

INDEPENDENT SCHOOL DISTRICT OF
WEST BURLINGTON

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

JUNE 30, 2005

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
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INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Officials
 June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Allen Twedt	Board President	2005
Royce Heitmeier	Board Member	2004
Victoria Christy	Board Member	2004
Debbie Johnson	Board Member	2005
Alan Mayberry	Board Member	2006
(After September 2004 Election)		
Allen Twedt	Board President	2005
Debbie Johnson	Board Member	2005
Alan Mayberry	Board Member	2006
Royce Heitmeier	Board Member	2007
Victoria Christy	Board Member	2007
School Officials		
James Sleister	Superintendent	2005
Tina Diewold	District Secretary/Treasurer	2005
Toby Gordon	Attorney	2005

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Independent School District of West Burlington

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Independent School District of West Burlington, West Burlington, Iowa, as of and for the year ended June 30, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 Independent School District of West Burlington as of June 30, 2005, 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.

In accordance with Government Auditing Standards, I have also issued my report dated September 2, 2005 on my consideration of Independent School District of West Burlington's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 41 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 required supplementary information. 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 Independent School District of West Burlington'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, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

A handwritten signature in cursive script that reads "Kay L. Chapman, CPA PC".

Kay L. Chapman, CPA PC
September 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Independent School District of West Burlington 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,571,032 in fiscal 2004 to \$4,927,158 in fiscal 2005, and General Fund expenditures increased from \$4,476,083 in fiscal 2004 to \$4,812,247 in fiscal 2005. The District's General Fund balance decreased from \$(524,000) in fiscal 2004 to \$(525,176) in fiscal 2005, a .2% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits 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 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

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 Independent School District of West Burlington 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 Independent School District of West Burlington'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 Independent School District of West Burlington acts solely as an agent or custodian for the benefit of those outside of District government.

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 Special Revenue Funds.

