

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Net Assets	H	22
Statement of Cash Flows	I	23
Notes to Financial Statements		24-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual (GAAP Basis) - All Governmental Funds and Proprietary Fund		34-35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	38
Schedule of Changes in Student Activity Accounts	3	39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	40
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		41-42
Schedule of Findings		43-44

Winfield-Mt. Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Gayle Olson	President	2005
Dave Nichols	Vice President	2004
Keith Loyd	Board Member	2003
Jay Nelson	Board Member	2003
Paul Thompson	Board Member	2003
Board of Education (After September 2003 Election)		
Gayle Olson	President	2005
Dave Nichols	Vice President (Resigned)	2004
Robin Therme	Board Member (Appointed Vice President)	2006
Paul Thompson	Board Member	2006
Keith Loyd	Board Member	2004
Jay Nelson	Board Member (Appointed)	2004
School Officials		
Lynn Ubben	Superintendent	2004
Carmen Benson	District Secretary/Treasurer and Business Manager	2004
Drew Bracken	Attorney	2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Winfield-Mt. Union Community School District:

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

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

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

As described in Note 8 to the financial statements, during the year ended June 30, 2004, Winfield-Mt. Union Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments; Statement No. 37, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule- Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

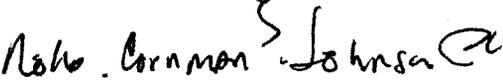
In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2004 on our consideration of the Winfield-Mt. Union Community School District's internal control over financial reporting and our tests of its compliance with certain

Members American Institute & Iowa Society of Certified Public Accountants

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

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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


NOLTE, CORNMAN & JOHNSON, P.C.

August 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winfield-Mt. Union 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 \$3,390,015 in fiscal 2003 to \$3,240,062 in fiscal 2004, while General Fund expenditures decreased from \$3,457,993 in fiscal 2003 to \$3,406,698 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$1,096,385 in fiscal 2003 to a balance of \$929,749 in fiscal 2004, a 15% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal 2004. One reason the General Fund balance decreased is because the decrease in expenditures was less than the District's General Fund decrease in revenues for fiscal 2004.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$13,708 in fiscal year 2003 to \$8,928 in fiscal year 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 Winfield-Mt. Union 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 Winfield-Mt. Union Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winfield-Mt. Union Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

