

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Central Lee Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Greg Ruth	President	2003
Dennis Krehbiel	Vice-President	2005
Donald Hunold	Board Member	2004
Sara Statter	Board Member	2004
Doug Hopp	Board Member	2005

Board of Education (After September 2003 Election)		
Greg Ruth	President	2006
Dennis Krehbiel	Vice President	2005
Donald Hunold	Board Member	2004
Sara Statter	Board Member	2004
Doug Hopp	Board Member	2005

School Officials

Charles Reighard	Superintendent	2004
Sandra Meierotto	District Secretary and Business Manager	2004
Sharon Bradley	District Treasurer	2004
James Miller	Attorney	2004

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Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Central Lee 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 Central Lee 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 Central Lee 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, Central Lee 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 September 3, 2004, on our consideration of the Central Lee Community School District's internal control over financial reporting and our tests of its compliance with certain 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 Central Lee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

No 16, Cornman } Johnson EC

NOLTE, CORNMAN & JOHNSON, P.C.

September 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Lee 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 increased from \$7,428,354 in fiscal 2003 to \$7,474,361 in fiscal 2004, while General Fund expenditures increased from \$7,252,984 in fiscal 2003 to \$7,577,013 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$272,402 in fiscal 2003 to a balance of \$116,212 in fiscal 2004, a 57% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

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 Central Lee 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 Central Lee 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 Central Lee Community School District acts solely as an agent or custodial for the benefit of those outside of County government.

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-1
Central Lee Community School District Annual Financial Report

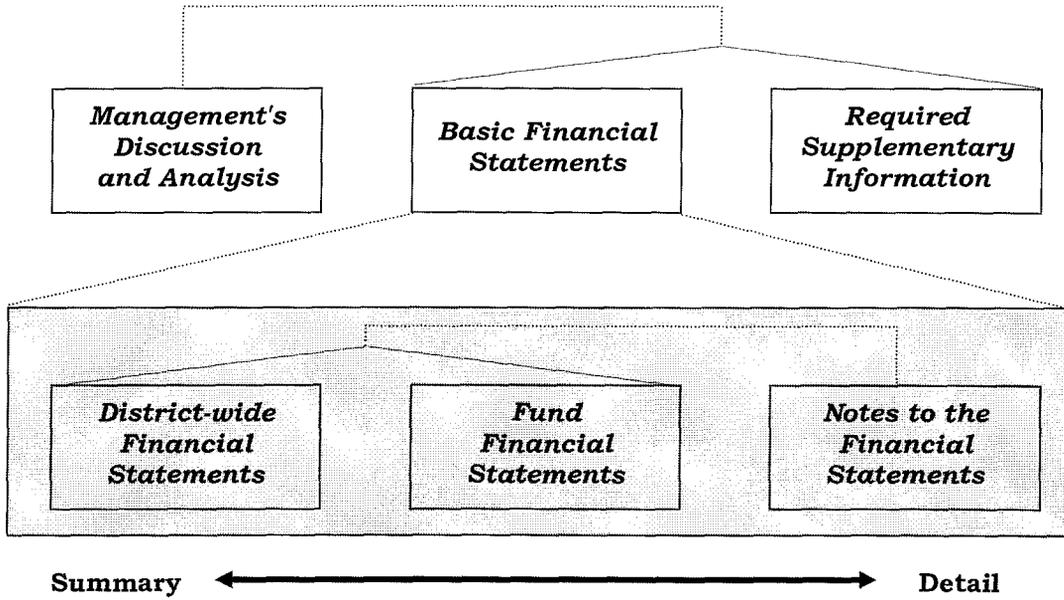


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-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, and Capital Projects 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	\$ 6,781,963	50,363	6,832,326
Capital Assets	6,727,529	50,363	6,777,892
Total assets	<u>13,509,492</u>	<u>100,726</u>	<u>13,610,218</u>
Long-term obligations	2,494,207	0	2,494,207
Other liabilities	5,405,302	774	5,406,076
Total liabilities	<u>7,899,509</u>	<u>774</u>	<u>7,900,283</u>
Net assets:			
Invested in capital assets, net of related debt	5,215,324	38,744	5,254,068
Restricted	346,679	0	346,679
Unrestricted	47,980	49,589	97,569
Total net assets	<u>\$ 5,609,983</u>	<u>88,333</u>	<u>5,698,316</u>

The District's combined net assets increased by nearly 6% or approximately \$299,797 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.

