

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Central Decatur Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Mike Frost	President	2005
Nick Morrell	Vice President	2003
Brent Buckingham	Board Member	2003
Scott Bethards	Board Member	2004
Jerry Parsons	Board Member	2005
<b>Board of Education (After September 2003 Election)</b>		
Mike Frost	President	2005
Nick Morrell	Vice President	2006
Scott Bethards	Board Member	2004
Jerry Parsons	Board Member	2005
Rose Saxton	Board Member	2006
<b>School Officials</b>		
Tucker Lillis	Superintendent	2004
Marlys Percy	District Secretary/Treasurer	2004
Hoffman Law Firm	Attorney	2004

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Central Decatur 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 Decatur 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 Decatur 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 11 to the financial statements, during the year ended June 30, 2004, Central Decatur 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 - State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 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 reports dated October 26, 2004 on our consideration of the Central Decatur Community School District's internal control over

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financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 37 through 39 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 Decatur Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ended June 30, 2002 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year 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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.

October 26, 2004

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$6,836,642 in fiscal 2003 to \$6,548,643 in fiscal 2004, while General Fund expenditures decreased from \$6,558,642 in fiscal 2003 to \$6,298,616 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$518,086 in fiscal 2003 to a balance of \$773,060 in fiscal 2004, a 49.21% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state and federal grant revenue in fiscal 2004. The decrease in expenditures was due primarily to controlled spending.
- 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 \$27,301 in fiscal year 2003 to \$1,541 in fiscal year 2004.
- The District's September 2003 enrollment declined compared to the previous year. The certified enrollment was 751.8, a decrease of 17.2 students.
- The state granted a 2% increase in "allowable growth" for fiscal 2004. This was one of the lowest increases in the 30-year history of the school foundation aid formula, and compares to the 1% increase provided in fiscal year 2003.
- The District demolished a building and sold the land to the City of Leon for \$1.
- The District started receiving local option sales and services tax revenue in the Capital Projects Fund to be used for capital improvements and debt service tax relief.

### **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 Decatur 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 Decatur 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 Decatur 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. In addition, the Schedule of Federal Awards provides details of various programs benefiting the District.

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

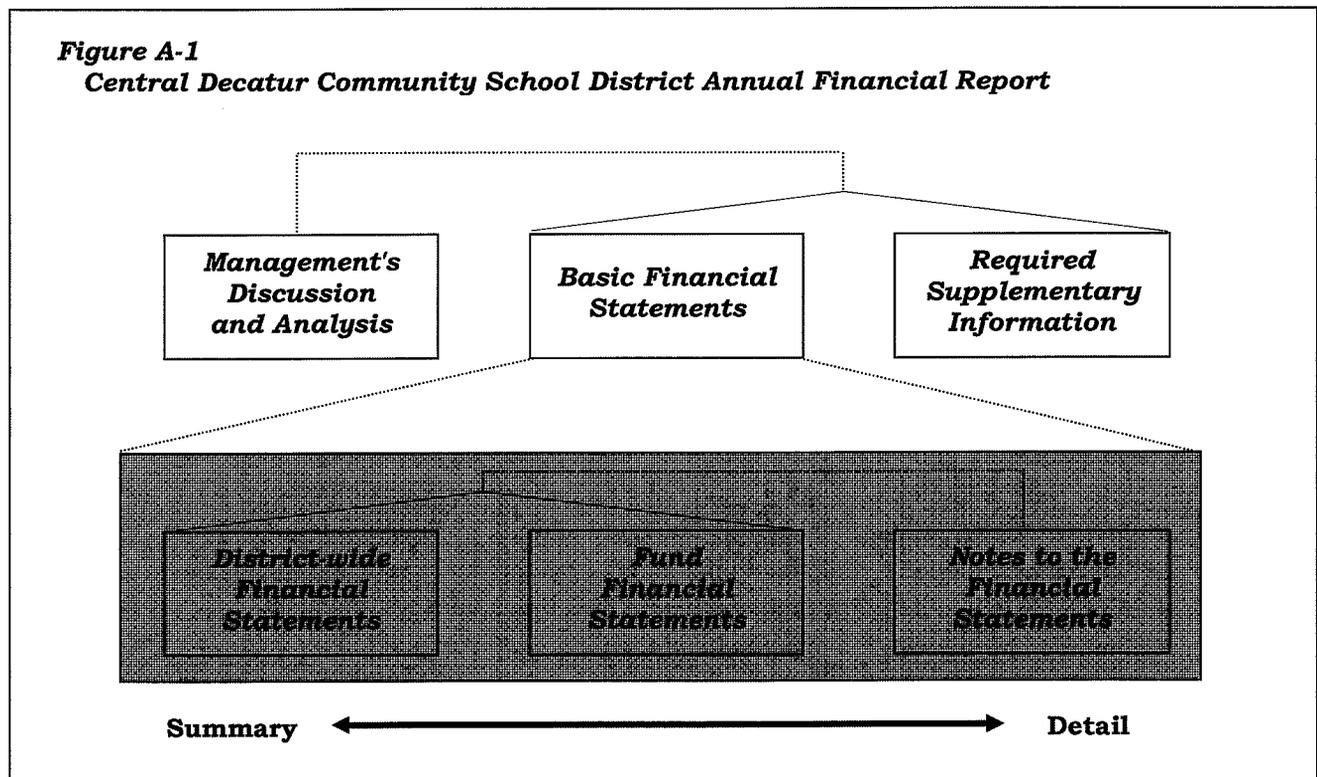


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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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 three kinds of funds:

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

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

The required financial statements for 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.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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	\$ 3,814,883	49,918	3,864,801
Capital assets	7,549,310	16,498	7,565,808
Total assets	<u>11,364,193</u>	<u>66,416</u>	<u>11,430,609</u>
Long-term obligations	3,371,840	0	3,371,840
Other liabilities	2,426,151	1,119	2,427,270
Total liabilities	<u>5,797,991</u>	<u>1,119</u>	<u>5,799,110</u>
Net assets:			
Invested in capital assets, net of related debt	4,406,792	16,498	4,423,290
Restricted	363,592	0	363,592
Unrestricted	795,818	48,799	844,617
Total net assets	<u>\$ 5,566,202</u>	<u>65,297</u>	<u>5,631,499</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	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 619,577	135,834	755,411
Operating grants and contributions and restricted interest	1,503,151	178,778	1,681,929
Capital grants and contributions and restricted interest	165,076	0	165,076
<b>General revenues:</b>			
Property tax	2,049,172	0	2,049,172
Local option sales and services tax	80,104	0	80,104
Unrestricted state grants	3,065,415	0	3,065,415
Other	6,779	173	6,952
<b>Total revenues</b>	<b>7,489,274</b>	<b>314,785</b>	<b>7,804,059</b>
<b>Program expenses:</b>			
<b>Governmental activities:</b>			
Instructional	4,269,216	0	4,269,216
Support services	1,719,945	0	1,719,945
Non-instructional programs	443,482	343,841	787,323
Other expenses	572,383	0	572,383
<b>Total expenses</b>	<b>7,005,026</b>	<b>343,841</b>	<b>7,348,867</b>
<b>Changes in net assets</b>	<b>\$ 484,248</b>	<b>(29,056)</b>	<b>455,192</b>

Property tax, local option sales and services tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 82% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$7,489,274 and expenses were \$7,005,026.

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	\$ 4,269,216	2,719,022
Support services	1,719,945	1,716,540
Non-instructional programs	443,482	103,700
Other expenses	572,383	177,960
<b>Totals</b>	<b>\$ 7,005,026</b>	<b>4,717,222</b>

- The cost financed by users of the District's programs was \$619,577.

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- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,668,227.
  - The net cost of governmental activities was financed with \$2,049,172 in property tax, \$80,104 in local option sales and services tax, \$3,065,415 in state foundation aid, \$6,661 in interest income and \$118 in a transfer from the Fiduciary – Private Purpose Trust – Scholarship Fund.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$314,785 and expenses were \$343,841. 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 Decatur 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 \$1,309,938, below above last year's ending fund balances of a \$1,428,356. However, the primary reason for the decrease in combined fund balances in fiscal 2004 is due to capital improvements spending in the Capital Projects Fund, completing the renovation of the middle and high school.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position from \$518,086 to \$773,060 is the product of many factors:
  - Reduction in state aid, grants and decrease in tax levy during the year resulted in a decrease in revenues, which still were greater than expenditures.
  - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
- The Capital Projects Fund balance decreased from \$544,612 in fiscal 2003 to \$46,444 in fiscal 2004. The District started receiving local option sales and services tax revenues for the first time this year. The District also completed construction that tied to a capital improvement grant which increased revenues in fiscal 2004. The District completed many capital construction contracts this year and expect the final contacts of the North School Cooling Tower HVAC project to be completed in fiscal 2005.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$94,353 at June 30, 2003 to \$65,297 at June 30, 2004, representing a decrease of 30.79%.

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## BUDGETARY HIGHLIGHTS

The District's revenues were \$48,526 more than budgeted revenues, a variance of .63%. 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.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$7.6 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) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$405,877.

The original cost of the District's capital assets was \$11.7 million. Governmental funds account for \$11.4 million with the remainder of \$0.3 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled \$6,387,324 at June 30, 2004, compared to \$3,149,268 reported at June 30, 2003. This increase resulted from the completion of capital construction.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 29,300	0	29,300
Construction in progress	168,885	0	168,885
Buildings	6,387,324	0	6,387,324
Land improvements	66,919	0	66,919
Machinery and equipment	896,882	16,498	913,380
Total	\$ 7,549,310	16,498	7,565,808

### Long-Term Debt

At June 30, 2004, the District had \$3,371,840 in general obligation and other long-term debt outstanding. This represents a decrease of 1.4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$3,255,000 at June 30, 2004.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Funds of \$116,840 at June 30, 2004.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General Obligation Bonds	\$ 3,255,000	3,380,000	-3.7%
Early Retirement	116,840	40,640	187.5%
Totals	<u>\$ 3,371,840</u>	<u>3,420,640</u>	<u>-1.4%</u>

