

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Cardinal of Eldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Dave Fite	President	2004
Greg Greiner	Vice President	2005
Jami Yeager	Board Member	2003
Wayne Huit	Board Member	2003
Jim Hidy	Board Member	2004
Board of Education (After September 2003 Election)		
Dave Fite	President	2004
Greg Greiner	Vice President	2005
Jim Hidy	Board Member	2004
Randy Eakins	Board Member	2006
Mike Kayser	Board Member	2006
School Officials		
Dr. Roger Godfrey	Superintendent	2004
Linda Durflinger	District Secretary	2004
Tina Snyder	Business Manager/Treasurer	2004
David Hester	Attorney	2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Cardinal of Eldon Community School District:

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

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

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

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Cardinal of Eldon Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments; Statement No. 37, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule- Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2004 on our consideration of the Cardinal of Eldon Community School District's internal control over financial reporting and our tests of its compliance with certain

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

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cardinal of Eldon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson P.C.
NOLTE, CORNMAN & JOHNSON, P.C.

July 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cardinal of Eldon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,404,838 in fiscal 2003 to \$4,978,299 in fiscal 2004, while General Fund expenditures decreased from \$5,188,820 in fiscal 2003 to \$4,905,068 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$521,266 in fiscal 2003 to a balance of \$517,117 in fiscal 2004.
- The decrease in General Fund revenues was attributable to a decrease in state grant revenue in fiscal 2004. The decrease in expenditures was due primarily to a decrease in every functional program area. One reason the General Fund balance decreased is because the decrease in revenues was greater than the decrease in expenditures for fiscal 2004.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$37,097 in fiscal year 2003 to \$4,795 in fiscal year 2004.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cardinal of Eldon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cardinal of Eldon Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