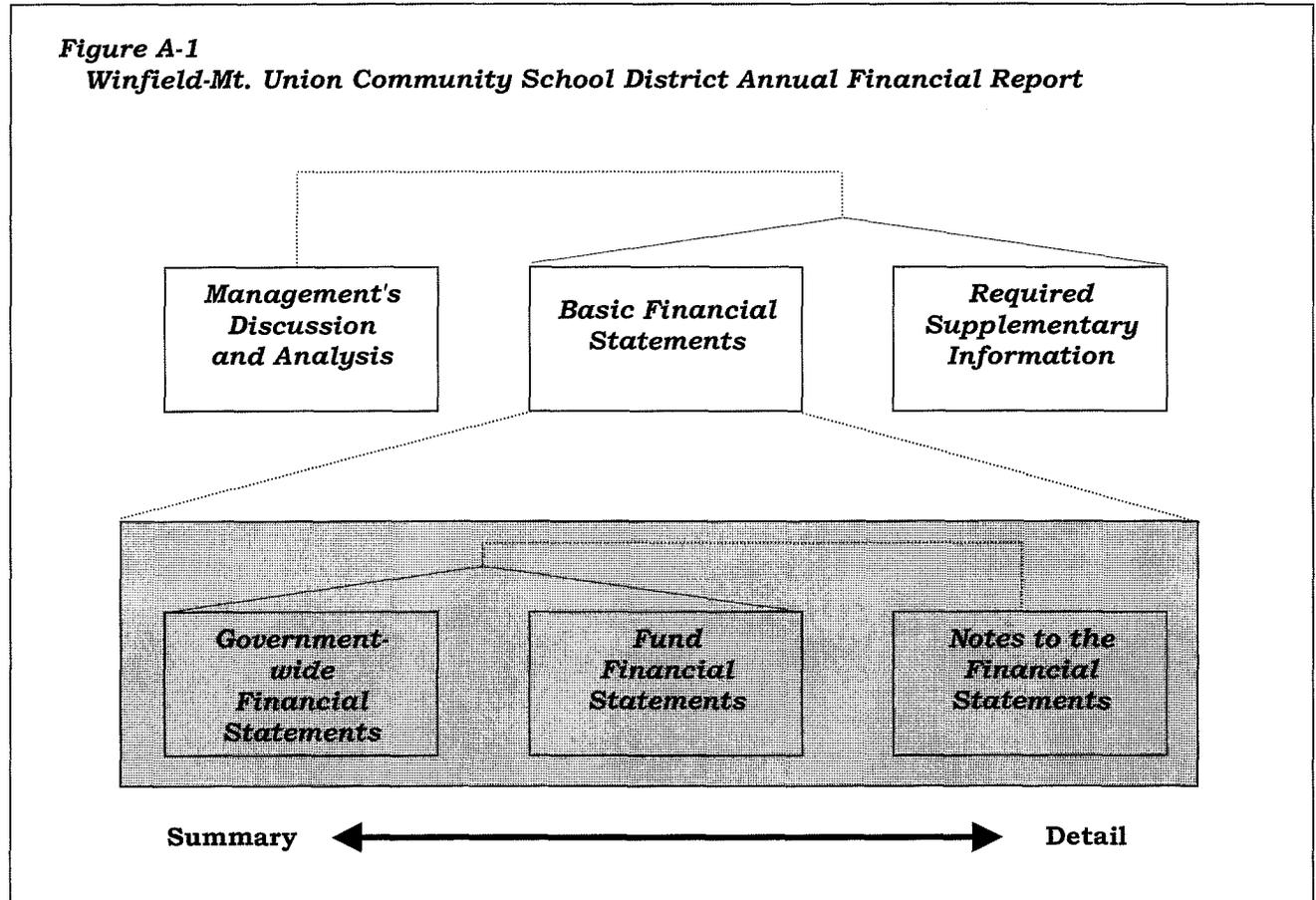


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 2,854,021	46,058	2,900,079
Capital assets	1,001,330	20,417	1,021,747
Total assets	<u>3,855,351</u>	<u>66,475</u>	<u>3,921,826</u>
Long-term obligations	928,293	0	928,293
Other liabilities	1,509,610	1,338	1,510,948
Total liabilities	<u>2,437,903</u>	<u>1,338</u>	<u>2,439,241</u>
Net assets:			
Invested in capital assets, net of related debt	104,232	20,417	124,649
Restricted	420,182	0	420,182
Unrestricted	893,034	44,720	937,754
Total net assets	<u>\$ 1,417,448</u>	<u>65,137</u>	<u>1,482,585</u>

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 823,373	76,564	899,937
Operating grants and contributions and restricted interest	360,351	76,349	436,700
General revenues:			
Property tax	1,319,072	0	1,319,072
Local option sales and service tax	4,658	0	4,658
Unrestricted state grants	1,199,566	0	1,199,566
Other	10,600	120	10,720
Total revenues	3,717,620	153,033	3,870,653
Program expenses:			
Governmental activities:			
Instructional	2,600,846	0	2,600,846
Support services	961,312	0	961,312
Non-instructional programs	0	145,796	145,796
Other expenses	196,416	0	196,416
Total expenses	3,758,574	145,796	3,904,370
Changes in net assets	(40,954)	7,237	(33,717)
Net assets beginning of year	1,458,402	57,900	1,516,302
Net assets end of year	\$ 1,417,448	65,137	1,482,585

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,717,620 and expenses were \$3,758,574. 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	\$ 2,600,846	1,527,721
Support services	961,312	961,312
Other expenses	196,416	85,817
Totals	\$ 3,758,574	2,574,850