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	\$ 951,314	166,353	1,117,667
Operating grants and contributions and restricted interest	870,399	175,702	1,046,101
General revenues:			
Property tax	2,768,219	0	2,768,219
Local option sales and service tax	728,791	0	728,791
Unrestricted state grants	3,425,601	0	3,425,601
Unrestricted investment earnings	29,908	1,375	31,283
Other	1,640	0	1,640
Total revenues	<u>8,775,872</u>	<u>343,430</u>	<u>9,117,662</u>
Program expenses:			
Governmental activities:			
Instructional	5,577,778	0	5,577,778
Support services	2,084,832	0	2,084,832
Non-instructional programs	0	349,607	349,607
Other expenses	807,288	0	807,288
Total expenses	<u>8,469,898</u>	<u>349,607</u>	<u>8,819,505</u>
Change in net assets	<u>\$ 305,974</u>	<u>(6,177)</u>	<u>298,157</u>

Property tax and unrestricted state grants account for approximately 71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for approximately 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,775,872 and expenses were \$8,469,898.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,577,778	4,053,450
Support services	2,084,832	2,069,650
Other expenses	807,288	525,085
Totals	<u>\$ 8,469,898</u>	<u>6,648,185</u>

- The cost financed by users of the District's programs was \$951,314.

-
- Federal and state governments subsidized certain programs with grants and contributions totaling \$870,399.
 - The net cost of governmental activities was financed with \$3,497,010 in property and other taxes and \$3,425,601 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities were \$343,430 and expenses were \$349,607. 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 Central Lee Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,376,661, above last year's ending fund balances of a \$1,251,383.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$272,402 to \$116,212, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$94,510 at June 30, 2003 to \$88,333 at June 30, 2004, representing a decrease of approximately 7%. For fiscal 2004, the District increased meal prices, resulting increased revenues. The increase in revenues was more than offset by the increase in capital asset expenses.

BUDGETARY HIGHLIGHTS

The District's receipts were \$701,717 less than budgeted receipts, a variance of 7.7%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$6,766,273, 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 2% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$434,815. The District constructed an outdoor greenhouse in the amount of \$17,516, and also spent \$1,493 for tile flooring at the K-8 building.

The original cost of the District's capital assets was \$12,011,001. Governmental funds account for \$11,816,446 with the remainder of \$194,555 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$100,000 at June 30, 2004, compared to \$0 reported at June 30, 2003. This increase resulted from a chiller being installed.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 203,592	0	203,592
Construction in progress	100,000	0	100,000
Buildings	5,321,637	0	5,321,637
Improvements other than buildings	682,994	0	682,994
Machinery and equipment	419,306	38,744	458,050
Total	<u>\$ 6,727,529</u>	<u>38,744</u>	<u>6,766,273</u>

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 expects a declining student enrollment over the next several years due to continued job losses in the area.
- A 2.5% across-the-board state cut did reduce revenues the District received during the 2003-2004 school year. This was due to a downward estimate in state revenues.
- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.

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 Sandra Meierotto, District Secretary, Central Lee Community School District, 2642 Highway 218, Donnellson, Iowa, 52625.

BASIC FINANCIAL STATEMENTS

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP	\$ 1,868,282	0	1,868,282
Other	2,045,100	37,319	2,082,419
Receivables			
Property tax:			
Delinquent	37,820	0	37,820
Succeeding year	2,331,514	0	2,331,514
Income surtax	306,878	0	306,878
Accounts	4,257	0	4,257
Accrued ISCAP interest	3,988	0	3,988
Due from other governments	184,124	0	184,124
Inventories	0	13,044	13,044
Capital assets, net of accumulated depreciation (Note 5)	6,727,529	38,744	6,766,273
TOTAL ASSETS	13,509,492	89,107	13,598,599
LIABILITIES			
Accounts payable	35,740	664	36,404
Salaries and benefits payable	848,615	0	848,615
ISCAP warrants payable	1,873,000	0	1,873,000
ISCAP accrued interest payable	6,046	0	6,046
ISCAP unamortized premium	3,509	0	3,509
Deferred revenue:			
Succeeding year property tax	2,331,514	0	2,331,514
Income surtax	306,878	0	306,878
Other	0	110	110
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	315,000	0	315,000
Bus Lease	46,559	0	46,559
Land	8,126	0	8,126
Early Retirement	32,670	0	32,670
Portion due after one year:			
Revenue bonds payable	1,870,000	0	1,870,000
Bus Lease	99,577	0	99,577
Land	109,593	0	109,593
Early Retirement	12,682	0	12,682
TOTAL LIABILITIES	7,899,509	774	7,900,283
NET ASSETS			
Investment in capital assets, net of related debt	5,215,324	38,744	5,254,068
Restricted for:			
Teacher Compensation	258	0	258
Phase III	1,577	0	1,577
Early Intervention	21,045	0	21,045
Management levy	123,417	0	123,417
Physical plant and equipment levy	42,413	0	42,413
Other special revenue purposes	157,969	0	157,969
Unrestricted	47,980	49,589	97,569
TOTAL NET ASSETS	\$ 5,609,983	88,333	5,698,316