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

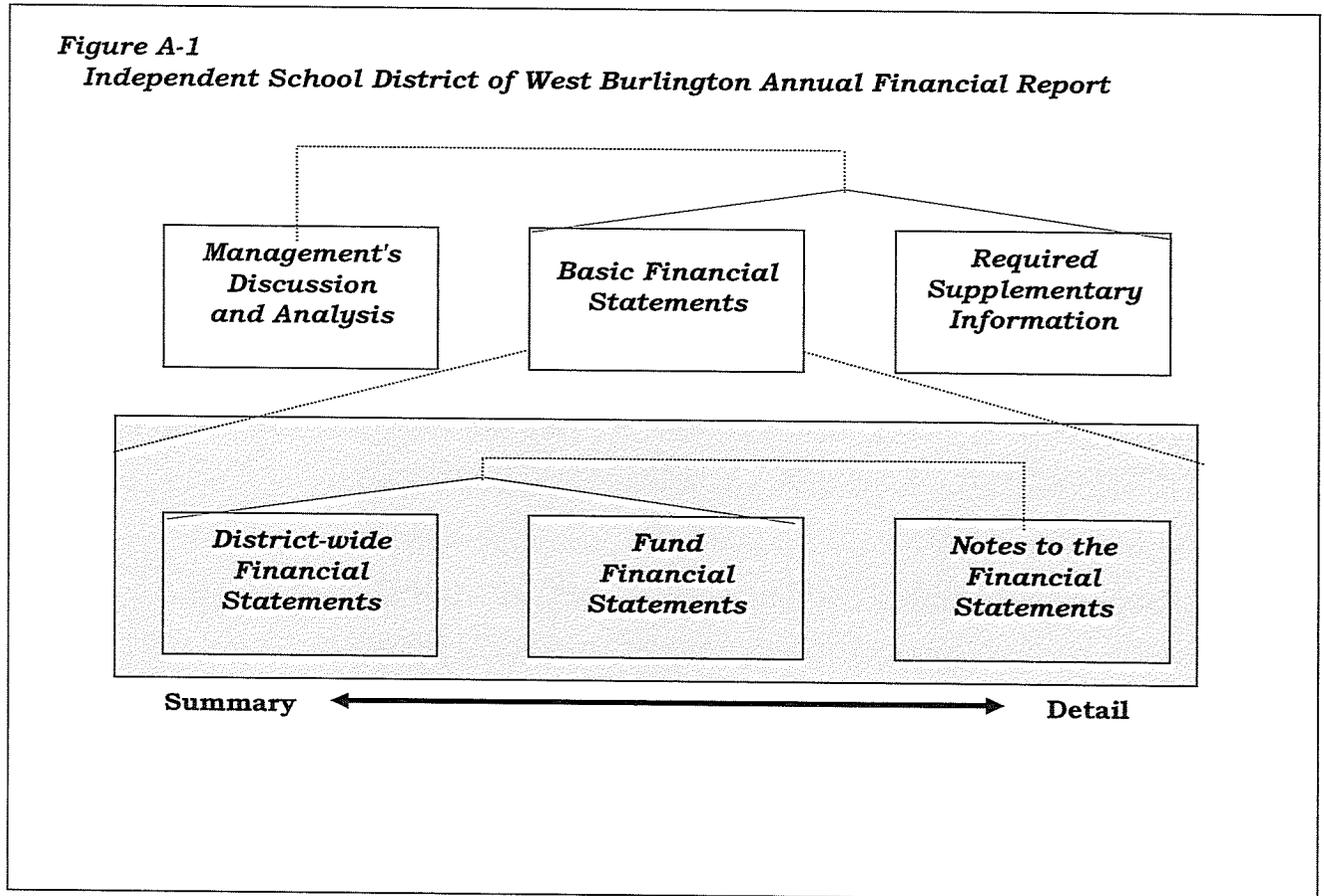


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

The required financial statements for 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 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 6,934,243	\$ 4,269,696	\$ 42,118	\$ 15,649	\$ 6,976,361	\$ 4,285,345	62.80%
Capital assets	<u>6,697,612</u>	<u>6,497,798</u>	<u>8,327</u>	<u>10,364</u>	<u>6,705,939</u>	<u>6,508,162</u>	3.04%
Total assets	<u>13,631,855</u>	<u>10,767,494</u>	<u>50,445</u>	<u>26,013</u>	<u>13,682,300</u>	<u>10,793,507</u>	26.76%
Long-term obligations	6,947,161	4,851,316	-	-	6,947,161	4,851,316	0.00%
Other liabilities	<u>4,353,587</u>	<u>4,047,140</u>	<u>13,713</u>	<u>15,785</u>	<u>4,367,300</u>	<u>4,062,925</u>	7.49%
Total liabilities	<u>11,300,748</u>	<u>8,898,456</u>	<u>13,713</u>	<u>15,785</u>	<u>11,314,461</u>	<u>8,914,241</u>	26.93%
Net assets							
Invested in capital assets, net of related debt	2,697,612	1,862,018	8,327	10,364	2,705,939	1,872,382	44.52%
Restricted	3,093,251	727,930	-	-	3,093,251	727,930	324.94%
Unrestricted	<u>(3,459,756)</u>	<u>(720,910)</u>	<u>28,405</u>	<u>(136)</u>	<u>(3,431,351)</u>	<u>(721,046)</u>	375.89%
Total net assets	<u>\$ 2,331,107</u>	<u>\$ 1,869,038</u>	<u>\$ 36,732</u>	<u>\$ 10,228</u>	<u>\$ 2,367,839</u>	<u>\$ 1,879,266</u>	26.00%

The District's combined net assets increased by approximately 26%, or \$488,573, over 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 increased \$2,365,321, or approximately 325% over the prior year. The increase was primarily a result of a crossover bond refunding done during fiscal 2005.

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 \$2,710,305, or approximately 376%. This decline 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 years ended June 30, 2005 and 2004.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service and sales	\$ 1,528,013	\$ 1,384,850	\$ 120,055	\$ 104,927	\$ 1,648,068	\$ 1,489,777
Operating grants, contributions and restricted interest	464,160	457,961	120,290	106,958	584,450	564,919
General revenues						
Property and sales tax	2,198,513	2,119,362	-	-	2,198,513	2,119,362
Unrestricted state grants	1,773,281	1,698,552	-	-	1,773,281	1,698,552
Unrestricted investment earnings	30,082	21,101	74	48	30,156	21,149
Other	<u>70,248</u>	<u>51,845</u>	<u>-</u>	<u>-</u>	<u>70,248</u>	<u>51,845</u>
Total revenues	<u>6,064,297</u>	<u>5,733,671</u>	<u>240,419</u>	<u>211,933</u>	<u>6,304,716</u>	<u>5,945,604</u>
Program expenses						
Governmental activities						
Instruction	3,471,549	3,452,703	-	-	3,471,549	3,452,703
Support services	1,438,797	1,320,230	-	-	1,438,797	1,320,230
Non-instructional programs	4,904	-	213,915	214,308	218,819	214,308
Other expenses	<u>686,978</u>	<u>527,991</u>	<u>-</u>	<u>-</u>	<u>686,978</u>	<u>527,991</u>
Total expenses	<u>5,602,228</u>	<u>5,300,924</u>	<u>213,915</u>	<u>214,308</u>	<u>5,816,143</u>	<u>5,515,232</u>
Change in net assets	<u>\$ 462,069</u>	<u>\$ 432,747</u>	<u>\$ 26,504</u>	<u>\$ (2,375)</u>	<u>\$ 488,573</u>	<u>\$ 430,372</u>

Property tax, sales tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,064,297 and expenses were \$5,602,228. 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

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 3,471,549	\$ 1,617,828
Support services	1,438,797	1,432,685
Non-instructional programs	4,904	4,904
Other expenses	<u>686,978</u>	<u>554,638</u>
Total expenses	<u>\$ 5,602,228</u>	<u>\$ 3,610,055</u>

- The cost financed by users of the District's programs was \$1,528,013.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$464,160.
- The net cost of governmental activities was financed with \$2,198,513 in property and other taxes and \$1,773,281 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$240,419 and expenses were \$213,915. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District increased meal prices in order to keep up with the rising cost of supplies and salaries.

INDIVIDUAL FUND ANALYSIS

As previously noted, Independent School District of West Burlington 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 \$2,618,806, well above last year's ending fund balances of \$267,282. This was due to a crossover bond refunding done during fiscal 2005.

Governmental Fund Highlights

- The District's slightly deteriorating General Fund financial position is the result of an increase in staffing due to special education needs and textbook purchases district-wide. Due to an increase in the General Fund expenditures, the District used carryover fund balance to meet its financial obligations during the year.

- The General Fund balance decreased from \$(524,000) to \$(525,176), due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Debt Service Fund balance increased due to the issuance of refunding bonds in a crossover refunding.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$10,228 at June 30, 2004 to \$36,732 at June 30, 2005, representing an increase of approximately 259%. This was due to an increase in the meal prices for FY05.

BUDGETARY HIGHLIGHTS

Over the course of the year, Independent School District of West Burlington amended its annual budget one time to reflect additional revenue and expenditures associated with the elementary building capital project activity.

The District's receipts were \$406,366 more than budgeted receipts, a variance of approximately 7%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were \$285,247 more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the Instruction, Support Services and Other Expenditures functional areas and in total, due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget appropriately.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$6,705,939, 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 3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$321,174.

The original cost of the District's capital assets was \$11,090,623. Governmental funds account for \$11,066,181, with the remainder of \$24,442 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 117,000	\$ 117,000	\$ -	\$ -	\$ 117,000	\$ 117,000	0.00%
Construction in progress	-	1,508,577	-	-	-	1,508,577	-100.00%
Buildings and improvements	5,997,068	4,405,107	-	-	5,997,068	4,405,107	36.14%
Improvements, other than buildings	154,904	150,333	-	-	154,904	150,333	3.04%
Furniture and equipment	<u>428,640</u>	<u>316,781</u>	<u>8,327</u>	<u>10,364</u>	<u>436,967</u>	<u>327,145</u>	33.57%
Totals	<u>\$6,697,612</u>	<u>\$6,497,798</u>	<u>\$ 8,327</u>	<u>\$10,364</u>	<u>\$6,705,939</u>	<u>\$6,508,162</u>	3.04%

Long-Term Debt

At June 30, 2005, the District had \$6,947,161 in general obligation and other long-term debt outstanding. This represents an increase of approximately 43% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In April 2005, the District's did a crossover refunding of the 1996 general obligation bond issue. The proceeds of \$2,775,000 will be used to retire the old debt in May of 2006, when the old bonds will be called for payment.