-
- The cost financed by users of the District's programs was \$823,373.
 - Federal and state governments subsidized certain programs with grants and contributions totaling \$360,351.
 - The net cost of governmental activities was financed with \$1,323,730 in local tax, \$1,199,566 in unrestricted state grants, and \$10,600 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$153,033 and expenses were \$145,796. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,348,628, below last year's ending fund balances of a \$1,427,269. However, the primary reason for the decrease was the decrease of tax revenue in the Management and Debt Service Funds.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Reduction in tax levy during the year in tax and grants resulted in a decrease in revenues. The District's decrease in General Fund expenditures was not enough to offset the decrease in revenues, resulting in a decrease in the financial position of the District.
- The Management, and Activity Fund combined balance decreased from \$248,157 in 2003, to \$239,542 in 2004, due to the increase in expenditures in both funds.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$23,858 to \$152,218, due to an increase in local tax and a decrease in total expenditures for the year.
- The Capital Projects fund balance increased from \$ 6,724 to \$11,416, during the current year, due to increase in local option sales and service tax.
- The Debt Service fund balance decreased during the year, from \$52,145, to \$15,703, due to the increase of expenditures and decrease of taxes.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$57,900 at June 30, 2003 to \$65,137 at June 30, 2004, representing an increase of approximately 12%. For fiscal 2004, the District increased meal prices, resulting in increased revenues.

BUDGETARY HIGHLIGHTS

The District's revenues were \$118,681 less than budgeted revenues, a variance of 3%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 7.9% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$121,710.

The original cost of the District's capital assets was \$3,148,915. Governmental funds account for \$3,012,956 million with the remainder of \$135,959 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$119,035 at June 30, 2004, compared to \$155,136 reported at June 30, 2003. This decrease resulted from the current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 32,263	0	32,263
Buildings	555,536	0	555,536
Improvements other than buildings	314,913	0	314,913
Machinery and equipment	98,618	20,417	119,035
Total	\$ 1,001,330	20,417	1,021,747

Long-Term Debt

At June 30, 2004, the District had long-term debt outstanding of \$928,293 in general obligation bonds and early retirement. This represents a decrease of approximately 11.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had total outstanding general obligation bonds payable of \$920,000 at June 30, 2004.

The District also had total outstanding early retirement payable of \$8,293 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 920,000	1,040,000	-11.5%
Early retirement	8,293	11,561	-28.3%
Total	\$ 928,293	1,051,561	-11.7%

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:

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Carmen Benson, District Board Secretary, Winfield-Mt. Union Community School District, 208 S Olive, Winfield, Iowa, 52659.

BASIC FINANCIAL STATEMENTS

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,576,036	42,396	1,618,432
Receivables:			
Property tax:			
Delinquent	25,067	0	25,067
Succeeding year	1,230,810	0	1,230,810
Accounts	2,714	0	2,714
Due from other governments	19,394	0	19,394
Inventories	0	3,662	3,662
Capital assets, net of accumulated depreciation (Note 3)	1,001,330	20,417	1,021,747
TOTAL ASSETS	3,855,351	66,475	3,921,826
LIABILITIES			
Accounts payable	3,118	0	3,118
Interest payable	4,217	0	4,217
Salaries and benefits payable	271,465	0	271,465
Deferred revenue:			
Succeeding year property tax	1,230,810	0	1,230,810
Other	0	1,338	1,338
Long-term liabilities (Note 4):			
Portion due within one year:			
General obligation bonds	120,000	0	120,000
Early retirement	3,902	0	3,902
Portion due after one year:			
General obligation bonds	800,000	0	800,000
Early retirement	4,391	0	4,391
TOTAL LIABILITIES	2,437,903	1,338	2,439,241
NET ASSETS			
Investment in capital assets, net of related debt	104,232	20,417	124,649
Restricted for:			
Teacher quality	111	0	111
Talented and gifted	32,356	0	32,356
Phase III	4,248	0	4,248
Physical plant & equipment levy	152,218	0	152,218
Management levy	150,844	0	150,844
Other special revenue purposes	80,405	0	80,405
Unrestricted	893,034	44,720	937,754
TOTAL NET ASSETS	\$ 1,417,448	65,137	1,482,585

