474
Due from other fund	-	-	840	840
Due from other governments	-	-	442	442
Capital assets, net of accumulated depreciation	3,530	1,324	13,163	18,017
Total assets	3,530	14,558	38,332	56,420
<b>LIABILITIES</b>				
Due to other fund	840	-	-	840
Accounts payable	12	1,307	183	1,502
Salaries and benefits payable	-	6,151	5,220	11,371
Total liabilities	852	7,458	5,403	13,713
<b>NET ASSETS</b>				
Invested in capital assets	3,530	1,324	13,163	18,017
Unrestricted	(852)	5,776	19,766	24,690
Total net assets	\$ 2,678	\$ 7,100	\$32,929	\$42,707

See accompanying Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2004

Schedule 4

	Nonmajor Enterprise			<u>Total</u>
	<u>FFA</u> <u>Farm</u>	<u>Swimming</u> <u>Pool</u>	<u>Latchkey</u>	
Operating revenue				
Local sources				
Charges for service	\$ 595	\$ 126,314	\$ 75,016	\$ 201,925
Sale of product	12,421	-	-	12,421
Total operating revenue	13,016	126,314	75,016	214,346
Operating expenses				
Non-instructional programs				
Salaries	-	67,330	49,325	116,655
Benefits	-	11,933	12,162	24,095
Purchased services	336	22,706	1,654	24,696
Supplies	7,049	35,789	7,082	49,920
Equipment repairs	2,950	130	-	3,080
Miscellaneous	-	1,490	111	1,601
Depreciation	654	268	994	1,916
Total operating expenses	10,989	139,646	71,328	221,963
Operating income (loss)	2,027	(13,332)	3,688	(7,617)
Non-operating revenue				
Interest income	31	60	133	224
Change in net assets	2,058	(13,272)	3,821	(7,393)
Net assets, beginning of year	620	20,372	29,108	50,100
Net assets, end of year	\$ 2,678	\$ 7,100	\$ 32,929	\$ 42,707

See accompanying Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2004

Schedule 5

	Nonmajor Enterprise			<u>Total</u>
	FFA	Swimming	<u>Latchkey</u>	
	<u>Farm</u>	<u>Pool</u>		
Cash flows from operating activities				
Cash received from sale of services	\$ 595	\$ 125,981	\$ 71,704	\$ 198,280
Cash received from other operations	12,421	-	-	12,421
Cash payments to employees for services	-	(79,475)	(61,611)	(141,086)
Cash payments to suppliers for goods and services	<u>(9,823)</u>	<u>(59,991)</u>	<u>(8,940)</u>	<u>(78,754)</u>
Net cash provided by (used in) operating activities	<u>3,193</u>	<u>(13,485)</u>	<u>1,153</u>	<u>(9,139)</u>
 Cash flows from non-capital financing activities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>(3,244)</u>	<u>-</u>	<u>-</u>	<u>(3,244)</u>
 Cash flows from investing activities				
Interest on investments	<u>31</u>	<u>60</u>	<u>133</u>	<u>224</u>
Net increase (decrease) in cash and cash equivalents	(20)	(13,425)	1,286	(12,159)
Cash and cash equivalents, beginning of year	<u>20</u>	<u>26,122</u>	<u>19,664</u>	<u>45,806</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 12,697</u>	<u>\$ 20,950</u>	<u>\$ 33,647</u>
 <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 2,027	\$ (13,332)	\$ 3,688	\$ (7,617)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	654	268	994	1,916
(Increase) in accounts receivable	-	(333)	(3,313)	(3,646)
Increase (decrease) in accounts payable	512	124	(93)	543
(Decrease) in accrued salaries and benefits	-	(212)	(123)	(335)
Net cash provided by (used in) operating activities	<u>\$ 3,193</u>	<u>\$ (13,485)</u>	<u>\$ 1,153</u>	<u>\$ (9,139)</u>

**Non-cash investing, capital and financing activities:**  
None

See accompanying Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund  
 For the Year Ended June 30, 2004

Schedule 6

	Balance, Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End of <u>Year</u>
Assets				
Cash	<u>\$ 33,929</u>	<u>\$ 159,919</u>	<u>\$ 164,755</u>	<u>\$ 29,093</u>
Liabilities				
Due to others	<u>\$ 33,929</u>	<u>\$ 159,919</u>	<u>\$ 164,755</u>	<u>\$ 29,093</u>

See accompanying Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT

Schedule 7

Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2004

Account	Balance, Beginning of			Balance, End of Year
	Year	Revenues	Expenditures	
Drama/speech	\$ 1,298	\$ 3,929	\$ 3,537	\$ 1,690
Vocal - elementary	669	432	782	319
Vocal - high school	3,663	5,120	6,676	2,107
Instrumental - elementary	2,316	-	1,785	531
Instrumental - high school	2,740	14,659	14,799	2,600
Weight-lifting	1,515	16,694	18,077	132
Cross country	532	854	824	562
Boys' basketball	2,697	11,897	10,786	3,808
Football	912	13,637	11,368	3,181
Baseball	175	12,564	12,074	665
Boys' track	2,041	5,846	7,822	65
Boys' golf	106	642	748	-
Wrestling	2,023	7,123	6,861	2,285
Girls' basketball	2,180	8,510	10,351	339
Volleyball	2,920	18,990	20,351	1,559
Softball	774	5,064	6,183	(345)
Girls' track	(10)	13,106	10,953	2,143
Girls' golf	99	522	616	5
Student services	951	9	1,536	(576)
PIE	70	271	284	57
Elementary student leaders	121	-	-	121
Students 4 Earth	565	400	735	230
Elementary Earth keepers	187	223	246	164
Yearbook - high school	7,384	11,459	10,961	7,882
Yearbook - elementary	593	1,120	1,377	336
Stepperettes	6,214	8,963	14,212	965
Cheerleaders - high school	708	4,608	5,311	5
FFA	403	17,294	14,006	3,691
FHA	900	3,631	3,603	928
Elementary student activity	1,346	12,614	10,546	3,414
National Honor Society	242	400	621	21