Figure A-7

Outstanding Long-term Obligations

	Total		Total
	School District		Change
	2005	2004	2004-2005
General obligation bonds	\$ 5,775,000	\$ 3,220,000	79.35%
Revenue bonds	1,000,000	1,235,000	-19.03%
Capital loan notes	-	70,000	-100.00%
Bank loan	-	110,780	-100.00%
Early retirement	<u>172,161</u>	<u>215,536</u>	-20.12%
Total	<u>\$ 6,947,161</u>	<u>\$ 4,851,316</u>	43.20%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2006 at a cost of approximately \$56,000. To pay for these buses, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.
- The boilers at the high school are in need of replacement, along with some asbestos removal in the boiler rooms. These expenditures will come from a combination of resources from PPEL and Capital Projects.
- Due to declining enrollment for the 2005-2006 school along with less open enrolled students in and more open enrolled out than projected and less resident students, and a decrease in the taxable valuation, the District will see the impact of less incoming dollars for the 2006-2007 school year.

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 Tina Diewold, District Secretary/Treasurer and Business Manager, Independent School District of West Burlington, 211 Ramsey, West Burlington, Iowa, 52655.

Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Net Assets
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents			
ISCAP	\$ 1,609,048	\$ -	\$ 1,609,048
Cash with fiscal agent	2,781,354	-	2,781,354
Other	535,881	38,432	574,313
Receivables			
Property tax			
Delinquent	11,398	-	11,398
Succeeding year	1,852,607	-	1,852,607
Accrued interest			
ISCAP	6,493	-	6,493
Other	609	-	609
Accounts receivable	5,193	-	5,193
Due from other governments	121,632	-	121,632
Due from other funds	10,028	-	10,028
Inventories	-	3,686	3,686
Capital assets, net of accumulated depreciation	6,697,612	8,327	6,705,939
Total assets	13,631,855	50,445	13,682,300
 LIABILITIES			
Accounts payable	104,676	557	105,233
Salaries and benefits payable	628,541	3,128	631,669
Due to other funds	-	10,028	10,028
Accrued interest payable	38,150	-	38,150
Deferred revenue - succeeding year property tax	1,852,607	-	1,852,607
ISCAP drawdown payable	100,000	-	100,000
ISCAP warrants payable	1,603,000	-	1,603,000
ISCAP accrued interest payable	10,196	-	10,196
ISCAP unamortized premium	16,417	-	16,417
Long-term liabilities			
Portion due within one year			
Bonds payable	235,000	-	235,000
Revenue bonds	240,000	-	240,000
Early retirement	40,234	-	40,234

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Net Assets
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Total
LIABILITIES (continued)			
Long-term liabilities (continued)			
Portion due after one year			
Bonds payable	\$ 5,540,000	\$ -	\$ 5,540,000
Revenue bonds	760,000	-	760,000
Early retirement	131,927	-	131,927
Total liabilities	11,300,748	13,713	11,314,461
NET ASSETS			
Invested in capital assets, net of related debt	2,697,612	8,327	2,705,939
Restricted for			
Debt service	2,788,200	-	2,788,200
PPEL	18,158	-	18,158
Other special revenue purposes	60,715	-	60,715
Capital projects	226,178	-	226,178
Unrestricted	(3,459,756)	28,405	(3,431,351)
Total net assets	\$ 2,331,107	\$ 36,732	\$ 2,367,839

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON

Statement of Activities

For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities							
Instruction							
Regular instruction	\$ 2,275,406	\$ 1,165,817	\$ 171,591	\$ -	\$ (937,998)	-	\$ (937,998)
Special instruction	680,191	209,391	126,296	-	(344,504)	-	(344,504)
Other instruction	515,952	148,693	31,933	-	(335,326)	-	(335,326)
	<u>3,471,549</u>	<u>1,523,901</u>	<u>329,820</u>	<u>-</u>	<u>(1,617,828)</u>	<u>-</u>	<u>(1,617,828)</u>
Support services							
Student services	155,115	-	-	-	(155,115)	-	(155,115)
Instructional staff services	154,232	-	-	-	(154,232)	-	(154,232)
Administration services	554,393	-	-	-	(554,393)	-	(554,393)
Operation and maintenance of plant services	532,596	4,112	-	-	(528,484)	-	(528,484)
Transportation services	42,461	-	2,000	-	(40,461)	-	(40,461)
	<u>1,438,797</u>	<u>4,112</u>	<u>2,000</u>	<u>-</u>	<u>(1,432,685)</u>	<u>-</u>	<u>(1,432,685)</u>
	<u>4,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,904)</u>	<u>-</u>	<u>(4,904)</u>
Non-instructional programs							
Other expenditures							
Facilities acquisition	126,087	-	-	-	(126,087)	-	(126,087)
Long-term debt interest	236,035	-	-	-	(236,035)	-	(236,035)
AEA flowthrough	132,340	-	132,340	-	-	-	-
Depreciation (unallocated)*	192,516	-	-	-	(192,516)	-	(192,516)
	<u>686,978</u>	<u>-</u>	<u>132,340</u>	<u>-</u>	<u>(554,638)</u>	<u>-</u>	<u>(554,638)</u>
Total governmental activities	<u>5,602,228</u>	<u>1,528,013</u>	<u>464,160</u>	<u>-</u>	<u>(3,610,055)</u>	<u>-</u>	<u>(3,610,055)</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON

Statement of Activities

For the Year Ended June 30, 2005

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Total
Functions/Programs (continued)					
Business type activities					
Non-instructional programs					
Food service operations	\$ 213,915	\$ 120,290	\$ -	\$ 26,430	\$ 26,430
Total	<u>\$ 5,816,143</u>	<u>\$ 1,648,068</u>	<u>\$ -</u>	<u>26,430</u>	<u>(3,583,625)</u>
General Revenues					
Property tax levied for					
General purposes					1,447,273
Debt service					246,689
Capital outlay					133,691
Sales taxes for capital projects					370,778
Unrestricted state grants					1,773,281
Unrestricted investment earnings					30,082
Other					70,248
Total general revenues				<u>74</u>	<u>3,701,338</u>
Change in net assets					
Net assets, beginning of year, as restated					117,713
Net assets, end of year				<u>\$ 36,732</u>	<u>\$ 1,996,979</u>

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

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2005

ASSETS	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Cash and pooled investments				
ISCAP	\$ 1,609,048	\$ -	\$ -	\$ 1,609,048
Other	210,802	43,056	282,023	535,881
Cash with fiscal agent	-	2,781,354	-	2,781,354
Receivables				
Property tax				
Delinquent	7,550	1,940	1,908	11,398
Succeeding year	1,282,275	303,608	266,724	1,852,607
Accounts receivable	5,099	-	94	5,193
Accrued interest				
ISCAP	6,493	-	-	6,493
Other	278	-	331	609
Due from other funds	10,028	-	-	10,028
Due from other governments	77,812	-	43,820	121,632
Total assets and other debits	<u>\$ 3,209,385</u>	<u>\$ 3,129,958</u>	<u>\$ 594,900</u>	<u>\$ 6,934,243</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 94,132	\$ -	\$ 10,544	\$ 104,676
Salaries and benefits payable	628,541	-	-	628,541
Deferred revenue				
Succeeding year property tax	1,282,275	303,608	266,724	1,852,607
ISCAP drawdown payable	100,000	-	-	100,000
ISCAP warrants payable	1,603,000	-	-	1,603,000
ISCAP accrued interest payable	10,196	-	-	10,196
ISCAP unamortized premium	16,417	-	-	16,417
Total liabilities	<u>3,734,561</u>	<u>303,608</u>	<u>277,268</u>	<u>4,315,437</u>
Fund balances				
Reserved for				
Debt service	-	2,826,350	-	2,826,350
Unreserved				
Special revenue funds	-	-	91,454	91,454
Governmental	(525,176)	-	226,178	(298,998)
Total fund balances	<u>(525,176)</u>	<u>2,826,350</u>	<u>317,632</u>	<u>2,618,806</u>
Total liabilities and fund balances	<u>\$ 3,209,385</u>	<u>\$ 3,129,958</u>	<u>\$ 594,900</u>	<u>\$ 6,934,243</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2005

Exhibit D

Total fund balances of governmental funds	\$ 2,618,806
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,697,612
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.	(38,150)
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,947,161)</u>
Net assets of governmental activities	<u>\$ 2,331,107</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 1,324,037	\$ 246,531	\$ 626,453	\$ 2,197,021
Tuition	1,275,143	-	-	1,275,143
Other	84,906	1,777	208,514	295,197
Intermediate sources	4,500	-	-	4,500
State sources	2,063,431	158	206	2,063,795
Federal sources	175,141	-	-	175,141
Total revenues	<u>4,927,158</u>	<u>248,466</u>	<u>835,173</u>	<u>6,010,797</u>
Expenditures				
Current				
Instruction				
Regular instruction	2,361,276	-	77,292	2,438,568
Special instruction	676,180	-	-	676,180
Other instruction	350,551	-	163,661	514,212
	<u>3,388,007</u>	<u>-</u>	<u>240,953</u>	<u>3,628,960</u>
Support services				
Student services	154,606	-	-	154,606
Instructional staff services	146,940	-	-	146,940
Administration services	485,707	-	6,478	492,185
Operation and maintenance of plant services	470,688	-	54,329	525,017
Transportation services	29,055	-	60,368	89,423
	<u>1,286,996</u>	<u>-</u>	<u>121,175</u>	<u>1,408,171</u>
Non-instructional programs	4,904	-	-	4,904
Other expenditures				
Facilities acquisition	-	-	435,007	435,007
Long-term debt				
Principal	-	635,780	-	635,780
Interest and fiscal charges	-	242,611	-	242,611
AEA flowthrough	132,340	-	-	132,340
	<u>132,340</u>	<u>878,391</u>	<u>435,007</u>	<u>1,445,738</u>
Total expenditures	<u>4,812,247</u>	<u>878,391</u>	<u>797,135</u>	<u>6,487,773</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 114,911	\$ (629,925)	\$ 38,038	\$ (476,976)
Other financing sources (uses)				
Proceeds from sale of bonds, including premium of \$53,500	-	2,828,500	-	2,828,500
Interfund operating transfers in (out)	<u>(116,087)</u>	<u>533,903</u>	<u>(417,816)</u>	<u>-</u>
Total other financing sources (uses)	<u>(116,087)</u>	<u>3,362,403</u>	<u>(417,816)</u>	<u>2,828,500</u>
Net change in fund balances	(1,176)	2,732,478	(379,778)	2,351,524
Fund balance, beginning of year	<u>(524,000)</u>	<u>93,872</u>	<u>697,410</u>	<u>267,282</u>
Fund balance, end of year	<u>\$ (525,176)</u>	<u>\$ 2,826,350</u>	<u>\$ 317,632</u>	<u>\$ 2,618,806</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON Exhibit F
 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, 2005

Net change in fund balances - total governmental funds \$ 2,351,524

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	\$ 518,951	
Depreciation expense	<u>(319,137)</u>	199,814

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 Asset. Current year issues exceeded repayments, as follows

Issued	(2,775,000)	
Repaid	<u>635,780</u>	(2,139,220)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		43,375
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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.