## **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:

- 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 Marlys Percy, District Secretary/Treasurer, Central Decatur Community School District, 1201 NE Poplar Street, Leon, Iowa, 50144.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 398,697	0	398,697
Other	1,021,741	38,965	1,060,706
Receivables:			
Property tax:			
Delinquent	45,675	0	45,675
Succeeding year	1,872,580	0	1,872,580
Income surtax	91,614	0	91,614
Interfund	114,057	0	114,057
Accounts	93,378	0	93,378
Accrued ISCAP interest (Note 5)	2,169	0	2,169
Due from other governments	174,972	0	174,972
Inventories	0	10,953	10,953
Capital assets, net of accumulated depreciation (Note 6)	7,549,310	16,498	7,565,808
<b>TOTAL ASSETS</b>	<b>11,364,193</b>	<b>66,416</b>	<b>11,430,609</b>
<b>LIABILITIES</b>			
Interfund payable	114,057	0	114,057
Accounts payable	25,496	0	25,496
Interest payable	12,820	0	12,820
ISCAP warrants payable (Note 5)	396,000	0	396,000
ISCAP interest payable (Note 5)	3,289	0	3,289
ISCAP unamortized premium	1,909	0	1,909
Deferred revenue:			
Succeeding year property tax	1,872,580	0	1,872,580
Other	0	1,119	1,119
Long-term liabilities (Note 7):			
Portion due within one year:			
Bonds payable	130,000	0	130,000
Early retirement payable	35,560	0	35,560
Portion due after one year:			
Bonds payable	3,125,000	0	3,125,000
Early retirement payable	81,280	0	81,280
<b>TOTAL LIABILITIES</b>	<b>5,797,991</b>	<b>1,119</b>	<b>5,799,110</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	4,406,792	16,498	4,423,290
Restricted for:			
Talented and gifted	14,068	0	14,068
Teacher compensation	5,741	0	5,741
Capital projects	46,444	0	46,444
Physical plant and equipment levy	82,544	0	82,544
Other special revenue purposes	214,795	0	214,795
Unrestricted	795,818	48,799	844,617
<b>TOTAL NET ASSETS</b>	<b>\$ 5,566,202</b>	<b>65,297</b>	<b>5,631,499</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,973,796	118,278	902,750	0
Special instruction	1,701,382	132,169	31,272	0
Other instruction	594,038	365,725	0	0
	<u>4,269,216</u>	<u>616,172</u>	<u>934,022</u>	<u>0</u>
Support services:				
Student services	158,475	0	0	0
Instructional staff services	112,165	0	0	0
Administration services	750,126	0	0	0
Operation and maintenance of plant services	442,748	0	0	0
Transportation services	256,431	3,405	0	0
	<u>1,719,945</u>	<u>3,405</u>	<u>0</u>	<u>0</u>
Non-instructional programs:				
Community service and education operations	443,482	0	339,782	0
Other expenditures:				
Facilities acquisitions	0	0	0	165,076
Interest and fiscal charges	159,007	0	0	0
AEA flowthrough	229,347	0	229,347	0
Depreciation(unallocated)*	184,029	0	0	0
	<u>572,383</u>	<u>0</u>	<u>229,347</u>	<u>165,076</u>
Total governmental activities	7,005,026	619,577	1,503,151	165,076
Business-Type activities:				
Non-instructional programs:				
Nutrition services	343,841	135,834	178,778	0
Total business-type activities	<u>343,841</u>	<u>135,834</u>	<u>178,778</u>	<u>0</u>
Total	<u>\$ 7,348,867</u>	<u>755,411</u>	<u>1,681,929</u>	<u>165,076</u>

**General Revenues:**

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

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 11)

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
(952,768)	0	(952,768)
(1,537,941)	0	(1,537,941)
(228,313)	0	(228,313)
<u>(2,719,022)</u>	<u>0</u>	<u>(2,719,022)</u>
(158,475)	0	(158,475)
(112,165)	0	(112,165)
(750,126)	0	(750,126)
(442,748)	0	(442,748)
(253,026)	0	(253,026)
<u>(1,716,540)</u>	<u>0</u>	<u>(1,716,540)</u>
(103,700)	0	(103,700)
165,076	0	165,076
(159,007)	0	(159,007)
0	0	0
(184,029)	0	(184,029)
<u>(177,960)</u>	<u>0</u>	<u>(177,960)</u>
(4,717,222)	0	(4,717,222)
0	(29,229)	(29,229)
0	(29,229)	(29,229)
<u>(4,717,222)</u>	<u>(29,229)</u>	<u>(4,746,451)</u>
\$ 1,728,681	0	1,728,681
38,122	0	38,122
282,369	0	282,369
80,104	0	80,104
3,065,415	0	3,065,415
6,661	173	6,834
118	0	118
<u>5,201,470</u>	<u>173</u>	<u>5,201,643</u>
484,248	(29,056)	455,192
5,081,954	94,353	5,176,307
<u>\$ 5,566,202</u>	<u>65,297</u>	<u>5,631,499</u>