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,819,481	834,547	528,075
Special instruction	1,091,665	115,856	45,850
Other instruction	666,632	0	0
	<u>5,577,778</u>	<u>950,403</u>	<u>573,925</u>
Support services:			
Student services	221,495	0	0
Instructional staff services	152,243	0	0
Administration services	762,150	0	0
Operation and maintenance of plant services	548,986	0	0
Transportation services	399,958	911	14,271
	<u>2,084,832</u>	<u>911</u>	<u>14,271</u>
Other expenditures:			
Facilities acquisitions	173,956	0	0
Long-term debt interest	139,702	0	0
AEA flowthrough	282,203	0	282,203
Depreciation(unallocated) *	211,427	0	0
	<u>807,288</u>	<u>0</u>	<u>282,203</u>
Total governmental activities	8,469,898	951,314	870,399
Business-Type activities:			
Non-instructional programs:			
Nutrition services	349,607	166,353	175,702
Total business-type activities	<u>349,607</u>	<u>166,353</u>	<u>175,702</u>
Total	<u>\$ 8,819,505</u>	<u>1,117,667</u>	<u>1,046,101</u>

General Revenues:

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

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
(2,456,859)	0	(2,456,859)
(929,959)	0	(929,959)
(666,632)	0	(666,632)
(4,053,450)	0	(4,053,450)
(221,495)	0	(221,495)
(152,243)	0	(152,243)
(762,150)	0	(762,150)
(548,986)	0	(548,986)
(384,776)	0	(384,776)
(2,069,650)	0	(2,069,650)
(173,956)	0	(173,956)
(139,702)	0	(139,702)
0	0	0
(211,427)	0	(211,427)
(525,085)	0	(525,085)
(6,648,185)	0	(6,648,185)
0	(7,552)	(7,552)
0	(7,552)	(7,552)
(6,648,185)	(7,552)	(6,655,737)
\$ 2,706,877	0	2,706,877
61,342	0	61,342
728,791	0	728,791
3,425,601	0	3,425,601
29,908	1,375	31,283
1,640	0	1,640
6,954,159	1,375	6,955,534
305,974	(6,177)	299,797
5,304,009	94,510	5,398,519
\$ 5,609,983	88,333	5,698,316

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 1,868,282	0	1,868,282
Other	886,839	1,158,261	2,045,100
Receivables:			
Property tax:			
Delinquent	33,832	3,988	37,820
Succeeding year	2,111,039	220,475	2,331,514
Income surtax	306,878	0	306,878
Accounts	2,174	2,083	4,257
Accrued ISCAP interest	3,988	0	3,988
Due from other governments	87,706	96,418	184,124
TOTAL ASSETS	\$ 5,300,738	1,481,225	6,781,963
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 35,740	0	35,740
Salaries and benefits payable	848,314	301	848,615
ISCAP warrants payable	1,873,000	0	1,873,000
ISCAP accrued interest payable	6,046	0	6,046
ISCAP unamortized premium	3,509	0	3,509
Deferred revenue:			
Succeeding year property tax	2,111,039	220,475	2,331,514
Income surtax	306,878	0	306,878
Total liabilities	<u>5,184,526</u>	<u>220,776</u>	<u>5,405,302</u>
Fund balances:			
Reserved for:			
Teacher Compensation	258	0	258
Phase III	1,577	0	1,577
Early Intervention	21,045	0	21,045
Unreserved:			
Undesignated	93,332	1,260,449	1,353,781
Total fund balances	<u>116,212</u>	<u>1,260,449</u>	<u>1,376,661</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,300,738	1,481,225	6,781,963