		<u>6,576</u>
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Change in net assets of governmental activities \$ 462,069

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Net Assets
Proprietary Fund
June 30, 2005

Exhibit G

	<u>Nonmajor School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 38,432
Inventories	3,686
Capital assets, net of accumulated depreciation	<u>8,327</u>
Total assets	<u>50,445</u>
 LIABILITIES	
Accounts payable	557
Salaries and benefits payable	3,128
Due to other funds	<u>10,028</u>
Total liabilities	<u>13,713</u>
 NET ASSETS	
Invested in capital assets	8,327
Unrestricted	<u>28,405</u>
Total net assets	<u>\$ 36,732</u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

Exhibit H

	<u>Nonmajor School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 120,055</u>
 Operating expenses	
Non-instructional programs	
Salaries	71,718
Benefits	25,310
Supplies	114,850
Depreciation	<u>2,037</u>
Total operating expenses	<u>213,915</u>
 Operating loss	<u>(93,860)</u>
 Non-operating revenue	
Interest income	74
State sources	3,443
Federal sources	<u>116,847</u>
Total non-operating revenue	<u>120,364</u>
 Change in net assets	26,504
Net assets, beginning of year	<u>10,228</u>
 Net assets, end of year	<u><u>\$ 36,732</u></u>

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

Exhibit I

	<u>Nonmajor School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of meals	\$ 120,055
Cash payments to employees for services	(98,804)
Cash payments to suppliers for goods and services	<u>(105,035)</u>
Net cash used in operating activities	<u>(83,784)</u>
Cash flows from non-capital financing activities	
State grants received	3,443
Federal grants received	<u>109,164</u>
Net cash provided by non-capital financing activities	<u>112,607</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>74</u>
Net increase in cash and cash equivalents	28,897
Cash and cash equivalents, beginning of year	<u>9,535</u>
Cash and cash equivalents, end of year	<u>\$ 38,432</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (93,860)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,037
Commodities used	7,683
Decrease in inventories	2,428
(Decrease) in accounts payable	(296)
Increase in salaries and benefits payable	3,128
(Decrease) in due to other fund	<u>(4,904)</u>
Net cash used in operating activities	<u>\$ (83,784)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2005, the District received \$7,683 of federal commodities.

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

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Notes to Financial Statements
June 30, 2005

Note 1. Summary of Significant Accounting Policies

The Independent School District of West Burlington is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the City of West Burlington, Iowa, and the agricultural territory in Des Moines County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Independent School District of West Burlington 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 Independent School District of West Burlington has no component units, which meet the Governmental Accounting Standards Board criteria.

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

The District reports no major proprietary funds. However, the District reports one nonmajor proprietary fund, the School Nutrition enterprise fund, which is used to account for the food service operations of the District.

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 and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

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	4-12 years

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

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, 2005. The early retirement liability attributable to the governmental activities will be paid primarily from the Management 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, 2005, disbursements exceeded the amounts budgeted in the Instruction, Support Services and Other Expenditures functions and in total. However, disbursements did not exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 53,872</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Investment rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise Fund, School Nutrition	\$ 10,028

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 116,087
Debt Service Fund	Physical Plant and Equipment Levy Fund	73,478
Debt Service Fund	Capital Projects Fund	<u>344,338</u>
Total		<u>\$ 533,903</u>

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

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, 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>
2004-05B	1/28/05	1/27/05	\$ 684,974	\$ 6,296	\$ 683,000	\$ 10,020	\$ 4,060
2005-06A	6/30/05	6/30/06	<u>924,074</u>	<u>197</u>	<u>920,000</u>	<u>176</u>	<u>12,357</u>
			<u>\$ 1,609,048</u>	<u>\$ 6,493</u>	<u>\$ 1,603,000</u>	<u>\$ 10,196</u>	<u>\$ 16,417</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In 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. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

<u>Series</u>	<u>Balance, Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance, End of Year</u>
2003-04B	\$ -	\$ 200,000	\$ 200,000	\$ -
2004-05A	<u>-</u>	<u>949,990</u>	<u>849,990</u>	<u>100,000</u>
	<u>\$ -</u>	<u>\$ 1,149,990</u>	<u>\$ 1,049,990</u>	<u>\$ 100,000</u>

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>
2004-05A	3.000%	2.4630%
2004-05B	3.500%	2.2800%
2005-06A	3.500%	3.9030%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 117,000	\$ -	\$ -	\$ 117,000
Construction in progress	1,508,577	-	(1,508,577)	-
Total capital assets, not being depreciated	<u>1,625,577</u>	<u>-</u>	<u>(1,508,577)</u>	<u>117,000</u>
Capital assets being depreciated:				
Buildings and improvements	7,188,735	1,765,662	-	8,954,397
Improvements other than buildings	379,275	23,386	-	402,661
Furniture and equipment	1,353,643	238,480	-	1,592,123
Total capital assets being depreciated	<u>8,921,653</u>	<u>2,027,528</u>	<u>-</u>	<u>10,949,181</u>
Less accumulated depreciation for:				
Buildings and improvements	2,783,628	173,701	-	2,957,329
Improvements other than buildings	228,942	18,815	-	247,757
Furniture and equipment	1,036,862	126,621	-	1,163,483
Total accumulated depreciation	<u>4,049,432</u>	<u>319,137</u>	<u>-</u>	<u>4,368,569</u>
Total capital assets being depreciated, net	<u>4,872,221</u>	<u>1,708,391</u>	<u>-</u>	<u>6,580,612</u>
Governmental activities capital assets, net	<u>\$ 6,497,798</u>	<u>\$ 1,708,391</u>	<u>\$(1,508,577)</u>	<u>\$ 6,697,612</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 24,442	\$ -	\$ -	\$ 24,442
Less accumulated depreciation	14,078	2,037	-	16,115
Business type activities capital assets, net	<u>\$ 10,364</u>	<u>\$ (2,037)</u>	<u>\$ -</u>	<u>\$ 8,327</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction		
Regular	\$	62,167
Special		4,011
Other		9,731
Support services		
Student support		509
Instructional staff services		9,172
Administration		18,343
Operation and maintenance of plant		13,494
Transportation		9,194
Unallocated depreciation		<u>192,516</u>
Total governmental activities depreciation expense	\$	<u>319,137</u>