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,605,159	460,412	249,752
Special instruction	634,612	145,327	0
Other instruction	361,075	217,634	0
	<u>2,600,846</u>	<u>823,373</u>	<u>249,752</u>
Support services:			
Student services	83,543	0	0
Instructional staff services	77,740	0	0
Administration services	451,739	0	0
Operation and maintenance of plant services	225,627	0	0
Transportation services	122,663	0	0
	<u>961,312</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	361	0	0
Long-term debt interest	27,603	0	0
AEA flowthrough	110,599	0	110,599
Depreciation (unallocated)*	57,853	0	0
	<u>196,416</u>	<u>0</u>	<u>110,599</u>
Total governmental activities	3,758,574	823,373	360,351
Business-Type activities:			
Non-instructional programs:			
Nutrition services	145,796	76,564	76,349
Total business-type activities	145,796	76,564	76,349
Total	\$ 3,904,370	899,937	436,700

General Revenues:

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

Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 8)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(894,995)	0	(894,995)
(489,285)	0	(489,285)
(143,441)	0	(143,441)
(1,527,721)	0	(1,527,721)
(83,543)	0	(83,543)
(77,740)	0	(77,740)
(451,739)	0	(451,739)
(225,627)	0	(225,627)
(122,663)	0	(122,663)
(961,312)	0	(961,312)
(361)	0	(361)
(27,603)	0	(27,603)
0	0	0
(57,853)	0	(57,853)
(85,817)	0	(85,817)
(2,574,850)	0	(2,574,850)
0	7,117	7,117
0	7,117	7,117
(2,574,850)	7,117	(2,567,733)
\$ 1,075,089	0	1,075,089
111,552	0	111,552
132,431	0	132,431
4,658	0	4,658
1,199,566	0	1,199,566
10,600	120	10,720
2,533,896	120	2,534,016
(40,954)	7,237	(33,717)
1,458,402	57,900	1,516,302
\$ 1,417,448	65,137	1,482,585

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Governmental Funds	Total
ASSETS			
Cash and pooled investments	\$ 1,163,715	412,321	1,576,036
Receivables:			
Property tax			
Delinquent	18,509	6,558	25,067
Succeeding year	999,965	230,845	1,230,810
Accounts	2,714	0	2,714
Due from other governments	19,394	0	19,394
TOTAL ASSETS	\$ 2,204,297	649,724	2,854,021
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,118	0	3,118
Salaries and benefits payable	271,465	0	271,465
Deferred revenue:			
Succeeding year property tax	999,965	230,845	1,230,810
Total liabilities	1,274,548	230,845	1,505,393
Fund balances:			
Reserved for:			
Teacher quality	111	0	111
Talanted and gifted	32,356	0	32,356
Phase III	4,248	0	4,248
Unreserved:			
Undesignated	893,034	418,879	1,311,913
Total fund balances	929,749	418,879	1,348,628
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,204,297	649,724	2,854,021

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds (page 17)	\$	1,348,628
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,001,330
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(4,217)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(928,293)
Net assets of governmental activities (page 14)	\$	1,417,448

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Other Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,000,904	318,168	1,319,072
LOSST	0	4,658	4,658
Tuition	605,739	0	605,739
Other	73,517	154,717	228,234
State sources	1,421,017	15	1,421,032
Federal sources	138,885	0	138,885
Total revenues	<u>3,240,062</u>	<u>477,558</u>	<u>3,717,620</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,588,181	0	1,588,181
Special instruction	634,612	0	634,612
Other instruction	214,183	145,231	359,414
	<u>2,436,976</u>	<u>145,231</u>	<u>2,582,207</u>
Support services:			
Student services	83,543	0	83,543
Instructional staff services	77,740	0	77,740
Administration services	360,651	91,088	451,739
Operation and maintenance of plant services	225,627	0	225,627
Transportation services	111,562	0	111,562
	<u>859,123</u>	<u>91,088</u>	<u>950,211</u>
Other expenditures:			
Facilities acquisitions	0	5,241	5,241
Long-term debt:			
Principal	0	120,000	120,000
Interest and fiscal charges	0	28,003	28,003
AEA flowthrough	110,599	0	110,599
	<u>110,599</u>	<u>153,244</u>	<u>263,843</u>
Total expenditures	<u>3,406,698</u>	<u>389,563</u>	<u>3,796,261</u>
Net change in fund balances	(166,636)	87,995	(78,641)
Fund balance beginning of year	1,096,385	330,884	1,427,269
Fund balance end of year	<u>\$ 929,749</u>	<u>418,879</u>	<u>1,348,628</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds (page 19) \$ (78,641)