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE 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)	\$ 1,376,661
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,727,529
Long-term liabilities, including bonds payable, bus lease, early retirement, and land purchase are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,494,207)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 5,609,983</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

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

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,507,075	989,935	3,497,010
Tuition	595,298	0	595,298
Other	71,514	311,576	383,090
Intermediate Sources	2,834	0	2,834
State sources	4,003,832	0	4,003,832
Federal sources	292,168	0	292,168
Total revenues	<u>7,472,721</u>	<u>1,301,511</u>	<u>8,774,232</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	3,757,643	19,626	3,777,269
Special instruction	1,094,013	0	1,094,013
Other instruction	513,950	288,372	802,322
	<u>5,365,606</u>	<u>307,998</u>	<u>5,673,604</u>
Support services:			
Student services	221,495	0	221,495
Instructional staff services	109,362	0	109,362
Administration services	757,408	4,838	762,246
Operation and maintenance of plant services	491,411	100,960	592,371
Transportation services	349,528	0	349,528
	<u>1,929,204</u>	<u>105,798</u>	<u>2,035,002</u>
Other expenditures:			
Facilities acquisitions	0	173,956	173,956
Long-term debt:			
Principal	0	346,127	346,127
Interest and fiscal charges	0	139,702	139,702
AEA flowthrough	282,203	0	282,203
	<u>282,203</u>	<u>659,785</u>	<u>941,988</u>
Total expenditures	<u>7,577,013</u>	<u>1,073,581</u>	<u>8,650,594</u>
Excess(deficiency) of revenues over(under) expenditures	(104,292)	227,930	123,638
Other financing sources:			
Sale of equipment	1,640	0	1,640
Transfers in	0	513,655	513,655
Transfers out	(53,538)	(460,117)	(513,655)
Total other financing sources	<u>(51,898)</u>	<u>53,538</u>	<u>1,640</u>
Net change in fund balances	(156,190)	281,468	125,278
Fund balance beginning of year, as restated(Note 10)	272,402	978,981	1,251,383
Fund balance end of year	<u>\$ 116,212</u>	<u>1,260,449</u>	<u>1,376,661</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2004

Net change in fund balances - total governmental funds (page 18) \$ 125,278

*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	\$ 267,087	
Depreciation expense	<u>(425,366)</u>	(158,279)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	346,127
--------	---------

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, as follows:

Early Retirement	<u>(7,152)</u>
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Changes in net assets of governmental activities (page 15) \$ 305,974

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 37,319
Inventories	13,044
Capital assets, net of accumulated depreciation	38,744
Total assets	<u>89,107</u>
LIABILITIES	
Accounts payable	664
Deferred revenue	110
Total liabilities	<u>774</u>
NET ASSETS	
Invested in capital assets, net of related debt	38,744
Unrestricted	49,589
Total net assets	<u>\$ 88,333</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	<u>\$ 166,353</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	154,063
Services	8,518
Supplies	177,577
Depreciation	9,449
Total operating expenses	<u>349,607</u>
Operating loss	<u>(183,254)</u>
Non-operating revenues:	
State sources	5,730
Federal sources	169,972
Interest on investments	1,375
Total non-operating revenues	<u>177,077</u>
Change in net assets	(6,177)
Net assets beginning of year	<u>94,510</u>
Net assets end of year	<u>\$ 88,333</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE 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	\$ 165,048
Cash received from miscellaneous operating activities	1,415
Cash payments to employees for services	(154,142)
Cash payments to suppliers for goods or services	(149,722)
Net cash used in operating activities	(137,401)
Cash flows from non-capital financing activities:	
State grants received	5,730
Federal grants received	139,216
Net cash provided by non-capital financing activities	144,946
Cash flows from capital and related financing activities:	
Purchase of capital assets	(7,791)
Net cash used in capital and related financing activities	(7,791)
Cash flows from investing activities:	
Interest on investments	1,375
Net cash provided by investing activities	1,375
Net increase in cash and cash equivalents	1,129
Cash and cash equivalents at beginning of year	36,190
Cash and cash equivalents at end of year	\$ 37,319
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (183,254)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	30,756
Depreciation	9,449
Decrease in inventories	4,953
Increase in accounts payable	664
Decrease in salaries and benefits payable	(79)
Increase in deferred revenue	110
Net cash used in operating activities	\$ (137,401)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 37,319

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$30,756.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Central Lee 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 Donnellson, Iowa, and the predominate agricultural territory in Lee 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, Central Lee 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 Central Lee 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 Lee 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 and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental 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 reports the following proprietary fund:

The District's proprietary funds are the Enterprise, 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 financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the

accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable

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

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

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

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; 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.

Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

The District's investments at June 30, 2004 are as follows:

<u>Type</u>	<u>Fair Value</u>
Certificates of deposit	<u>\$ 13,700</u>

(3) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General Fund	53,538
Debt Sinking	Capital Projects	442,574
Debt Service	Capital Projects	17,543
Total		<u>\$ 513,655</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	\$ 732,958	3,988	728,000	0
2004-05A	6/30/04	6/30/05	1,135,324	0	1,145,000	6,046
			<u>\$ 1,868,282</u>	<u>3,988</u>	<u>1,873,000</u>	<u>6,046</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 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. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04B	\$ 0	575,000	575,000	0

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, as restated (Note 9)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 203,592	0	0	203,592
Construction in progress	0	100,000	0	100,000
Total capital assets not being depreciated	<u>203,592</u>	<u>100,000</u>	<u>0</u>	<u>303,592</u>
Capital assets being depreciated:				
Buildings	7,862,360	33,422	0	7,895,782
Improvements other than buildings	1,163,262	6,000	0	1,169,262
Machinery and equipment	2,383,100	127,665	62,955	2,447,810
Total capital assets being depreciated	<u>11,408,722</u>	<u>167,087</u>	<u>62,955</u>	<u>11,512,854</u>
Less accumulated depreciation for:				
Buildings	2,362,718	211,427	0	2,574,145
Improvements other than buildings	486,268	0	0	486,268
Machinery and equipment	1,877,520	213,939	62,955	2,028,504
Total accumulated depreciation	<u>4,726,506</u>	<u>425,366</u>	<u>62,955</u>	<u>5,088,917</u>
Total capital assets being depreciated, net	<u>6,682,216</u>	<u>(258,279)</u>	<u>0</u>	<u>6,423,937</u>
Governmental activities capital assets, net	<u>\$ 6,885,808</u>	<u>(158,279)</u>	<u>0</u>	<u>6,727,529</u>

	Balance Year	Increases	Decreases	Balance of Year
Business-type activities:				
Machinery and equipment	\$ 190,169	7,791	3,405	194,555
Less accumulated depreciation	149,767	9,449	3,405	155,811
Business-type activities capital assets, net	<u>\$ 40,402</u>	<u>(1,658)</u>	<u>0</u>	<u>38,744</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$	41,321
Special		3,296
Other		13,184
Support services:		
Instructional Staff		47,202
Administration		6,256
Operation and maintenance of plant		11,950
Transportation		90,730
		<u>213,939</u>
Unallocated depreciation		<u>211,427</u>
Total governmental activities depreciation expense	\$	<u>425,366</u>
Business-type activities:		
Food services	\$	9,449
Total business-type activities depreciation expense	\$	<u>9,449</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 2,480,000	0	295,000	2,185,000	315,000
Bus Lease	189,739	0	43,603	146,136	46,559
Land Purchase	125,243	0	7,524	117,719	8,126
Early Retirement	38,200	25,365	18,213	45,352	32,670
Total	\$ 2,833,182	25,365	364,340	2,494,207	402,355

Revenue Bonds Payable

Details of the District's June 30, 2004 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond issue dated January 1, 2001			
	Interest Rates	Principal	Interest	Total
2005	6.00-4.60%	315,000	100,370	415,370
2006	4.60-4.65	335,000	84,565	419,565
2007	4.65-4.70	355,000	68,797	423,797
2008	4.70-4.75	370,000	52,038	422,038
2009	4.75-4.80	395,000	34,151	429,151
2010	4.80	415,000	15,000	430,000
Total		\$ 2,185,000	354,921	2,539,921

Bus Lease

Details of the District's June 30, 2004 Bus Lease indebtedness are as follows:

Year Ending June 30,	Bus Lease dated August 1, 2001		
	Principal	Interest	Total
2005	46,559	6,234	52,793
2006	48,814	3,979	52,793
2007	50,763	2,030	52,793
Total	\$ 146,136	12,243	158,379

Land Purchase

Year Ending June 30,	Land purchase dated October 1, 2001		
	Principal	Interest	Total
2005	8,126	8,417	16,543
2006	8,776	8,767	17,543
2007	9,478	8,065	17,543
2008	10,237	7,307	17,544
2009	11,055	6,488	17,543
2010	11,940	5,604	17,544
2011	12,895	4,649	17,544
2012	13,927	3,617	17,544
2013	15,041	2,503	17,544
2014	16,244	1,300	17,544
Total	\$ 117,719	56,717	174,436

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2004, totaled \$18,213.