Business type activities

Food services	\$	<u>2,037</u>
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Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 3,220,000	\$ -	\$(220,000)	\$ 3,000,000	\$ 235,000
General obligation refunded bonds	-	2,775,000	-	2,775,000	-
Revenue bonds	1,235,000	-	(235,000)	1,000,000	240,000
Capital loan notes	70,000	-	(70,000)	-	-
Bank loan	110,780	-	(110,780)	-	-
Early retirement	<u>215,536</u>	<u>37,799</u>	<u>(81,174)</u>	<u>172,161</u>	<u>48,227</u>
Totals	<u>\$ 4,851,316</u>	<u>\$ 2,812,799</u>	<u>\$(716,954)</u>	<u>\$ 6,947,161</u>	<u>\$ 523,227</u>

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 1, 1996				Bond Issue of April 1, 2005			
	Interest %	Principal	Interest	Total	Interest %	Principal	Interest	Total
2006	4.550%	\$ 235,000	\$ 148,928	\$ 383,928	0.0%	\$ -	\$ 115,537	\$ 115,537
2007	4.650%	250,000	138,235	388,235	3.5%	280,000	106,650	386,650
2008	4.750%	265,000	126,610	391,610	3.5%	290,000	96,850	386,850
2009	4.900%	275,000	114,023	389,023	3.5%	300,000	86,700	386,700
2010	5.000%	290,000	100,548	390,548	4.0%	310,000	76,200	386,200
2011	5.050%	305,000	86,048	391,048	4.0%	325,000	63,800	388,800
2012	5.100%	320,000	70,645	390,645	4.0%	335,000	50,800	385,800
2013	5.125%	335,000	54,325	389,325	4.0%	350,000	37,400	387,400
2014	5.125%	355,000	37,156	392,156	4.0%	365,000	23,400	388,400
2015	5.125%	<u>370,000</u>	<u>18,963</u>	<u>388,963</u>	4.0%	<u>220,000</u>	<u>8,800</u>	<u>228,800</u>
Totals		<u>\$ 3,000,000</u>	<u>\$ 895,481</u>	<u>\$ 3,895,481</u>		<u>\$ 2,775,000</u>	<u>\$ 666,137</u>	<u>\$ 3,441,137</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2006	\$ 235,000	\$ 264,465	\$ 499,465
2007	530,000	244,885	774,885
2008	555,000	223,460	778,460
2009	575,000	200,723	775,723
2010	600,000	176,748	776,748
2011	630,000	149,848	779,848
2012	655,000	121,445	776,445
2013	685,000	91,725	776,725
2014	720,000	60,556	780,556
2015	<u>590,000</u>	<u>27,763</u>	<u>617,763</u>
Totals	<u>\$ 5,775,000</u>	<u>\$ 1,561,618</u>	<u>\$ 7,336,618</u>

On April 1, 2005, the District issued general obligation bonds of \$2,775,000. This was a crossover refunding of the bond issue of February 1, 1996. Proceeds from the 2005 issue will be used to pay the balance of the 1996 issue, which will be called for payment on May 1, 2006. This refunding resulted in a net present value benefit of \$134,969 and net present value cash flow savings of \$131,803.

Revenue Bonds Payable

On June 1, 2003, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds are to be used to construct an addition to the elementary building. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The bonds were for \$1,460,000 and are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and services tax revenues will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2005 revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond issue of July 1, 2003</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	2.50%	\$ 240,000	\$ 26,938	\$ 266,938
2007	2.50%	245,000	20,938	265,938
2008	2.75%	255,000	14,812	269,812
2009	3.00%	<u>260,000</u>	<u>7,800</u>	<u>267,800</u>
Totals		<u>\$ 1,000,000</u>	<u>\$ 70,488</u>	<u>\$ 1,070,488</u>

Early Retirement

Sick leave days accrue at 10-15 days per year (depending upon an employee's status) to a maximum of 105 days. Upon retirement, after attaining age 59 with 10 years of service to the District and upon Board approval, an employee may receive a severance benefit based on a percentage of accumulated sick leave days, payable at the employee's per diem salary on the last day of employment, according to the following schedule:

# Years of Service	%
10-14	20
15-19	30
20-24	40
25 or more	50

Individuals who elect early retirement but have not reached their 65th birthday are eligible to have the District continue to pay their insurance benefits through the month of their 65th birthday. Six individuals are currently receiving this benefit. Early retirement expenditures for the year ended June 30, 2005 totaled \$81,174.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, 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, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$173,495, \$167,371 and \$169,163, equal to the required contributions for each year.

Note 9. 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 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$132,340 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Deficit Balance

The District had an unreserved, undesignated fund deficit of \$525,176 in the General Fund at June 30, 2005.

Note 12. Restate Beginning Balance

During the year ended June 30, 2005, the District discovered that its capital asset inventory and depreciation records had not been correctly reported in fiscal 2004. Therefore, the beginning balance of capital assets was decreased by \$426,652 during the year ended June 30, 2005. This also affected the beginning balance of the governmental activities in the Statement of Activities.

Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Budgetary Comparison Schedule of Receipts, Disbursements
 and Changes in Balances - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Receipts						
Local sources	\$ 3,958,241	\$ 120,129	\$ 4,078,370	\$ 3,687,069	\$ 3,687,069	\$ 391,301
Intermediate sources	4,500	-	4,500	-	-	4,500
State sources	2,063,983	3,443	2,067,426	2,096,896	2,096,896	(29,470)
Federal sources	172,971	109,164	282,135	242,100	242,100	40,035
Total receipts	6,199,695	232,736	6,432,431	6,026,065	6,026,065	406,366
Disbursements						
Instruction	3,603,141	-	3,603,141	3,358,557	3,601,836	(1,305)
Support services	1,511,057	-	1,511,057	1,295,790	1,370,193	(140,864)
Non-instructional programs	10,027	203,839	213,866	201,600	230,000	16,134
Other expenditures	1,445,723	-	1,445,723	1,178,754	1,286,511	(159,212)
Total disbursements	6,569,948	203,839	6,773,787	6,034,701	6,488,540	(285,247)
Excess (deficiency) of receipts over (under) disbursements	(370,253)	28,897	(341,356)	(8,636)	(462,475)	121,119
Other financing sources, net	2,828,500	-	2,828,500	200	200	2,828,300
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	2,458,247	28,897	2,487,144	(8,436)	(462,275)	2,949,419
Balance, beginning of year	858,988	9,535	868,523	890,593	890,593	(22,070)
Balance, end of year	\$ 3,317,235	\$ 38,432	\$ 3,355,667	\$ 882,157	\$ 428,318	\$ 2,927,349