See accompanying Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2004

Schedule 7

Account	Balance, Beginning of			Balance, End of
	<u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Year</u>
Pep club	\$ 162	\$ 1,527	\$ 975	\$ 714
Cheerleaders - junior high	206	305	404	107
Student advisory - junior high	1,485	604	769	1,320
Student council - high school	1,302	3,556	4,011	847
Senior class	-	222	-	222
Junior class	739	4,753	4,978	514
Sophomore class	1,088	808	923	973
Freshmen class	914	33	317	630
Eighth grade class	612	578	895	295
Seventh grade class	408	1,285	1,676	17
Media - elementary	1,977	6,292	4,916	3,353
Media - jr. and sr. high	591	597	227	961
Fall canteen	-	3,994	3,994	-
Winter canteen	-	5,629	5,629	-
Spring canteen	-	1,507	1,507	-
Summer canteen	2,139	12,341	11,818	2,662
S.O.D.A.	634	-	16	618
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 58,591</u>	<u>\$ 244,612</u>	<u>\$ 251,086</u>	<u>\$ 52,117</u>

See accompanying Independent Auditor's Report.

WILTON COMMUNITY SCHOOL DISTRICT  
 Schedule of Revenues by Source and Expenditures by Function  
 All Governmental Funds  
 For the Last Four Years

Schedule 8

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues				
Local sources				
Local tax	\$ 3,019,853	\$ 3,055,626	\$ 2,804,586	\$ 2,669,517
Tuition	424,635	445,675	421,172	423,664
Other	318,516	268,526	302,544	323,433
Intermediate sources	-	5,740	-	-
State sources	3,498,132	3,555,417	3,452,147	3,530,384
Federal sources	134,745	109,410	130,998	89,528
Total revenues	<u>\$ 7,395,881</u>	<u>\$ 7,440,394</u>	<u>\$ 7,111,447</u>	<u>\$ 7,036,526</u>
Expenditures				
Instruction				
Regular instruction	3,389,717	3,046,998	2,866,755	2,802,845
Special instruction	1,091,956	977,873	933,073	863,891
Other instruction	629,615	536,738	516,008	509,430
Support services				
Student services	302,904	358,935	292,330	265,537
Instructional staff services	141,931	134,407	103,801	183,832
Administration services	655,070	615,932	603,301	560,750
Operation and maintenance of plant services	489,795	419,753	387,725	431,892
Transportation services	221,345	191,265	177,643	176,416
Non-instructional programs	40,301	41,497	68,940	76,214
Other expenditures				
Facilities acquisition	1,152,032	87,247	216,161	43,160
Long-term debt				
Principal	195,000	190,000	202,104	200,685
Interest and other charges	62,809	60,108	68,801	77,339
AEA flowthrough	248,092	265,275	263,173	275,647
Total expenditures	<u>\$ 8,620,567</u>	<u>\$ 6,926,028</u>	<u>\$ 6,699,815</u>	<u>\$ 6,467,638</u>

See accompanying Independent Auditor's Report.

## KAY L. CHAPMAN, CPA PC

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

To the Board of Education  
Wilton Community School District  
Wilton, Iowa

I have audited the financial statements of the Wilton Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated November 12, 2004. I conducted my 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 Wilton Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that are described below.

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

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

2. Certified Budget - Expenditures for the year ended June 30, 2003 did not exceed the amounts budgeted.
3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. 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.
5. Business Transactions - No business transactions between the District and District officials were noted.
6. 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.
7. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board. However, it was noted that the District did not publish all bills as required by Chapter 279.36 of the Code of Iowa.

Recommendation - The District should ensure that all bills, including Student Activity, School Nutrition, Enterprise and Trust Fund bills, should be published on a monthly basis in compliance with the Code of Iowa.

Response - We will review our policy regarding publication of the bills for the funds that do not contain tax dollars.

Conclusion - Response accepted.

8. Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

## Internal Control Over Financial Reporting

In planning and performing my audit, I considered Wilton Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Wilton Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Prior year reportable conditions have not been resolved. Current year reportable conditions are as follows:

- A. Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. Over the past few years, the District has changed its procedures to increase the segregation of duties among employees in the accounting system. Also, the Superintendent and the Business Manager provide significant oversight of all financial activities of the District. However, limited segregation of duties exists in the accounting system for the Student Activity, School Nutrition and the Latchkey Program funds.

Recommendation - I 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 and continue to have the Superintendent and the Business Manager oversee all financial transactions.

Response - We will investigate available alternatives and implement as deemed necessary.

Conclusion - Response accepted.

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. My 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, I believe the lack of segregation of duties is a material weakness.

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

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Wilton Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
November 12, 2004

WILTON COMMUNITY SCHOOL DISTRICT

Audit Staff

June 30, 2004

This audit was performed by

Kay Chapman, CPA