(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 \$278,076, \$278,350, \$272,779, respectively, equal to the required contributions for each year.

(8) Risk Management

Central Lee 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 \$282,203 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(GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board(GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37,

Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during 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 split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$11,633,083 were restated to \$11,612,314. The restatement primarily removed assets below the District's capitalizations threshold.

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

	Fund		Total
	General	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 272,402	978,981	1,251,383
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 272,402	978,981	1,251,383
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$4,726,506			6,885,808
Long-term liabilities:			
Bonds		2,480,000	
Bus Lease		189,739	
Land		125,243	
Early Retirement		38,200	(2,833,182)
Net assets, July 1, 2003, as restated			\$ 5,304,009

REQUIRED SUPPLEMENTAL INFORMATION

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE 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	\$ 4,389,153	167,838
State sources	3,992,977	5,730
Federal sources	319,913	169,972
Other	7,134	0
Total revenues	<u>8,709,177</u>	<u>343,540</u>
Disbursements:		
Instruction	5,564,682	0
Support services	1,976,366	0
Non-instructional programs	0	342,411
Other expenditures	943,407	0
Total expenditures	<u>8,484,455</u>	<u>342,411</u>
Excess(deficiency) of receipts over(under) disbursements	224,722	1,129
Other financing sources, net	<u>1,640</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	226,362	1,129
Balance beginning of year	<u>1,818,738</u>	<u>36,190</u>
Balance end of year	<u>\$ 2,045,100</u>	<u>37,319</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,556,991	4,931,146	4,931,146	(374,155)
3,998,707	4,453,288	4,453,288	(454,581)
489,885	370,000	370,000	119,885
7,134	0	0	7,134
<u>9,052,717</u>	<u>9,754,434</u>	<u>9,754,434</u>	<u>(701,717)</u>
5,564,682	6,347,235	6,347,235	782,553
1,976,366	2,463,000	2,463,000	486,634
342,411	535,323	535,323	192,912
943,407	947,849	947,849	4,442
<u>8,826,866</u>	<u>10,293,407</u>	<u>10,293,407</u>	<u>1,466,541</u>
225,851	(538,973)	(538,973)	(764,824)
1,640	0	0	(1,640)
227,491	(538,973)	(538,973)	(766,464)
1,854,928	2,127,197	2,127,197	(272,269)
<u>2,082,419</u>	<u>1,588,224</u>	<u>1,588,224</u>	<u>494,195</u>

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

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 8,709,177	65,055	8,774,232
Expenditures	8,484,455	166,139	8,650,594
Net	224,722	(101,084)	123,638
Other financing sources, net	1,640	0	1,640
Beginning fund balances	1,818,738	(567,355)	1,251,383
Ending fund balances	\$ 2,045,100	(668,439)	1,376,661

	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 343,540	(110)	343,430
Expenditures	342,411	7,196	349,607
Net	1,129	(7,306)	(6,177)
Other financing sources, net	0	0	0
Beginning fund balances	36,190	58,320	94,510
Ending fund balances	\$ 37,319	51,014	88,333

CENTRAL LEE 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.

OTHER SUPPLEMENTAL INFORMATION

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue
ASSETS					
Cash and pooled investments	\$ 120,660	136,218	39,400	21,751	318,029
Receivables:					
Property tax:					
Current year delinquent	3,058	0	930	0	3,988
Succeeding year	165,000	0	55,475	0	220,475
Accounts	0	0	2,083	0	2,083
Due from other governments	0	0	0	0	0
TOTAL ASSETS	\$ 288,718	136,218	97,888	21,751	544,575
LIABILITIES AND FUND EQUITY					
Liabilities:					
Salaries and benefits payable	301	0	0	0	301
Deferred revenue:					
Succeeding year property tax	165,000	0	55,475	0	220,475
Total Liabilities	165,301	0	55,475	0	220,776
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	123,417	136,218	42,413	21,751	323,799
Total fund balances	123,417	136,218	42,413	21,751	323,799
TOTAL LIABILITIES AND FUND EQUITY	\$ 288,718	136,218	97,888	21,751	544,575