*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	\$ 32,221	
Depreciation expense	(118,202)	(85,981)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		120,000
---	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		400
--	--	-----

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.		
Early retirement		3,268

Changes in net assets of governmental activities (page 16) \$ (40,954)

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2004

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 42,396
Inventories	3,662
Capital assets, net of accumulated depreciation	20,417
TOTAL ASSETS	66,475
 LIABILITIES	
Deferred revenues	1,338
TOTAL LIABILITES	1,338
 NET ASSETS	
Invested in capital assets, net of related debt	20,417
Unrestricted	44,720
TOTAL NET ASSETS	\$ 65,137

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition	Hands All Around	Total
OPERATING REVENUE:			
Local sources:			
Other local sources:			
Sale of lunches and breakfasts:			
Students	\$ 53,005	0	53,005
Adults	20,930	0	20,930
Miscellaneous	2,629	50	2,679
TOTAL OPERATING REVENUES	76,564	50	76,614
OPERATING EXPENSES:			
Food service operations:			
Salaries	43,761	0	43,761
Benefits	6,023	0	6,023
Services	544	0	544
Supplies	91,960	60	92,020
Depreciation	3,508	0	3,508
TOTAL OPERATING EXPENSES	145,796	60	145,856
OPERATING LOSS	(69,232)	(10)	(69,242)
NON-OPERATING REVENUES:			
Interest	120	10	130
State sources	2,278	0	2,278
Federal sources	74,071	0	74,071
TOTAL NON-OPERATING REVENUES	76,469	10	76,479
Net income	7,237	0	7,237
Net assets at beginning of year, as restated (Note 8)	57,900	0	57,900
Net assets end of year	\$ 65,137	0	65,137

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition	Hands All Around	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 73,906	0	73,906
Cash received from miscellaneous operating activities	2,629	50	2,679
Cash payments to employees for services	(49,784)	0	(49,784)
Cash payments to suppliers for goods or services	(75,271)	(60)	(75,331)
Net cash used in operating activities	(48,520)	(10)	(48,530)
Cash flows from non-capital financing activities:			
State grants received	2,278	0	2,278
Federal grants received	59,260	0	59,260
Net cash provided by non-capital financing activities	61,538	0	61,538
Cash flows from investing activities:			
Interest on investments	120	10	130
Net cash provided by investing activities	120	10	130
Cash flows from capital financing activities:			
Purchase of assets	(415)	0	(415)
Net cash used in financing activities	(415)	0	(415)
Net increase in cash and cash equivalents	12,723	0	12,723
Cash and cash equivalents at beginning of year	29,673	0	29,673
Cash and cash equivalents at end of year	\$ 42,396	0	42,396
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (69,232)	(10)	(69,242)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	14,811	0	14,811
Depreciation	3,508	0	3,508
Decrease in inventories	2,422	0	2,422
Decrease in deferred revenue	(29)	0	(29)
Net cash used in operating activities	\$ (48,520)	(10)	(48,530)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 42,396	0	42,396
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2004, the District received Federal commodities valued at \$14,811.			

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

The Winfield-Mt. Union Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Winfield and Mt. Union, Iowa, and the predominate agricultural territory in Des Moines, Henry, Louisa, and Washington 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, Winfield-Mt. Union Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Winfield-Mt. Union Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District's proprietary funds is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of

donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Live (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, no expenditures exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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 \$1,303,115 Pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 135,544	415	0	135,959
Less accumulated depreciation	112,034	3,508	0	115,542
Business-type activities capital assets, net	\$ 23,510	(3,093)	0	20,417