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 398,697	0	0	398,697
Other	636,706	16,149	368,886	1,021,741
Receivables:				
Property tax:				
Delinquent	36,110	0	9,565	45,675
Succeeding year	1,693,578	0	179,002	1,872,580
Income surtax	91,614	0	0	91,614
Interfund	0	0	114,057	114,057
Accounts	93,378	0	0	93,378
Accrued ISCAP interest (Note 5)	2,169	0	0	2,169
Due from other governments	144,677	30,295	0	174,972
<b>TOTAL ASSETS</b>	<b>\$ 3,096,929</b>	<b>46,444</b>	<b>671,510</b>	<b>3,814,883</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 114,057	0	0	114,057
Accounts payable	23,422	0	2,074	25,496
ISCAP warrants payable (Note 5)	396,000	0	0	396,000
ISCAP interest payable (Note 5)	3,289	0	0	3,289
ISCAP unamortized premium	1,909	0	0	1,909
Deferred revenue:				
Succeeding year property tax	1,693,578	0	179,002	1,872,580
Income surtax	91,614	0	0	91,614
Total liabilities	<u>2,323,869</u>	<u>0</u>	<u>181,076</u>	<u>2,504,945</u>
Fund balances:				
Reserved for:				
Talented and gifted	14,068	0	0	14,068
Teacher compensation	5,741	0	0	5,741
Debt service	0	0	125,302	125,302
Unreserved:				
Undesignated:				
General	753,251	0	0	753,251
Capital projects	0	46,444	0	46,444
Management levy	0	0	67,793	67,793
Physical plant and equipment levy	0	0	82,544	82,544
Other special revenue purposes	0	0	214,795	214,795
Total fund balances	<u>773,060</u>	<u>46,444</u>	<u>490,434</u>	<u>1,309,938</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,096,929</b>	<b>46,444</b>	<b>671,510</b>	<b>3,814,883</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR 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)	\$ 1,309,938
<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.	7,549,310
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	91,614
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,820)
Long-term liabilities, including bonds and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,371,840)</u>
<b>Net assets of governmental activites (page 13)</b>	<b><u><u>\$ 5,566,202</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,638,553	80,104	409,926	2,128,583
Tuition	250,447	0	0	250,447
Other	81,543	72,301	212,413	366,257
Intermediate sources	9,534	0	0	9,534
State sources	3,711,395	0	0	3,711,395
Federal sources	857,171	116,163	48,913	1,022,247
Total revenues	<u>6,548,643</u>	<u>268,568</u>	<u>671,252</u>	<u>7,488,463</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,860,603	0	1,069	1,861,672
Special instruction	1,701,382	0	0	1,701,382
Other instruction	385,931	0	201,949	587,880
	<u>3,947,916</u>	<u>0</u>	<u>203,018</u>	<u>4,150,934</u>
Support services:				
Student services	156,971	0	0	156,971
Instructional staff services	112,165	0	0	112,165
Administration services	725,080	0	24,786	749,866
Operation and maintenance of plant services	423,511	0	18,686	442,197
Transportation services	260,144	0	0	260,144
	<u>1,677,871</u>	<u>0</u>	<u>43,472</u>	<u>1,721,343</u>
Non-instructional programs:				
Community service and education operations	443,482	0	0	443,482
Other expenditures:				
Facilities acquisitions	0	716,927	65,464	782,391
Long-term debt:				
Principal	0	0	125,000	125,000
Interest and fiscal charges	0	0	159,450	159,450
AEA flowthrough	229,347	0	0	229,347
	<u>229,347</u>	<u>716,927</u>	<u>349,914</u>	<u>1,296,188</u>
Total expenditures	<u>6,298,616</u>	<u>716,927</u>	<u>596,404</u>	<u>7,611,947</u>
Excess(deficiency) of revenues over(under) expenditures	250,027	(448,359)	74,848	(123,484)
Other financing sources(uses):				
Sale of equipment	4,947	0	0	4,947
Sale of property	0	0	1	1
Transfer in	0	0	49,927	49,927
Transfer out	0	(49,809)	0	(49,809)
Total other financing sources(uses)	<u>4,947</u>	<u>(49,809)</u>	<u>49,928</u>	<u>5,066</u>
Net change in fund balances	254,974	(498,168)	124,776	(118,418)
Fund balance beginning of year	518,086	544,612	365,658	1,428,356
Fund balance end of year	<u>\$ 773,060</u>	<u>46,444</u>	<u>490,434</u>	<u>1,309,938</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR 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)** \$ (118,418)

**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 expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Capital outlays	\$ 967,298	
Depreciation expense	(402,371)	
Loss on disposal of capital assets	(12,197)	552,730

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. 125,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 443

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 693

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.  
 Early Retirement (76,200)

**Changes in net assets of governmental activities (page 15)** \$ 484,248

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2004

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents:	\$ 38,965
Inventories	10,953
Capital assets, net of accumulated depreciation(Note 6)	<u>16,498</u>
TOTAL ASSETS	<u>66,416</u>
LIABILITIES	
Deferred revenue:	
Other	1,119
TOTAL LIABILITIES	<u>1,119</u>
NET ASSETS	
Investment in capital assets, net of related debt	16,498
Unrestricted	48,799
TOTAL NET ASSETS	<u>\$ 65,297</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 135,834
TOTAL OPERATING REVENUES	135,834
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	132,420
Benefits	58,143
Services	16,407
Supplies	133,365
Depreciation	3,506
TOTAL OPERATING EXPENSES	343,841
OPERATING LOSS	(208,007)
NON-OPERATING REVENUES:	
State sources	4,164
Federal sources	174,614
Interest income	173
TOTAL NON-OPERATING REVENUES	178,951
Change in net assets	(29,056)
Net assets beginning of year	94,353
Net assets end of year	\$ 65,297