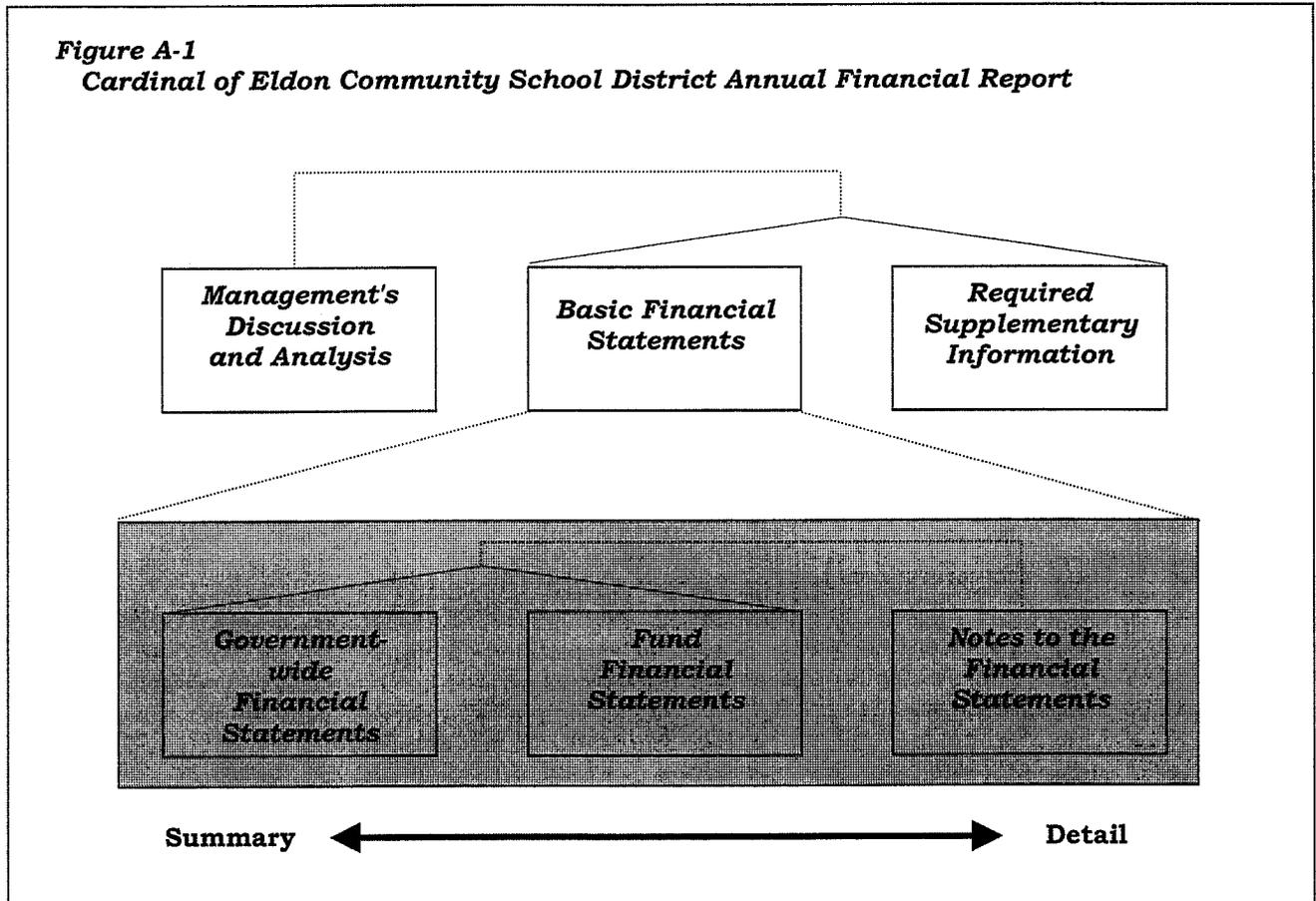


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 4,333,329	13,190	4,346,519
Capital assets	2,708,171	9,989	2,718,160
Total assets	<u>7,041,500</u>	<u>23,179</u>	<u>7,064,679</u>
Long-term obligations	918,825	0	918,825
Other liabilities	3,511,527	12,490	3,524,017
Total liabilities	<u>4,430,352</u>	<u>12,490</u>	<u>4,442,842</u>
Net assets:			
Invested in capital assets, net of related debt	2,708,171	9,989	2,718,160
Restricted	(527,103)	0	(527,103)
Unrestricted	430,080	700	430,780
Total net assets	<u>\$ 2,611,148</u>	<u>10,689</u>	<u>2,621,837</u>

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 582,990	108,111	691,101
Operating grants and contributions and restricted interest	602,830	127,826	730,656
General revenues:			
Local tax	1,749,579	0	1,749,579
Unrestricted state grants	2,458,792	0	2,458,792
Other	15,532	0	15,532
Total revenues	<u>5,409,723</u>	<u>235,937</u>	<u>5,645,660</u>
Program expenses:			
Governmental activities:			
Instructional	3,651,171	0	3,651,171
Support services	1,386,611	0	1,386,611
Non-instructional programs	0	223,234	223,234
Other expenses	412,131	0	412,131
Total expenses	<u>5,449,913</u>	<u>223,234</u>	<u>5,673,147</u>
Changes in net assets	(40,190)	12,703	(27,487)
Net assets beginning of year	<u>2,651,338</u>	<u>(2,014)</u>	<u>2,649,324</u>
Net assets end of year	<u>\$ 2,611,148</u>	<u>10,689</u>	<u>2,621,837</u>

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,409,723 and expenses were \$5,449,913.

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

	Figure A-5 Total and Net Cost of Governmental Activities	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,651,171	2,650,521
Support services	1,386,611	1,386,003
Other expenses	412,131	227,569
Totals	<u>\$ 5,449,913</u>	<u>4,264,093</u>

- The cost financed by users of the District's programs was \$582,990.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$602,830.

-
- The net cost of governmental activities was financed with \$1,749,579 in local tax, \$2,458,792 in unrestricted state grants, and \$15,532 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$235,937 and expenses were \$223,234. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$710,092, compared to last year's ending fund balances of \$816,911. However, the primary reason for the decrease was the increase in expenditures in the Management and PPEL Funds.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Reduction in state grants resulted in a decrease in revenues. However, the decrease in revenues was less than offset by the District's decrease in General Fund expenditures ensuring the financial position of the District decrease.
- The Activity and Expendable Trust Fund combined balance increased from \$75,705 in 2003, to \$98,549 in 2004, due to the increase in revenues in both funds.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$131,112 to \$58,438, due to the increase in expenditures during the year.
- The Management fund balance decreased from \$72,580, to \$23,710, due to an increase in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit balance of \$2,014 at June 30, 2003 to a positive balance of \$10,689 at June 30, 2004.

BUDGETARY HIGHLIGHTS

The District's revenues were \$198,828 more than budgeted revenues, a variance of 4%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget exceeded in the other expenditures functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.6% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$180,004.