	Balance Beginning of Year, as restated (Note 8)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 32,263	0	0	32,263
Total capital assets not being depreciated	32,263	0	0	32,263
Capital assets being depreciated:				
Buildings	1,547,139	0	0	1,547,139
Land improvements	533,319	4,880	0	538,199
Machinery and equipment	868,014	27,341	0	895,355
Total capital assets being depreciated	2,948,472	32,221	0	2,980,693
Less accumulated depreciation for:				
Buildings	960,660	30,943	0	991,603
Land improvements	196,376	26,910	0	223,286
Machinery and equipment	736,388	60,349	0	796,737
Total accumulated depreciation	1,893,424	118,202	0	2,011,626
Total capital assets being depreciated, net	1,055,048	(85,981)	0	969,067
Governmental activities capital assets, net \$	1,087,311	(85,981)	0	1,001,330

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 32,337
Other		1,661
Support services:		
Transportation		26,351
		60,349
Unallocated depreciation		57,853
Total governmental activities depreciation expense		\$ 118,202
Business-type activities:		
Food services		\$ 3,508

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 1,040,000	0	120,000	920,000	120,000
Early retirement	11,561	32,400	35,668	8,293	3,902
Total	\$ 1,051,561	32,400	155,668	928,293	123,902

Early Retirement

The District offers a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have been employed by the District for a period of

ten years. Employees must complete an application which is subject to approval by the Board of Education. Upon retirement, the licensed employee shall be eligible to continue participation in the school district's group insurance plan at the licensed employee's expense by meeting the requirements of the issuer. The board will pay the single premium for the employee up until the age of sixty-five, not to exceed \$225 a month. The insurance coverage shall cease when the licensed employee reaches age sixty-five, secures other employment in which the employer provides insurance coverage, or dies. If dependent insurance coverage is carried, that coverage may continue beyond the employee's sixty-fifth birthday for a period of up to five years or until the dependant reaches age sixty-five. Early retirement benefits paid during the year ended June 30, 2004, totaled \$35,668.

General Obligation

Details of the District's June 30, 2004 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue May 27, 1997		
		Principal	Interest	Total
2005	2.00 %	\$ 120,000	25,303	145,303
2006	2.25	125,000	22,902	147,902
2007	2.50	125,000	20,090	145,090
2008	3.00	130,000	16,965	146,965
2009	3.00	135,000	13,065	148,065
2010	3.13	140,000	9,015	149,015
2011	3.20	145,000	4,640	149,640
Total		\$ 920,000	111,980	1,031,980

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$122,220, \$120,575, and \$119,708 respectively, equal to the required contributions for each year.

(6) Risk Management

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

formed for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: dental, life and long-term disability.

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$122,605.

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

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

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

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

(7) 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 \$110,599 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Accounting Change and Restatements

Governmental Accounting Standards Board 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 Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No.38, Certain Financial Statement Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statement 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.

Beginning capital assets for governmental activities of \$6,197,520 were restated to \$2,980,735. The restatement primarily removed assets below the District's capitalization threshold.

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

	Fund		Total
	General	Other Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 1,096,385	330,884	1,427,269
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 1,096,385	330,884	1,427,269
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$1,893,424			1,087,311
Long-term liabilities:			
General obligation bonds		1,040,000	
Early retirement		11,561	(1,051,561)
Accrued interest			(4,617)
Net assets July 1, 2003, as restated			\$ 1,458,402
Fund			
School Nutrition			
Net assets, June 30, 2003, as previously reported			\$ 55,005
Capital assets not previously reported, net of depreciation			2,895
Net assets, July 1, 2003, as restated for proprietary funds			\$ 57,900

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 2,157,703	76,744
State sources	1,421,032	2,278
Federal sources	138,885	74,071
Total revenues	3,717,620	153,093
Expenditures:		
Instruction	2,582,207	0
Support services	950,211	0
Non-instructional programs	0	145,856
Other expenditures	263,843	0
Total expenditures	3,796,261	145,856
Excess(deficiency) of revenues over(under) expenditures	(78,641)	7,237
Balance beginning of year	1,427,269	57,900
Balance end of year	\$ 1,348,628	65,137

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,234,447	2,224,029	2,224,029	10,418
1,423,310	1,543,815	1,543,815	(120,505)
212,956	221,550	221,550	(8,594)
3,870,713	3,989,394	3,989,394	(118,681)
2,582,207	3,123,813	3,123,813	541,606
950,211	1,334,698	1,334,698	384,487
145,856	355,045	355,045	209,189
263,843	475,585	475,585	211,742
3,942,117	5,289,141	5,289,141	1,347,024
(71,404)	(1,299,747)	(1,299,747)	1,228,343
1,485,169	1,525,631	1,525,631	(40,462)
1,413,765	225,884	225,884	1,187,881