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 For the Year Ended June 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,199,695	\$ (188,898)	\$ 6,010,797
Expenditures	<u>6,569,948</u>	<u>(82,175)</u>	<u>6,487,773</u>
Net	(370,253)	(106,723)	(476,976)
Other financing sources	2,828,500	-	2,828,500
Beginning fund balances	<u>858,988</u>	<u>(591,706)</u>	<u>267,282</u>
Ending fund balances	<u>\$ 3,317,235</u>	<u>\$ (698,429)</u>	<u>\$ 2,618,806</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 232,736	\$ 7,854	\$ 240,419
Expenditures	<u>203,839</u>	<u>11,552</u>	<u>213,915</u>
Net	28,897	(3,698)	26,504
Beginning fund balances	<u>9,535</u>	<u>4,391</u>	<u>10,228</u>
Ending fund balances	<u>\$ 38,432</u>	<u>\$ 693</u>	<u>\$ 36,732</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and Debt Service Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 amendments increasing budgeted disbursements by \$453,839.

During the year ended June 30, 2005, District disbursements exceeded the amount budgeted in the Instruction, Support Services and Other Expenditures functions and in total. However, the General Fund unspent authorized budget was not exceeded.

Other Supplementary Information

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

Schedule 1

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Capital	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Projects</u>	<u>Total</u>
ASSETS					
Cash and pooled investments	\$ 11,680	\$ 61,972	\$ 26,342	\$ 182,029	\$ 282,023
Receivables					
Property tax					
Current year delinquent	856	-	1,052	-	1,908
Succeeding year	130,750	-	135,974	-	266,724
Accrued interest receivable	-	-	2	329	331
Accounts receivable	45	49	-	-	94
Due from other governments	-	-	-	43,820	43,820
Total assets	<u>\$ 143,331</u>	<u>\$ 62,021</u>	<u>\$ 163,370</u>	<u>\$ 226,178</u>	<u>\$ 594,900</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ -	\$ 1,306	\$ 9,238	\$ -	\$ 10,544
Deferred revenue					
Succeeding year property tax	<u>130,750</u>	<u>-</u>	<u>135,974</u>	<u>-</u>	<u>266,724</u>
Total liabilities	<u>130,750</u>	<u>1,306</u>	<u>145,212</u>	<u>-</u>	<u>277,268</u>
Fund Equity					
Unreserved fund balances	<u>12,581</u>	<u>60,715</u>	<u>18,158</u>	<u>226,178</u>	<u>317,632</u>
Total liabilities and fund equity	<u>\$ 143,331</u>	<u>\$ 62,021</u>	<u>\$ 163,370</u>	<u>\$ 226,178</u>	<u>\$ 594,900</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Schedule 2

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Capital Projects	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Projects</u>	<u>Total</u>
Revenues					
Local sources					
Local taxes	\$ 121,984	\$ -	\$ 133,691	\$ 370,778	\$ 626,453
Other	795	149,258	54,511	3,950	208,514
State sources	120	-	86	-	206
Total revenues	<u>122,899</u>	<u>149,258</u>	<u>188,288</u>	<u>374,728</u>	<u>835,173</u>
Expenditures					
Instruction					
Regular program instruction	77,292	-	-	-	77,292
Other instruction	-	163,661	-	-	163,661
Support services					
Administration services	6,478	-	-	-	6,478
Operation & maintenance of plant	43,972	-	10,357	-	54,329
Transportation services	4,212	-	56,156	-	60,368
Other expenditures					
Facilities acquisition and construction	-	-	27,129	407,878	435,007
Total expenditures	<u>131,954</u>	<u>163,661</u>	<u>93,642</u>	<u>407,878</u>	<u>797,135</u>
Excess (deficiency) of revenues over (under) expenditures	(9,055)	(14,403)	94,646	(33,150)	38,038
Other financing uses					
Interfund operating transfers out	-	-	(73,478)	(344,338)	(417,816)
Net change in fund balances	(9,055)	(14,403)	21,168	(377,488)	(379,778)
Fund balances, beginning of year	<u>21,636</u>	<u>75,118</u>	<u>(3,010)</u>	<u>603,666</u>	<u>697,410</u>
Fund balances, end of year	<u>\$ 12,581</u>	<u>\$ 60,715</u>	<u>\$ 18,158</u>	<u>\$ 226,178</u>	<u>\$ 317,632</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	\$ 22,786	\$ 45,739	\$ 62,796	\$ 5,729
Art club	536	818	758	596
Elementary store	87	-	-	87
Future Homemakers of America	750	1,070	1,205	615
Octagon	375	-	-	375
Recycle club	16	-	-	16
National Honor Society	(93)	-	-	(93)
Pep club	1,451	5,238	5,747	942
Alternative activities	1,296	-	-	1,296
SADD	1,720	100	216	1,604
High school science club	473	627	683	417
Middle school science club	35	170	-	205
Spanish club	2,154	-	1,207	947
Speech	218	172	50	340
Post prom	1,477	4,633	5,218	892
Student council	1,765	3,639	3,697	1,707
Middle school student council	514	63	151	426
Nature club	151	75	100	126
River Watchers	403	-	-	403
Academic club	68	-	-	68
Class of:		-		
1999	113	-	-	113
2000	(227)	-	-	(227)
2001	46	-	-	46
2002	181	-	-	181
2003	126	-	-	126
2004	481	-	-	481
2005	1,982	672	2,938	(284)
2006	876	3,753	2,903	1,726
2007	1,074	452	-	1,526
2008	732	378	-	1,110
2009	372	390	-	762
2010	-	336	-	336