The original cost of the District's capital assets was \$5,369,834. Governmental funds account for \$5,307,464 with the remainder of \$62,370 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$200,804 at June 30, 2004, compared to \$224,368 reported at June 30, 2003. This decrease resulted from the depreciation expense incurred during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Business-type		Total
	2004	Activities 2004	School District 2004
Buildings	\$ 2,307,956	0	2,307,956
Land improvements	209,400	0	209,400
Machinery and equipment	190,815	9,989	200,804
Total	\$ 2,708,171	9,989	2,718,160

Long-Term Debt

At June 30, 2004, the District had long-term debt outstanding of \$915,988 in general obligation bonds, capital loan notes and fitness equipment loans. This represents a decrease of approximately 15.4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,000 at June 30, 2004.

The District had total outstanding capital loan notes payable of \$780,000 at June 30, 2004.

The District had total outstanding fitness equipment loans payable of \$130,988 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2004	2003	Change
General obligation bonds	\$ 5,000	5,000	0.0%
Capital loan notes	780,000	875,000	-10.9%
Fitness equipment loan	130,988	202,171	-35.2%
Total	\$ 915,988	1,082,171	-15.4%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tina Snyder, District Business Manager, Cardinal of Eldon Community School District, 4045 Ashland Road, Eldon, Iowa, 52554.

BASIC FINANCIAL STATEMENTS

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP(Note 4)	\$ 1,470,135	0	1,470,135
Other	1,132,350	11,736	1,144,086
Receivables:			
Property tax:			
Delinquent	45,875	0	45,875
Succeeding year	1,513,502	0	1,513,502
Income surtax	111,710	0	111,710
Accounts	28,734	0	28,734
Accrued interest			
ISCAP(Note 4)	2,372	0	2,372
Due from other governments	28,651	0	28,651
Inventories	0	1,454	1,454
Capital assets, net of accumulated depreciation(Note 5)	2,708,171	9,989	2,718,160
TOTAL ASSETS	7,041,500	23,179	7,064,679
LIABILITIES			
Interest payable	2,837	0	2,837
Salaries and benefits payable	516,342	11,332	527,674
ISCAP warrants payable(Note 4)	1,476,000	0	1,476,000
ISCAP accrued interest payable(Note 4)	3,596	0	3,596
ISCAP premiums payable	2,087	0	2,087
Deferred revenue:			
Succeeding year property tax	1,513,502	0	1,513,502
Other	0	1,158	1,158
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds	5,000	0	5,000
Capital loan notes	100,000	0	100,000
Fitness equipment loan	73,826	0	73,826
Portion due after one year:			
Capital loan notes	680,000	0	680,000
Fitness equipment loan	57,162	0	57,162
TOTAL LIABILITIES	4,430,352	12,490	4,442,842
NET ASSETS			
Investment in capital assets, net of related debt	2,708,171	9,989	(918,825)
Restricted for:			
Talented and gifted	30,294	0	30,294
Teacher quality	24,604	0	24,604
Phase III	12,861	0	12,861
Physical plant & equipment levy	(717,121)	0	(717,121)
Management levy	23,710	0	23,710
Other special revenue purposes	98,549	0	98,549
Unrestricted	430,080	700	4,067,765
TOTAL NET ASSETS	\$ 2,611,148	10,689	2,621,837

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,294,295	113,008	417,660
Special instruction	865,446	65,294	0
Other instruction	491,430	404,688	0
	<u>3,651,171</u>	<u>582,990</u>	<u>417,660</u>
Support services:			
Student services	144,869	0	0
Instructional staff services	3,462	0	0
Administration services	662,956	0	0
Operation and maintenance of plant services	346,809	0	0
Transportation services	228,515	0	608
	<u>1,386,611</u>	<u>0</u>	<u>608</u>
Other expenditures:			
Facilities acquisitions	89,448	0	0
Long-term debt interest	47,084	0	0
AEA flowthrough	184,562	0	184,562
Depreciation(unallocated)*	91,037	0	0
	<u>412,131</u>	<u>0</u>	<u>184,562</u>
Total governmental activities	5,449,913	582,990	602,830
Business-Type activities:			
Non-instructional programs:			
Nutrition services	223,234	108,111	127,826
Total business-type activities	<u>223,234</u>	<u>108,111</u>	<u>127,826</u>
Total	\$ 5,673,147	691,101	730,656