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

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

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

OTHER SUPPLEMENTAL INFORMATION

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Physical Manage- ment	Plant & Equipment Levy	Student Activity	Total Special Revenue	Capital Projects	Debt Service	
ASSETS							
Cash and pooled investments	\$ 157,765	150,390	80,405	388,560	10,789	12,972	412,321
Receivables:							
Property tax:							
Current year delinquent	1,372	1,828	0	3,200	627	2,731	6,558
Succeeding year	0	85,542	0	85,542	0	145,303	230,845
TOTAL ASSETS	\$ 159,137	237,760	80,405	477,302	11,416	161,006	649,724
LIABILITIES AND FUND EQUITY							
Liabilities:							
Deferred revenue:							
Succeeding year property tax \$	0	85,542	0	85,542	0	145,303	230,845
	0	85,542	0	85,542	0	145,303	230,845
Fund equity:							
Fund balances:							
Unreserved:							
Undesignated	159,137	152,218	80,405	391,760	11,416	15,703	418,879
Total fund balances	159,137	152,218	80,405	391,760	11,416	15,703	418,879
TOTAL LIABILITIES AND FUND EQUITY	\$ 159,137	237,760	80,405	477,302	11,416	161,006	649,724

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue						Total Nonmajor Governmental Funds
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Total Special Revenue	Capital Projects	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 74,185	132,431	0	206,616	0	111,552	318,168
IOSST	0	0	0	0	4,658	0	4,658
Other	7,024	1,164	146,495	154,683	34	0	154,717
State sources	0	6	0	6	0	9	15
TOTAL REVENUES	81,209	133,601	146,495	361,305	4,692	111,561	477,558
EXPENDITURES:							
Current:							
Instruction:							
Other instruction	0	0	145,231	145,231	0	0	145,231
Support services:							
Administration services	91,088	0	0	91,088	0	0	91,088
Other expenditures:							
Facility acquisition	0	5,241	0	5,241	0	0	5,241
Long-term debt:							
Principle	0	0	0	0	0	120,000	120,000
Interest and fiscal charges	0	0	0	0	0	28,003	28,003
	0	5,241	0	5,241	0	148,003	153,244
TOTAL EXPENDITURES	91,088	5,241	145,231	241,560	0	148,003	389,563
Net change in fund balances	(9,879)	128,360	1,264	119,745	4,692	(36,442)	87,995
Fund balance beginning of year	169,016	23,858	79,141	272,015	6,724	52,145	330,884
Fund balance end of year	\$ 159,137	152,218	80,405	391,760	11,416	15,703	418,879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Medical supplies	\$ (1,096)	0	(1,096)	0
Activity passes	6,712	7,410	11,279	2,843
HS athletic misc.	(1,607)	0	(1,607)	0
Ad clinics	(253)	511	258	0
Fruit fundraiser	2,967	11,037	11,492	2,512
HS football gate	6,417	5,184	5,491	6,110
HS basketball	12,286	21,046	22,907	10,425
Sports awards	(601)	1,250	649	0
HS track	(1,840)	2,099	(34)	293
HS cross country	665	777	1,332	110
HS wrestling	(1,407)	175	(1,267)	35
HS baseball	(3,261)	5,071	880	930
HS softball	(642)	6,526	4,810	1,074
HS volleyball	748	5,781	5,690	839
HS golf	(885)	0	(885)	0
Cheerleaders - FB	(30)	2,476	1,595	851
Cheerleaders - BB	(344)	122	(366)	144
Drill team	(25)	111	85	1
JH boys basketball	1,754	0	118	1,636
JH girls basketball	1,472	769	271	1,970
JH volleyball	1,831	673	182	2,322
JH football	2,252	755	616	2,391
JH wrestling	679	0	281	398
JH track	(280)	0	(280)	0
JH baseball	417	710	261	866
JH softball	56	290	330	16
Drama	355	329	614	70
Pep club	335	1,896	1,648	583
Speech	(378)	320	(127)	69
Art club	102	0	102	0
Class of 2001	1,564	0	1,564	0
Class of 2002	131	0	131	0
Class of 2003	424	345	(1,335)	2,104
Class of 2004	2,307	3,940	5,785	462
Class of 2005	0	13,373	11,032	2,341
Class of 2006	195	1,071	0	1,266
Class of 2007	711	500	0	1,211
Class of 2008	147	199	0	346
Class of 2009	0	303	0	303
Home economics	5,203	5,453	8,946	1,710
Yearbook	9,671	13,664	14,304	9,031
Honor society	31	100	0	131
Student council	3,901	8,750	8,630	4,021
Instrumental music	140	5,109	4,877	372
Band donations	0	100	0	100
Vocal music	411	5,853	5,064	1,200
Cafe concert	1,728	1,024	309	2,443
Marketing fundraiser	0	1,488	988	500
Library book fair	1,378	1,946	1,561	1,763
Piece by piece	9,073	0	9,073	0
Fun for kids	1,359	278	220	1,417
Elementary misc. banking	3,590	2,586	2,943	3,233
Box tops for education	1,410	675	413	1,672
Elementary yearbook	802	425	141	1,086
High school misc. banking	3,140	3,021	1,948	4,213
Interest	3,006	474	3,006	474
Teachers supplies	(337)	0	(337)	0
Teacher grants/special projects	213	500	477	236
Teacher renaissance	2,528	0	246	2,282
HS fundraiser	166	0	166	0
Activity supervisor	(150)	0	(150)	0
Total	\$ 79,141	146,495	145,231	80,405