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 1

Debt Sinking Fund	Capital Projects	Total Nonmajor Governmental Funds
571,494	268,738	1,158,261
0	0	3,988
0	0	220,475
0	0	2,083
0	96,418	96,418
571,494	365,156	1,481,225
0	0	301
0	0	220,475
0	0	220,776
571,494	365,156	1,260,449
571,494	365,156	1,260,449
571,494	365,156	1,481,225

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

	Special Revenue Funds				Total Special Revenue
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	
REVENUES:					
Local sources:					
Local tax	\$ 199,802	0	61,342	0	261,144
Other	0	302,654	2,312	742	305,708
TOTAL REVENUES	<u>199,802</u>	<u>302,654</u>	<u>63,654</u>	<u>742</u>	<u>566,852</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	19,401	0	0	225	19,626
Other instruction	0	288,372	0	0	288,372
Support services:					
Administration services	4,838	0	0	0	4,838
Operation and maintenance of plant services	100,960	0	0	0	100,960
Other expenditures:					
Facilities acquisitions	0	0	69,832	0	69,832
Long-term debt:					
Principal	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0
TOTAL EXPENDITURES	<u>125,199</u>	<u>288,372</u>	<u>69,832</u>	<u>225</u>	<u>483,628</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	74,603	14,282	(6,178)	517	83,224
OTHER FINANCING SOURCES:					
Transfers in	0	0	0	0	0
Transfers out	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	74,603	14,282	(6,178)	517	83,224
FUND BALANCE BEGINNING OF YEAR, AS RESTATED (NOTE 12)	<u>48,814</u>	<u>121,936</u>	<u>48,591</u>	<u>21,234</u>	<u>240,575</u>
FUND BALANCE END OF YEAR	<u>\$ 123,417</u>	<u>136,218</u>	<u>42,413</u>	<u>21,751</u>	<u>323,799</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Debt Service Funds				
Debt Service	Debt Sinking	Total Debt Service Funds	Capital Projects	Total Nonmajor Governmental Funds
0	0	0	728,791	989,935
0	2,660	2,660	3,208	311,576
0	2,660	2,660	731,999	1,301,511
0	0	0	0	19,626
0	0	0	0	288,372
0	0	0	0	4,838
0	0	0	0	100,960
0	0	0	104,124	173,956
51,127	295,000	346,127	0	346,127
19,954	119,748	139,702	0	139,702
71,081	414,748	485,829	104,124	1,073,581
(71,081)	(412,088)	(483,169)	627,875	227,930
71,081	442,574	513,655	0	513,655
0	0	0	(460,117)	(460,117)
71,081	442,574	513,655	(460,117)	53,538
0	30,486	30,486	167,758	281,468
0	541,008	541,008	197,398	978,981
0	571,494	571,494	365,156	1,260,449

CENTRAL LEE 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
All School Play	\$ 1,825	1,842	1,668	1,999
Drama Club	0	441	159	282
Yearbook	1,430	4,935	4,460	1,905
Uniform Band Fee	783	0	0	783
Art Club	499	5,869	5,195	1,173
Pep Club	149	0	0	149
AFS Club	56	7,056	7,112	0
Student Council	5,865	21,277	17,639	9,503
Spanish Club	5,270	2,285	3,792	3,763
Science Club	145	35	160	20
Computer Club	127	0	0	127
FBLA Club	317	5,131	4,949	499
FFA	22,977	43,197	43,112	23,062
FCCLA Group	44	345	140	249
A.I.S.A.	56	0	56	0
Class of 2005	260	4,425	4,670	15
Class of 2007	0	83	0	83
Class of 2006	235	12	0	247
Class of 2008	632	0	632	0
Post Prom Activities	264	86	0	350
SAEP-Entrepreneurship	0	13,152	2,645	10,507
Athletics	986	4,324	5,291	19
Athletic Activities	8,678	15,112	23,790	0
Concessions	616	35,103	32,906	2,813
Golf	0	401	401	0
Cross Country	0	315	315	0
Soccer	2,138	2,535	2,877	1,796
Boys Basketball	2,259	7,899	4,114	6,044
Football	5,660	10,292	12,883	3,069
Baseball	250	7,662	7,076	836
Boys Track	0	611	611	0
Wrestling	12	672	609	75
Girls Basketball	2,044	8,014	4,161	5,897
Volleyball	1	2,593	1,863	731
Softball	198	1,625	1,823	0
Girls Track	1	996	965	32
Cheerleaders	1	2,924	2,925	0
Dance Team	0	78	78	0
Library Club	211	0	34	177
Teachers Pop Fund	605	3,067	2,646	1,026
HS Student Activities	698	2,644	2,818	524
Renaissance Program	4,791	6,074	6,947	3,918
S.A.D.D	218	0	0	218
K-8 Conference Fair	1,674	9,317	6,686	4,305