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Unrestricted state grants
 Unrestricted investment earnings
Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,763,627)	0	(1,763,627)
(800,152)	0	(800,152)
(86,742)	0	(86,742)
(2,650,521)	0	(2,650,521)
(144,869)	0	(144,869)
(3,462)	0	(3,462)
(662,956)	0	(662,956)
(346,809)	0	(346,809)
(227,907)	0	(227,907)
(1,386,003)	0	(1,386,003)
(89,448)	0	(89,448)
(47,084)	0	(47,084)
0	0	0
(91,037)	0	(91,037)
(227,569)	0	(227,569)
(4,264,093)	0	(4,264,093)
0	12,703	12,703
0	12,703	12,703
(4,264,093)	12,703	(4,251,390)
\$ 1,588,295	0	1,588,295
161,284	0	161,284
2,458,792	0	2,458,792
15,532	0	15,532
4,223,903	0	4,223,903
(40,190)	12,703	(27,487)
2,651,338	(2,014)	2,649,324
\$ 2,611,148	10,689	2,621,837

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Governmental Funds	Total
ASSETS			
Cash and pooled investments			
ISCAP(Note 4)	\$ 1,470,135	0	1,470,135
Other	945,305	187,045	1,132,350
Receivables:			
Property tax			
Delinquent	39,970	5,905	45,875
Succeeding year	1,264,218	249,284	1,513,502
Income surtax	111,710	0	111,710
Accounts	28,709	25	28,734
Accrued interest			
ISCAP(Note 4)	2,372	0	2,372
Due from other governments	28,651	0	28,651
TOTAL ASSETS	\$ 3,891,070	442,259	4,333,329
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and benefits payable	\$ 516,342	0	516,342
ISCAP warrants payable(Note 4)	1,476,000	0	1,476,000
ISCAP accrued interest payable(Note 4)	3,596	0	3,596
ISCAP premiums payable	2,087	0	2,087
Deferred revenue:			
Succeeding year property tax	1,264,218	249,284	1,513,502
Income surtax	111,710	0	111,710
Total liabilities	<u>3,373,953</u>	<u>249,284</u>	<u>3,623,237</u>
Fund balances:			
Reserved for:			
Debt service	0	6,595	6,595
Talented and gifted	30,294	0	30,294
Teacher quality	24,604	0	24,604
Phase III	12,861	0	12,861
Unreserved:			
Undesignated	449,358	186,380	635,738
Total fund balances	<u>517,117</u>	<u>192,975</u>	<u>710,092</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,891,070	442,259	4,333,329

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds(page 16)	\$	710,092
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		2,708,171
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,837)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		111,710
Long-term liabilities, including bonds, capital loan notes and fitness equipment loan payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(915,988)
Net assets of governmental activites(page 13)	\$	2,611,148

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Other Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,539,740	210,381	1,750,121
Tuition	178,302	0	178,302
Other	198,940	221,280	420,220
State sources	2,892,346	305	2,892,651
Federal sources	168,971	0	168,971
Total revenues	4,978,299	431,966	5,410,265
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,264,302	11,032	2,275,334
Special instruction	863,801	0	863,801
Other instruction	294,338	196,689	491,027
	3,422,441	207,721	3,630,162
Support services:			
Student services	144,869	0	144,869
Instructional staff services	3,462	0	3,462
Administration services	582,374	75,918	658,292
Operation and maintenance of plant services	346,895	0	346,895
Transportation services	220,465	11,499	231,964
	1,298,065	87,417	1,385,482
Other expenditures:			
Facilities acquisitions	0	106,448	106,448
Long-term debt:			
Principal	0	166,183	166,183
Interest and fiscal charges	0	44,247	44,247
AEA flowthrough	184,562	0	184,562
	184,562	316,878	501,440
Total expenditures	4,905,068	612,016	5,517,084
Excess (deficiency) of revenues over (under) expenditures	73,231	(180,050)	(106,819)
Other financing sources (uses):			
Transfers in	0	210,430	210,430
Transfers out	(77,380)	(133,050)	(210,430)
Total other financing sources (uses)	(77,380)	77,380	0
Net change in fund balances	(4,149)	(102,670)	(106,819)
Fund balance beginning of year	521,266	295,645	816,911
Fund balance end of year	\$ 517,117	192,975	710,092