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,323,730	1,305,873	1,364,902	1,331,399
Tuition	605,739	621,168	542,293	547,471
Other	228,234	172,245	195,655	220,026
State sources	1,421,032	1,650,611	1,685,523	1,714,128
Federal sources	138,885	140,982	90,504	63,422
Total	\$ 3,717,620	3,890,879	3,878,877	3,876,446
Expenditures:				
Instruction:				
Regular instruction	\$ 1,588,181	1,638,414	1,389,493	1,305,315
Special instruction	634,612	597,647	524,951	489,090
Other instruction	359,414	330,480	317,582	303,344
Support services:				
Student services	83,543	51,677	107,170	58,293
Instructional staff services	77,740	78,533	106,567	61,872
Administration services	451,739	448,481	570,202	454,738
Operation and maintenance of plant services	225,627	239,867	224,964	285,360
Transportation services	111,562	92,661	94,767	126,898
Non-instructional:				
Community service and education operations	0	46,601	57,554	58,880
Other expenditures:				
Facilities acquisitions	5,241	20,963	95,839	234,634
Long Term Debt:				
Principal	120,000	115,000	100,000	95,000
Interest	28,003	46,616	58,230	62,455
AEA flow-through	110,599	120,109	119,494	123,449
Total	\$ 3,796,261	3,827,049	3,766,813	3,659,328

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the
Winfield-Mt. Union Community School District:

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

Compliance

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

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

Internal Control Over Financial Reporting

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

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

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved, except I-A-04.

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

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

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson, P.C.", written in a cursive style.

NOLTE, CORNMAN & JOHNSON, P.C.

August 30, 2004

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

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

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

Conclusion - Response accepted.

I-B-04 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District needs to forward these checks to the Treasurer of Iowa when completing the unclaimed property report.

Response - We will comply.

Conclusion - Response accepted.

I-C-04 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account and class accounts which have graduated and do not have any transactions.

Recommendation - Interest should be allocated out to various accounts. The class accounts, which students have already graduated should be closed out to another student activity account.

Response - We agree with your recommendation and will correct immediately.

Conclusion - Response accepted

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

- II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceeded the amount budgeted.
- II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Peg Nelson, Aid and bus driver Spouse, Performed Bus Repairs	Repair work	\$198
Susan Haight, Teacher Spouse owner of Haight's Electric	Electrical work	\$1,210

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the District's employee spouses do not appear to represent a conflict of interest.

- II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.