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 134,904
Cash received from miscellaneous operating activities	2,029
Cash payments to employees for services	(190,563)
Cash payments to suppliers for goods or services	(128,301)
Net cash used in operating activities	(181,931)
Cash flows from non-capital financing activities:	
State grants received	4,164
Federal grants received	156,259
Net cash provided by non-capital financing activities	160,423
Cash flows from capital financing activities:	
Acquisition of capital assets	(15,837)
Net cash used in capital financing activities	(15,837)
Cash flows from investing activities:	
Interest on investments	173
Net cash provided by investing activities	173
Net decrease in cash and cash equivalents	(37,172)
Cash and cash equivalents at beginning of year	76,137
Cash and cash equivalents at end of year	\$ 38,965
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (208,007)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,355
Depreciation	3,506
Decrease in inventories	3,116
Increase in deferred revenue	1,099
Net cash used in operating activities	\$ (181,931)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 38,965
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2004, the District received Federal commodities valued at \$18,355.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ <u>10,000</u>
NET ASSETS	
Reserved for scholarships	\$ <u>10,000</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2004

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Interest and dividends	\$	618
Total additions		618
Deductions:		
Non-instructional programs:		
Scholarships awarded		500
Total deductions		500
Net income before other financing uses		118
Other financing uses:		
Transfer out		(118)
Change in net assets		0
Net assets beginning of year		10,000
Net assets end of year	\$	10,000

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Central Decatur 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. The geographic area served primarily includes the City of Leon, Iowa, and the predominate agricultural territory in Decatur 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 Decatur Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Central Decatur 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 Decatur 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 service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

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

*Restricted net assets* result when constraints placed on net 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 are 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 Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following nonmajor proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, 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	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and 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
Furniture and equipment	5-20 years

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 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.

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 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:

Type	Fair Value
Certificates of Deposit	\$ 25,983

**(3) Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 49,809
Special Revenue - Expendable Trust	Private Purpose Trust - Scholarship	<u>118</u>
Total		<u>\$ 49,927</u>

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

**(4) Interfund Receivables and Payables**

At June 30, 2004 the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue - Expendable Trust	General	\$ 104,695
Special Revenue - Management	General	<u>9,362</u>
Total		<u>\$ 114,057</u>

**(5) Iowa School Cash Anticipation Program (ISCAP)**

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

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Accrued Interest Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04B	1/30/04	1/28/05	\$ 398,697	2,169	396,000	3,289

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, and 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 in the General Fund was noted for the year ended June 30, 2004.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	1.392%

**(6) Capital Assets**

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

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,300	0	0	29,300
Construction in progress	2,807,307	168,885	2,807,307	168,885
Total capital assets not being depreciated	2,836,607	168,885	2,807,307	198,185
Capital assets being depreciated:				
Buildings	4,746,388	3,420,813	19,639	8,147,562
Land improvements	235,502	0	0	235,502
Machinery and equipment	2,773,924	184,907	118,475	2,840,356
Total capital assets being depreciated	7,755,814	3,605,720	138,114	11,223,420
Less accumulated depreciation for:				
Buildings	1,597,120	172,348	9,230	1,760,238
Land improvements	156,902	11,681	0	168,583
Machinery and equipment	1,841,819	218,342	116,687	1,943,474
Total accumulated depreciation	3,595,841	402,371	125,917	3,872,295
Total capital assets being depreciated, net	4,159,973	3,203,349	12,197	7,351,125
Governmental activities capital assets, net	\$ 6,996,580	3,372,234	2,819,504	7,549,310
Business-type activities:				
Furniture and equipment	\$ 250,887	15,837	2,427	264,297
Less accumulated depreciation	246,720	3,506	2,427	247,799
Business-type activities capital assets, net	\$ 4,167	12,331	0	16,498

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 100,882
Other		6,158
Support services:		
Student		1,504
Administration		260
Operation and maintenance of plant		551
Transportation		108,987
		<u>218,342</u>
Unallocated depreciation		<u>184,029</u>
Total governmental activities depreciation expense		<u>\$ 402,371</u>
Business-type activities:		
Food services		\$ 3,506
Total business-type activities depreciation expense		<u>\$ 3,506</u>

**(7) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,380,000	0	125,000	3,255,000	130,000
Early Retirement	40,640	91,440	15,240	116,840	35,560
Total	<u>\$ 3,420,640</u>	<u>91,440</u>	<u>140,240</u>	<u>3,371,840</u>	<u>165,560</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed twelve years of service to the District. Employees complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$5,080 per year with a maximum of five years or until the employee reaches age sixty-five. Early retirement benefits paid during the year ended June 30, 2004, totaled \$15,240. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue dated August 1, 2001				
	Interest Rates		Principal	Interest	Total
2005	4.25 %	\$	130,000	153,838	283,838
2006	4.25		135,000	148,313	283,313
2007	4.25		140,000	142,575	282,575
2008	4.25		145,000	136,625	281,625
2009	4.25		155,000	130,462	285,462
2010	4.35		160,000	123,875	283,875
2011	4.45		165,000	116,915	281,915
2012	4.60		175,000	109,573	284,573
2013	4.70		185,000	101,523	286,523
2014	4.80		195,000	92,827	287,827
2015	4.85		205,000	83,468	288,468
2016	5.00		215,000	73,525	288,525
2017	5.00		225,000	62,775	287,775
2018	5.00		235,000	51,525	286,525
2019	5.00		250,000	39,775	289,775
2020	5.00		265,000	27,275	292,275
2021	5.10		275,000	14,025	289,025
Total		\$	3,255,000	1,608,894	4,863,894

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, 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 covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$204,776, \$204,199 and \$195,142 respectively, equal to the required contributions for each year.