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 18) \$ (106,819)

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	\$ 82,403	
Depreciation expense	(178,578)	(96,175)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 166,183

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. (2,837)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (542)

Changes in net assets of governmental activities (page 15) \$ (40,190)

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 11,736
Inventories	1,454
Capital assets, net of accumulated depreciation	9,989
TOTAL ASSETS	<u>23,179</u>
LIABILITIES	
Salaries and benefits payable	11,332
Deferred revenues	1,158
TOTAL LIABILITES	<u>12,490</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,989
Unrestricted	700
TOTAL NET ASSETS	<u>\$ 10,689</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 97,310
Adults	10,801
TOTAL OPERATING REVENUES	108,111
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	77,044
Benefits	17,194
Services	3,993
Supplies	123,516
Other	61
Depreciation	1,426
TOTAL OPERATING EXPENSES	223,234
OPERATING LOSS	(115,123)
NON-OPERATING REVENUES:	
State sources	3,835
Federal sources	123,991
TOTAL NON-OPERATING REVENUES	127,826
Net income	12,703
Net assets at beginning of year	(2,014)
Net assets end of year	\$ 10,689

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 108,701
Cash payments to employees for services	(97,139)
Cash payments to suppliers for goods or services	(113,419)
Net cash used in operating activities	(101,857)
Cash flows from non-capital financing activities:	
State grants received	3,835
Federal grants received	111,232
Net cash provided by non-capital financing activities	115,067
Net increase in cash and cash equivalents	13,210
Cash and cash equivalents at beginning of year	(1,474)
Cash and cash equivalents at end of year	\$ 11,736
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (115,123)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	12,759
Depreciation	1,426
Decrease in inventories	1,392
Decrease in salaries and benefits payable	(2,901)
Increase in deferred revenue	590
Net cash used in operating activities	\$ (101,857)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 11,736

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$12,759.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

The Cardinal of Eldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Eldon, Iowa, and the predominate agricultural territory in Jefferson, Wapello, Davis, and Van Buren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Cardinal of Eldon Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Cardinal of Eldon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

C. Measurement Focus and Basis of Accounting

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

all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Improvements other than buildings	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

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

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$795,575 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	PPEL	\$ 133,050
Debt Service	General	77,380
Total		<u>\$ 210,430</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	435,949	2,372	433,000	3,596
2004-05A	6/30/04	6/30/05	1,034,186	0	1,043,000	0
Total			\$ 1,470,135	2,372	1,476,000	3,596

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2004.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.050%
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 62,370	0	0	62,370
Less accumulated depreciation	50,955	1,426	0	52,381
Business-type activities capital assets, net	\$ 11,415	(1,426)	0	9,989

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated:				
Buildings	3,642,674	0	0	3,642,674
Land improvements	664,829	17,000	0	681,829
Machinery and equipment	917,558	65,403	0	982,961
Total capital assets being depreciated	5,225,061	82,403	0	5,307,464
Less accumulated depreciation for:				
Buildings	1,261,865	72,853	0	1,334,718
Land improvements	454,245	18,184	0	472,429
Machinery and equipment	704,605	87,541	0	792,146
Total accumulated depreciation	2,420,715	178,578	0	2,599,293
Total capital assets being depreciated, net	2,804,346	(96,175)	0	2,708,171
Governmental activities capital assets, net \$	2,804,346	(96,175)	0	2,708,171

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 29,156
Special		1,645
Other		403
Support services:		
Administration services		6,664
Operation and maintenance of plant services		1,914
Transportation		47,759
		87,541
Unallocated depreciation		91,037
Total governmental activities depreciation expense		\$ 178,578
Business-type activities:		
Food services		\$ 1,426

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 5,000	0	0	5,000	5,000
Capital loan notes	875,000	0	95,000	780,000	100,000
Fitness equipment loan	202,171	0	71,183	130,988	73,826
Total	\$ 1,082,171	0	166,183	915,988	178,826

General Obligation

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

Year	Bond issue dated March 1, 1983				
Ending	Interest				
June 30,	Rate	Principal	Interest	Total	
1995	8.60 %	\$ 5,000	1,935	6,935	

Capital Loan Notes

Capital loan notes are paid out of the PPEL Fund and details of the District's June 30, 2004 indebtedness is as follows:

Year	Issue May 27, 1997				
Ending	Interest				
June 30,	Rate	Principal	Interest	Total	
2005	4.00 %	\$ 100,000	34,045	134,045	
2006	4.05	100,000	30,045	130,045	
2007	4.20	105,000	25,995	130,995	
2008	4.35	110,000	21,585	131,585	
2009	4.50	115,000	16,800	131,800	
2010	4.60	125,000	11,625	136,625	
2011	4.70	125,000	5,875	130,875	
Total		\$ 780,000	145,970	925,970	

Fitness Equipment Loan

Fitness equipment loans are paid out of the General Fund and details of the District's June 30, 2004 indebtedness is as follows:

Year	Issue dated February 27, 2003				
Ending	Interest				
June 30,	Rate	Principal	Interest	Total	
2005	3.65 %	\$ 73,826	3,554	77,380	
2006	3.65	57,162	873	58,035	
Total		\$ 130,988	4,427	135,415	

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$159,332, \$157,054, and \$149,154 respectively, equal to the required contributions for each year.

(8) Risk Management

Cardinal of Eldon Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$541,887.

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

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

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

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

(9) 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 \$184,562 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

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

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

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

Beginning capital assets for governmental activities of \$6,130,340 were restated to \$3,537,425. The restatement primarily removed assets below the District's capitalization threshold.

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

	Fund		
	General	Other Governmental Funds	Total
Net assets, June 30, 2003, as previously reported	\$ 521,266	295,645	816,911
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 521,266	295,645	816,911
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$2,420,715			2,804,346
Income surtax			112,252
Long-term liabilities:			
General obligation bonds		5,000	
Capital loan notes		875,000	
Fitness equipment loan		202,171	(1,082,171)
Net assets July 1, 2003, as restated			\$ 2,651,338

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,347,988	108,701
State sources	2,892,892	3,835
Federal sources	172,401	123,991
Total receipts	<u>5,413,281</u>	<u>236,527</u>
Disbursements:		
Instruction	3,618,338	0
Support services	1,384,378	0
Non-instructional programs	0	223,317
Other expenditures	501,440	0
Total disbursements	<u>5,504,156</u>	<u>223,317</u>
Excess(deficiency) of receipts over(under) disbursements	(90,875)	13,210
Other financing sources, net	0	0
Excess(deficiency) of receipts and other financing sources over(under) disbursements	(90,875)	13,210
Balance beginning of year	<u>1,223,225</u>	<u>(1,474)</u>
Balance end of year	<u>\$ 1,132,350</u>	<u>11,736</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,456,689	2,133,084	2,133,084	323,605
2,896,727	2,982,896	2,982,896	(86,169)
296,392	335,000	335,000	(38,608)
5,649,808	5,450,980	5,450,980	198,828
3,618,338	4,320,119	4,320,119	701,781
1,384,378	1,897,985	1,897,985	513,607
223,317	226,935	226,935	3,618
501,440	330,573	330,573	(170,867)
5,727,473	6,775,612	6,775,612	1,048,139
(77,665)	(1,324,632)	(1,324,632)	1,246,967
0	(250)	(250)	(250)
(77,665)	(1,324,882)	(1,324,882)	1,246,717
1,221,751	1,652,725	1,652,725	(430,974)
1,144,086	327,843	327,843	815,743

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE-
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 5,413,281	(3,016)	5,410,265
Expenses	5,504,156	12,928	5,517,084
Net	(90,875)	(15,944)	(106,819)
Beginning fund balances	1,223,225	(406,314)	816,911
Ending fund balances	\$ 1,132,350	(422,258)	710,092

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 236,527	(590)	235,937
Expenses	223,317	(83)	223,234
Net	13,210	(507)	12,703
Beginning retained earnings	(1,474)	(540)	(2,014)
Ending retained earnings	\$ 11,736	(1,047)	10,689

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds				
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue
ASSETS					
Cash and pooled investments	\$ 22,332	53,911	62,024	36,500	174,767
Receivables:					
Property tax:					
Current year delinquent	1,378	4,527	0	0	5,905
Succeeding year	100,000	149,284	0	0	249,284
Accounts	0	0	25	0	25
TOTAL ASSETS	\$ 123,710	207,722	62,049	36,500	429,981
LIABILITIES AND FUND EQUITY					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 100,000	149,284	0	0	249,284
	100,000	149,284	0	0	249,284
Fund equity:					
Fund balances:					
Reserved:					
Debt service	0	0	0	0	0
Unreserved:					
Undesignated	23,710	58,438	62,049	36,500	180,697
Total fund balances	23,710	58,438	62,049	36,500	180,697
TOTAL LIABILITIES AND FUND EQUITY	\$ 123,710	207,722	62,049	36,500	429,981