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Pop machines	\$ 2,810	\$ 5,571	\$ 3,018	\$ 5,363
Fundraising - Carter	1,334	762	1,233	863
Jump Rope for Heart	469	-	-	469
Crystal Lite machine	(153)	-	-	(153)
Student pictures	8,493	9,648	6,989	11,152
Fundraising - Moffitt	1,146	65	1,123	88
Fundraising - Nelson	883	10,251	10,536	598
Fundraising - Anderson	50	-	-	50
Home ec resale	238	785	816	207
Music resale	(1,741)	1,357	1,428	(1,812)
Yearbook	5,262	12,842	12,403	5,701
Drama	3,380	1,630	1,795	3,215
Interest	7,597	965	463	8,099
Cheerleaders	1,557	4,399	3,352	2,604
Middle school cheerleaders	485	268	446	307
Student activities	1,311	-	-	1,311
Special needs	59	-	-	59
Transfers	-	32,390	32,390	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 75,118</u>	<u>\$ 149,258</u>	<u>\$ 163,661</u>	<u>\$ 60,715</u>

See accompanying Independent Auditor's Report.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Fund Types
 For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 2,197,021	\$ 2,097,154	\$ 2,110,101	\$ 1,878,261
Tuition	1,275,143	1,171,786	1,137,154	1,109,323
Other	295,197	285,819	198,435	289,832
Intermediate sources	4,500	-	100	1,260
State sources	2,063,795	2,017,561	2,101,699	1,972,268
Federal sources	175,141	161,160	154,008	131,360
Total revenues	<u>\$ 6,010,797</u>	<u>\$ 5,733,480</u>	<u>\$ 5,701,497</u>	<u>\$ 5,382,304</u>
Expenditures				
Instruction				
Regular instruction	2,438,568	2,233,610	2,228,155	2,161,797
Special instruction	676,180	580,581	584,791	534,351
Other instruction	514,212	495,443	470,861	479,119
Support services				
Student services	154,606	150,831	146,623	143,601
Instructional staff services	146,940	135,503	129,567	126,316
Administration services	492,185	473,194	410,409	451,959
Operation and maintenance of plant services	525,017	486,376	456,076	380,582
Transportation services	89,423	22,790	31,211	24,105
Central support services	-	25	156	7,041
Non-instructional programs	-	-	-	-
Other expenditures				
Facilities acquisition	435,007	1,330,074	367,936	204,957
Long-term debt				
Principal	635,780	612,927	588,079	568,647
Interest and other charges	242,611	218,889	229,869	251,378
AEA flowthrough	132,340	136,265	142,548	141,228
Total expenditures	<u>\$ 6,482,869</u>	<u>\$ 6,876,508</u>	<u>\$ 5,786,281</u>	<u>\$ 5,475,081</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education
Independent School District of West Burlington

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Independent School District of West Burlington as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 2, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Independent School District of West Burlington's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion 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 the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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, of the reportable conditions described above, I believe item (A) Segregation of Duties, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District of West Burlington's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Independent School District of West Burlington 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 Independent School District of West Burlington 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
September 2, 2005

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Schedule of Findings
For the Year Ended June 30, 2005

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

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

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

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- (B) Use of District's Federal Identification Number - It was noted that various outside organizations use the District's federal identification number on their bank accounts.

Recommendation - The District should discuss this situation with the organizations and explain that since these organizations are not part of the District and are not accounted for in the District's accounting records, they should not be using the District's ID number. The organizations should apply for their own federal identification number to use on all legal documents and bank records. If these organizations do not apply for and receive their own federal identification number, then their funds will need to be incorporated into the accounting records of the District and they will need to follow the District accounting procedures and policies.

Response - We will discuss this situation with these organizations to resolve this matter.

Conclusion - Response accepted.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Schedule of Findings
For the Year Ended June 30, 2005

- (C) Supporting Organizations - During the audit, it was noted that the supporting organizations, such as the Booster Clubs and PTO, do not always coordinate their efforts and projects with the District.

Recommendation - These organizations have been established to support District programs and provide additional funding for various student activities. The District makes the decision whether or not to accept the organizations' projects, donations and support. Therefore, these organizations should discuss potential projects and programs with the District prior to proceeding with the fundraising and completion of the project.

Response - We will discuss this with the boards of the outside organizations and work towards developing a cooperative working relationship between the District and the organizations.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

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, 2005.
2. Certified Budget - Disbursements for the year ended June 30, 2005 exceeded the amended amounts budgeted in the Instruction, Support Services and Other Expenditures functional areas as well as in total. Also, the budget amendment was not completed correctly. The amounts "amended from" did not agree with the original budget.

Recommendation - The District should have amended the budget in sufficient amounts before disbursements were allowed to exceed the budget. Also, the District should ensure that the budget amendment is completed properly.

Response - We will be more attentive of this in the future and amend the budget in sufficient amounts, as necessary.

Conclusion - Response accepted.

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.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Schedule of Findings
For the Year Ended June 30, 2005

5. Business Transactions - No business transactions between the District and District officials or employees 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.
8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa 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.
11. Financial Condition - The District had an unreserved, undesignated deficit in the General Fund \$525,176 at June 30, 2005.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate this deficit.

Response - We will review the situation and implement changes, as needed.

Conclusion - Response accepted.

INDEPENDENT SCHOOL DISTRICT OF WEST BURLINGTON
Audit Staff
June 30, 2005

This audit was performed by

Kay Chapman, CPA
Christina Chamberlin, staff accountant

Independent School District of West Burlington

WEST BURLINGTON, IOWA 52655

NEWS RELEASE

FOR RELEASE:

Kay L. Chapman, CPA PC of Muscatine, Iowa today released an audit report on the Independent School District of West Burlington in West Burlington, Iowa.

The District's revenues totaled \$6,304,716 for the year ended June 30, 2005, a 6 percent increase from the prior year. Revenues included \$2,198,513 in local tax, charges for service of \$1,648,068, operating grants, contributions and restricted interest of \$584,450, unrestricted state grants of \$1,773,281, unrestricted interest of \$30,156 and other general revenues of \$70,248.

Expenses for District operations totaled \$5,816,143, a 5 percent increase from the prior year. Expenses included \$3,471,549 for instruction, \$1,438,797 for support services, \$218,819 for non-instructional programs and \$686,978 for other expenses.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.