**(9) Risk Management**

Central Decatur Community School District is a member in the Iowa School Employees Benefits Association, and 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 July 1999 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 GAAP 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 \$834,593.

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.

Central Decatur 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.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$229,347 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.

**(11) 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 District-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 \$7,003,670 were restated to \$10,592,421. The restatement primarily capitalized assets that were not listed on the previous inventory list and the recognition of construction in progress.

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

	Fund			Total
	General	Capital Projects	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 518,086	544,612	365,658	1,428,356
GASB Interpretation 6 adjustments	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 518,086</u>	<u>544,612</u>	<u>365,658</u>	<u>1,428,356</u>
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$3,595,841				6,996,580
Income surtax				90,921
Long-term liabilities:				
Bonds payable			\$ 3,380,000	
Early retirement payable			40,640	(3,420,640)
Interest payable				(13,263)
Net assets, July 1, 2003, as restated				<u>\$ 5,081,954</u>

## (12) Construction Commitment

The District has entered into contracts totally \$367,104 for the north school cooling tower HVAC project. As of June 30, 2004, costs of \$168,885 had been incurred against the contract. The balance of \$198,219 remaining at June 30, 2004 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 2,745,287	136,007
Intermediate sources	9,534	0
State sources	3,711,395	4,164
Federal sources	1,022,247	174,614
Total revenues	7,488,463	314,785
Expenditures:		
Instruction	4,150,934	0
Support services	1,721,343	0
Non-instructional programs	443,482	343,841
Other expenditures	1,296,188	0
Total expenditures	7,611,947	343,841
Excess(deficiency) of revenues over(under) expenditures	(123,484)	(29,056)
Other financing sources, net	5,066	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(118,418)	(29,056)
Balance beginning of year	1,428,356	94,353
Balance end of year	\$ 1,309,938	65,297

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,881,294	2,810,978	2,810,978	70,316
9,534	100	100	9,434
3,715,559	3,709,644	3,709,644	5,915
1,196,861	1,234,000	1,234,000	(37,139)
<u>7,803,248</u>	<u>7,754,722</u>	<u>7,754,722</u>	<u>48,526</u>
4,150,934	4,653,178	4,653,178	502,244
1,721,343	1,722,000	1,722,000	657
787,323	1,250,000	1,250,000	462,677
1,296,188	1,729,975	1,729,975	433,787
<u>7,955,788</u>	<u>9,355,153</u>	<u>9,355,153</u>	<u>1,399,365</u>
(152,540)	(1,600,431)	(1,600,431)	(1,447,891)
<u>5,066</u>	<u>0</u>	<u>0</u>	<u>(5,066)</u>
(147,474)	(1,600,431)	(1,600,431)	(1,452,957)
1,522,709	2,162,307	2,162,307	(639,598)
<u>1,375,235</u>	<u>561,876</u>	<u>561,876</u>	<u>813,359</u>