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Capital Projects	Debt Service	Total Nonmajor Governmental Funds
5,683	6,595	187,045
0	0	5,905
0	0	249,284
0	0	25
5,683	6,595	442,259
0	0	249,284
0	0	249,284
0	6,595	6,595
5,683	0	186,380
5,683	6,595	192,975
5,683	6,595	442,259

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue				Total Special Revenue
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	
REVENUES:					
Local sources:					
Local tax	\$ 49,097	161,284	0	0	210,381
Other	411	1,336	216,571	2,962	221,280
State sources	71	234	0	0	305
TOTAL REVENUES	49,579	162,854	216,571	2,962	431,966
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	11,032	0	0	0	11,032
Other instruction	0	0	196,689	0	196,689
	11,032	0	196,689	0	207,721
Support services:					
Administration services	75,918	0	0	0	75,918
Transportation services	11,499	0	0	0	11,499
	87,417	0	0	0	87,417
Other expenditures:					
Facility acquisition	0	102,478	0	0	102,478
Long-term debt:					
Principle	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0
	0	102,478	0	0	102,478
TOTAL EXPENDITURES	98,449	102,478	196,689	0	397,616
Excess(deficiency) of revenues over (under) expenditures	(48,870)	60,376	19,882	2,962	34,350
Other financing sources(uses):					
Operating transfers in	0	0	0	0	0
Operating transfers out	0	(133,050)	0	0	(133,050)
Total other financing sources(uses)	0	(133,050)	0	0	(133,050)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(48,870)	(72,674)	19,882	2,962	(98,700)
Fund balance beginning of year	72,580	131,112	42,167	33,538	279,397
Fund balance end of year	\$ 23,710	58,438	62,049	36,500	180,697

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Capital Projects	Debt Service	Total Nonmajor Governmental Funds
0	0	210,381
0	0	221,280
0	0	305
0	0	431,966
0	0	11,032
0	0	196,689
0	0	207,721
0	0	75,918
0	0	11,499
0	0	87,417
3,970	0	106,448
0	166,184	166,184
0	44,246	44,246
3,970	210,430	316,878
3,970	210,430	612,016
(3,970)	(210,430)	(180,050)
0	210,430	210,430
0	0	(133,050)
0	210,430	77,380
(3,970)	0	(102,670)
9,653	6,595	295,645
5,683	6,595	192,975

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 651	255	0	906
Investments	3,948	6,184	0	10,132
Drama	298	1,286	767	817
Music	12	2,752	2,552	212
Vocal	1,069	88	88	1,069
Season tickets	6	5,365	5,371	0
JH track	350	0	350	0
Boys basketball	200	3,587	2,483	1,304
Football	1,761	6,877	8,468	170
Baseball	0	1,281	1,281	0
Boys track	0	1,178	1,178	0
Wrestling	13	1,536	1,549	0
Girls basketball	613	4,178	3,512	1,279
Volleyball	275	1,631	1,514	392
Softball	129	13,949	14,053	25
Girls track	(172)	1,561	1,389	0
Yearbook	780	8,691	3,955	5,516
Art club	483	30	81	432
Caps and gown	2,626	843	(239)	3,708
Cheerleaders	0	1,250	698	552
Baseball club	(244)	2,892	1,910	738
General activity	5	0	0	5
Concessions	1,621	3,799	358	5,062
Football club	175	4,285	2,182	2,278
6th grade dues	74	1,983	2,057	0
7th grade dues	44	2,013	0	2,057
8th grade dues	44	0	0	44
Freshman	0	727	683	44
Sophomore	507	3,278	3,167	618
Juniors	1,763	5,204	5,329	1,638
Seniors	1,690	3,167	1,858	2,999
Girls baseball club	1,274	810	1,334	750
National honor society	9	0	131	(122)
JH trip fund	2,844	41,889	39,936	4,797
FFA	2,640	3,901	8,894	(2,353)
SADD chapter	112	0	0	112
Softball club	1,179	4,181	4,124	1,236
HS student council	334	1,727	2,139	(78)
Volleyball club	(98)	3,139	1,734	1,307
Wrestling club	3,170	3,586	3,242	3,514
Foreign language club	851	1,648	1,564	935
Boys basketball club	1,106	442	1,509	39
Business class	6	0	0	6