CENTRAL LEE 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
Triple M	639	0	0	639
Music Groups	2,198	0	0	2,198
Student Council	(188)	6,078	4,314	1,576
MS Student Activities	7,537	46,480	46,277	7,740
Athletic Resale	247	0	0	247
Ind. Arts Fees	7	0	0	7
K-8 Faculty Pop	1,960	6,694	7,113	1,541
JR HI Musical	286	1	0	287
JR HI Solo & Ensemble	599	0	0	599
Special Olympics	179	467	0	646
Special Needs Field Trips	2,235	817	750	2,302
D.A.R.E.	341	0	278	63
Sun-Glo	1,708	224	1,619	313
C.L.I.M.B.	86	0	0	86
Playground	540	0	0	540
T.A.G. Club	634	0	0	634
Elementary Resale Account	656	1,416	1,416	656
Elementary Student Activities	1,018	5,625	4,265	2,378
Interest Account	14,946	2,146	4,132	12,960
Pepsi CD	14,333	277	0	14,610
Total	\$ 121,936	302,654	288,372	136,218

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE 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	\$ 3,497,010	3,273,503	3,379,535	3,175,108
Tuition	595,298	538,364	454,983	502,418
Other	383,090	469,258	589,755	425,568
Intermediate sources	2,834	1,000	750	0
State sources	4,003,832	4,155,474	4,038,960	4,334,137
Federal sources	292,168	227,299	220,504	187,299
Total	<u>\$ 8,774,232</u>	<u>8,664,898</u>	<u>8,684,487</u>	<u>8,624,530</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,777,269	3,528,270	3,656,793	3,705,280
Special instruction	1,094,013	1,007,556	916,103	847,250
Other instruction	802,322	977,622	808,276	823,380
Support services:				
Student services	221,495	204,502	201,884	240,855
Instructional staff services	109,362	102,119	100,527	124,818
Administration services	762,246	710,578	759,443	692,836
Operation and maintenance of plant services	592,371	626,433	604,237	502,762
Transportation services	349,528	282,662	660,311	479,338
Other expenditures:				
Facilities acquisitions	173,956	581,114	2,498,950	293,536
Long-term debt:				
Principal	346,127	348,736	455,000	451,464
Interest and other charges	139,702	159,755	168,540	48,672
AEA flow-through	282,203	304,971	305,736	321,994
Total	<u>\$ 8,650,594</u>	<u>8,834,318</u>	<u>11,135,800</u>	<u>8,532,185</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
Central Lee Community School District:

We have audited the financial statements of Central Lee Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 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 Central Lee Community School District's general purpose 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 except for II-G-04.

Internal Control Over Financial Reporting

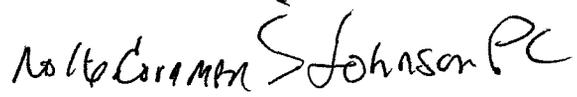
In planning and performing our audit, we considered Central Lee Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control 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 for item I-A-04.

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


NOLTE, CORNMAN & JOHNSON, P.C.

September 3, 2004

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

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

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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 listing 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 segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-04 Activity Admissions - The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response - Our facility does not lend itself to such a procedure. However, we will review our present procedures and consider the recommended reconciliation procedures.

Conclusion - Response accepted.

I-C-04 Activity Fund Accounts - We noted during the audit that the Student Activity Fund has an interest account that is not allocated to other accounts on a yearly basis. We also noted that the Student Activity Fund has a Industrial Arts Fees account and a Pepsi CD account that may be more appropriate in the General Fund.

Recommendation - The interest account should be allocated to other Student Activity Accounts on a yearly basis. The Industrial Arts Fees account and the Pepsi CD should be moved to the General Fund.

Response - We will comply.

Conclusion - Response accepted.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

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

Name, Title and Business Connection	Transaction Description	Amount
Ernie Schiller, Teacher Spouse of owner of Schillers Flowers	Flowers\plants	\$ 891

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

- II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion- Response accepted.
- 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.