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2004

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

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

OTHER SUPPLEMENTAL INFORMATION

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

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service	
<b>ASSETS</b>							
Cash and pooled investments	\$ 58,418	76,536	81,654	33,564	250,172	118,714	368,886
Receivables:							
Property tax:							
Current year delinquent	2,087	0	890	0	2,977	6,588	9,565
Succeeding year	100,000	0	35,164	0	135,164	43,838	179,002
Interfund	9,362	0	0	104,695	114,057	0	114,057
<b>TOTAL ASSETS</b>	<b>\$ 169,867</b>	<b>76,536</b>	<b>117,708</b>	<b>138,259</b>	<b>502,370</b>	<b>169,140</b>	<b>671,510</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Accounts payable	\$ 2,074	0	0	0	2,074	0	2,074
Deferred revenue:							
Succeeding year property tax	100,000	0	35,164	0	135,164	43,838	179,002
	102,074	0	35,164	0	137,238	43,838	181,076
Fund equity:							
Fund balances:							
Unreserved:							
Undesignated	67,793	76,536	82,544	138,259	365,132	125,302	490,434
Total fund balances	67,793	76,536	82,544	138,259	365,132	125,302	490,434
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 169,867</b>	<b>76,536</b>	<b>117,708</b>	<b>138,259</b>	<b>502,370</b>	<b>169,140</b>	<b>671,510</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds		
REVENUES:							
Local sources:							
Local tax	\$ 89,435	0	38,122	0	127,557	282,369	409,926
Other	2	206,440	86	5,685	212,213	200	212,413
Federal sources	0	0	48,913	0	48,913	0	48,913
TOTAL REVENUES	<u>89,437</u>	<u>206,440</u>	<u>87,121</u>	<u>5,685</u>	<u>388,683</u>	<u>282,569</u>	<u>671,252</u>
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	0	0	0	1,069	1,069	0	1,069
Other instruction	0	201,949	0	0	201,949	0	201,949
Support services:							
Administration services	24,786	0	0	0	24,786	0	24,786
Operation and maintenance of plant services	10,277	0	8,409	0	18,686	0	18,686
Other expenditures:							
Facilities acquisitions	0	0	65,464	0	65,464	0	65,464
Long-term debt:							
Principal	0	0	0	0	0	125,000	125,000
Interest and fiscal charges	0	0	0	0	0	159,450	159,450
TOTAL EXPENDITURES	<u>35,063</u>	<u>201,949</u>	<u>73,873</u>	<u>1,069</u>	<u>311,954</u>	<u>284,450</u>	<u>596,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	54,374	4,491	13,248	4,616	76,729	(1,881)	74,848
OTHER FINANCING SOURCES:							
Transfer in	0	0	0	118	118	49,809	49,927
Sale of property	0	0	1	0	1	0	1
	<u>0</u>	<u>0</u>	<u>1</u>	<u>118</u>	<u>119</u>	<u>49,809</u>	<u>49,928</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	54,374	4,491	13,249	4,734	76,848	47,928	124,776
FUND BALANCE BEGINNING OF YEAR	<u>13,419</u>	<u>72,045</u>	<u>69,295</u>	<u>133,525</u>	<u>288,284</u>	<u>77,374</u>	<u>365,658</u>
FUND BALANCE END OF YEAR	<u>\$ 67,793</u>	<u>76,536</u>	<u>82,544</u>	<u>138,259</u>	<u>365,132</u>	<u>125,302</u>	<u>490,434</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR 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
<b>Athletics:</b>				
All Athletics	\$ 16	2,663	2,679	0
District Football Funds	660	270	930	0
Season Passes	20	10	0	30
Baseball	365	4,526	4,891	0
Basketball	6,571	7,963	8,518	6,016
Cross Country	0	424	424	0
Football	3,432	6,207	4,684	4,955
Golf	0	312	312	0
Softball	0	4,816	4,615	201
Track	0	2,141	1,794	347
Volleyball	3,262	1,624	3,321	1,565
Wrestling	1,650	5,887	7,523	14
	<u>15,976</u>	<u>36,843</u>	<u>39,691</u>	<u>13,128</u>
<b>Athletic Support:</b>				
Cheerleaders	121	1,203	1,324	0
Drill Team	12	0	0	12
	<u>133</u>	<u>1,203</u>	<u>1,324</u>	<u>12</u>
<b>Clubs:</b>				
Cardinal Athletics	813	1,381	873	1,321
International Club	705	239	148	796
TSA Club	3,219	7,273	7,988	2,504
Drama/Play Club	1,798	471	240	2,029
Speech Club	0	705	705	0
Go Ape	1,269	5,211	4,276	2,204
National Honor Society	646	1,024	214	1,456
SADD	437	243	91	589
Academic Bowl	0	193	193	0
Little Red Birds Preschool	148	2,331	1,682	797
Weight Club	1,061	14,040	14,846	255
Music Boosters	2,072	1,714	2,758	1,028
CD PTO	0	1,593	181	1,412
	<u>12,168</u>	<u>36,418</u>	<u>34,195</u>	<u>14,391</u>
<b>Graduation Classes:</b>				
Senior Class	986	7,750	8,363	373
Junior Class	2,051	6,280	6,047	2,284
Sophomore Class	1,329	0	344	985
Freshman Class	370	85	93	362
	<u>4,736</u>	<u>14,115</u>	<u>14,847</u>	<u>4,004</u>