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH student council	668	1,198	888	978
Effort honor role	198	2,407	2,473	132
JH boys basketball	791	0	791	0
JH volleyball	654	0	654	0
JH softball	129	0	129	0
Elementary music	0	71	71	0
Elementary concessions	4,484	32,136	34,737	1,883
JH girls basketball	343	0	343	0
Patriotism day	2,419	0	0	2,419
JH cheerleading	130	0	0	130
Wrestling cheerleading	203	100	0	303
Weight room club	0	1,519	770	749
Sports concessions	0	18,176	21,909	(3,733)
Athletic management	0	0	0	0
A club	0	7,727	3,987	3,740
Music boosters	0	1,076	(1,279)	2,355
CSA	0	200	15	185
FCCLA	0	33	0	33
Dance and drill	0	735	0	735
Total	\$ 42,167	216,571	196,689	62,049

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 EXPENDABLE TRUST FUND
 YEAR ENDED JUNE 30, 2004

	Ruth Alleman Scholarship
REVENUES:	
Local sources:	
Interest on investments	\$ 2,962
TOTAL REVENUES	2,962
EXPENDITURES:	
Non-instructional programs:	
Services	0
Excess of revenues over expenditures	2,962
Fund balance beginning of year	33,538
Fund balance end of year	\$ 36,500

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,750,121	1,766,154	1,503,469	1,528,392
Tuition	178,302	180,434	164,763	208,034
Other	420,220	574,141	293,828	236,128
State sources	2,892,651	3,131,529	2,801,508	2,852,889
Federal sources	168,971	164,305	168,758	165,675
Total	\$ 5,410,265	5,816,563	4,932,326	4,991,118
Expenditures:				
Instruction:				
Regular instruction	\$ 2,275,334	2,273,935	2,373,500	2,306,794
Special instruction	863,801	769,381	790,846	750,753
Other instruction	491,027	763,452	364,836	345,523
Support services:				
Student services	144,869	140,169	138,177	119,122
Instructional staff services	3,462	4,378	23,257	20,821
Administration services	658,292	601,752	494,395	520,083
Operation and maintenance of plant services	346,895	429,437	350,764	339,324
Transportation services	231,964	248,301	195,182	385,724
Non-instructional:				
Food service	0	4,150	2,407	750
Other expenditures:				
Facilities acquisitions	106,448	210,331	914,202	235,333
Long Term Debt:				
Principal	166,183	101,730	95,000	15,595
Interest	44,247	43,852	37,227	686
AEA flow-through	184,562	200,602	191,567	195,055
Total	\$ 5,517,084	5,791,470	5,971,360	5,235,563

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

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

To the Board of Education of the
Cardinal of Eldon Community School District:

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

Compliance

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

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

Internal Control Over Financial Reporting

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

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

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

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

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

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson, P.C." with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

July 30, 2004

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

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

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

Conclusion - Response accepted.

I-B-04 Student Activity Fund - We noted during our audit that the Student Activity fund included a cap and gown account, which may be more appropriately accounted for in the General Fund.

Recommendation - This account should be closed out at year-end. The District should review the transactions in this account and make the necessary changes.

Response - Students pay for own caps and gowns.

Conclusion - Response acknowledged, but if this is true, there should not be a balance at the end of the year.

I-C-04 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest and investment account.

Recommendation - Interest earned throughout the year is recorded into the interest account. The earnings are in fact from individual student activity balances and therefore should be reflected by those individual funds as revenue. The District should devise a plan where interest is allocated to student activity accounts at least on an annual basis.

Response - Interest will be divided at year-end.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2004.

Recommendation - The district should increase their depository limits.

Response - We will increase the limits.

Conclusion - Response accepted.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures functional area.

Recommendation-The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will watch closer next year, and amend if necessary.

Conclusion - Response accepted.

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

II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Greg Greiner, Board Member Owner of Greiner Implement Co.	Parts	\$91

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member does not appear to be a conflict of interest.

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

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-04 Financial Condition - During our audit we noted that the District had negative account balances in the Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We will talk to the sponsors, and try not to let it happen in the future.

Conclusion - Response accepted.