CENTRAL DECATUR 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
<b>Vocational Groups:</b>				
FFA	4,922	36,089	34,101	6,910
FCCLA	0	2,452	2,194	258
	<u>4,922</u>	<u>38,541</u>	<u>36,295</u>	<u>7,168</u>
<b>Yearbook:</b>				
Annual	5,390	7,471	6,855	6,006
Middle School Yearbook	0	83	83	0
	<u>5,390</u>	<u>7,554</u>	<u>6,938</u>	<u>6,006</u>
<b>Student Councils:</b>				
HS Student Council	811	338	948	201
Middle Student Council	443	397	0	840
	<u>1,254</u>	<u>735</u>	<u>948</u>	<u>1,041</u>
<b>JR/SR Awards:</b>				
Awards	2,187	1,891	2,327	1,751
Middle School Fund Raiser	2,021	5,749	7,399	371
	<u>4,208</u>	<u>7,640</u>	<u>9,726</u>	<u>2,122</u>
<b>Elementary:</b>				
Elementary Ski Trip	526	0	0	526
Decatur Playground Fund	5,914	7,000	8,064	4,850
	<u>6,440</u>	<u>7,000</u>	<u>8,064</u>	<u>5,376</u>
<b>Band and Chorus:</b>				
Music Trip	0	216	216	0
2003 Music Trip	5,096	18,066	10,343	12,819
Instrumental Music	0	463	463	0
Vocal Music	0	283	283	0
Elementary Music Fund Raiser	510	800	514	796
	<u>5,606</u>	<u>19,828</u>	<u>11,819</u>	<u>13,615</u>
<b>Other Accounts:</b>				
Miscellaneous	8,105	21,978	23,334	6,749
Interest	770	0	765	5
CD Garage	33	0	0	33
Student Resale	2,304	14,585	14,003	2,886
	<u>11,212</u>	<u>36,563</u>	<u>38,102</u>	<u>9,673</u>
<b>Total</b>	<u>\$ 72,045</u>	<u>206,440</u>	<u>201,949</u>	<u>76,536</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Transfer in	Balance End of Year
McAlwee Scholarship	\$ 116,666	30	0	118	116,814
Johnston Memorial	5,557	257	200	0	5,614
Logsdon Memorial	5,934	269	200	0	6,003
Miles Scholarships	0	3,000	0	0	3,000
Lynch Scholarships	1,000	0	100	0	900
Bennet Memorial	1,782	117	100	0	1,799
All-Weather Track	2,580	2,012	469	0	4,123
Softball	6	0	0	0	6
Total	<u>\$ 133,525</u>	<u>5,685</u>	<u>1,069</u>	<u>118</u>	<u>138,259</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR 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
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,128,583	2,135,414	1,848,645	1,700,777
Tuition	250,447	208,406	198,515	157,129
Other	366,257	443,398	380,969	475,119
Intermediate sources	9,534	5,433	1,000	0
State sources	3,711,395	3,619,512	4,158,372	3,402,514
Federal sources	1,022,247	1,134,953	1,842,661	734,272
<b>Total</b>	<b>\$ 7,488,463</b>	<b>7,547,116</b>	<b>8,430,162</b>	<b>6,469,811</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 1,861,672	1,798,033	1,948,391	1,631,948
Special instruction	1,701,382	1,659,528	1,381,372	1,410,390
Other instruction	587,880	600,990	499,752	565,013
Support services:				
Student services	156,971	148,194	131,062	126,369
Instructional staff services	112,165	231,331	156,211	139,827
Administration services	749,866	745,947	666,735	648,674
Operation and maintenance of plant services	442,197	406,763	364,502	413,860
Transportation services	260,144	421,203	337,008	715,609
Non-instructional programs	443,482	627,760	789,603	587,952
Other expenditures:				
Facilities acquisitions	782,391	3,016,192	1,559,369	15,000
Long-term debt:				
Principal	125,000	225,000	290,000	3,398
Interest and fiscal charges	159,450	169,133	155,415	10,624
AEA flow-through	229,347	234,564	221,854	230,460
<b>Total</b>	<b>\$ 7,611,947</b>	<b>10,284,638</b>	<b>8,501,274</b>	<b>6,499,124</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
TWENTY-FIRST CENTURY COMMUNITY			
LEARNING CENTERS	84.287	FY 04	\$ <u>399,782</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	<u>18,355</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	30,738
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	<u>125,521</u>
			<u>156,259</u>
RURAL UTILITIES SERVICE:			
CORNING COMMUNITY SCHOOL DISTRICT:			
DISTANCE LEARNING AND TELEMEDICINE			
LOANS AND GRANTS	10.855	FY 04	<u>37,051</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA-			
TIONAL AGENCIES	84.010	1093-G	<u>224,467</u>
TITLE I SCHOOL IMPROVEMENT			
FOLLOW-UP BUDGET	84.010A	FY 03	7,468
TITLE I SCHOOL IMPROVEMENT			
FOLLOW-UP BUDGET	84.010A	FY 04	<u>20,700</u>
			<u>28,168</u>
INNOVATIVE EDUCATION PROGRAM			
STRATEGIES (TITLE V PROGRAM)	84.151	FY 03	2,812
INNOVATIVE EDUCATION PROGRAM			
STRATEGIES (TITLE V PROGRAM)	84.151	FY 04	<u>6,788</u>
			<u>9,600</u>
SAFE AND DRUG-FREE SCHOOLS AND			
COMMUNITIES - STATE GRANTS	84.186	FY 04	<u>2,786</u>
FUND FOR THE IMPROVEMENT OF EDUCATION			
	84.215	FY 04	<u>173,378</u>
SCHOOL RENOVATION, IDEA, AND			
TECHNOLOGY GRANTS PROGRAM	84.352	FY 03	<u>6,682</u>

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED) :			
DEPARTMENT OF EDUCATION (CONTINUED) :			
RURAL EDUCATION ACHIEVEMENT			
PROGRAM (REAP)	84.358	FY 04	<u>9,800</u>
LITERACY THROUGH SCHOOL LIBRARIES	84.364	FY 04	<u>13,226</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 04	<u>47,088</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 04	<u>146</u>
IOWA PUBLIC TELEVISION: STAR SCHOOLS	84.203	FY 03	<u>827</u>
BEDFORD COMMUNITY SCHOOL DISTRICT: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 03	<u>14,426</u>
GREEN VALLEY AREA EDUCATION AGENCY 14: SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 03	<u>31,272</u>
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 03	1,756
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 04	<u>544</u>
			<u>2,300</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 04	<u>7,720</u>
TITLE I ACCOUNTABILITY GRANTS - DATA DRIVEN LEADERSHIP	84.348	FY 04	<u>5,699</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES: MEDICAL ASSISTANCE PROGRAM	93.778	FY 04	<u>25,161</u>
TOTAL			<u>\$ 1,214,193</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Central Decatur Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

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 Decatur Community School District:

We have audited the financial statements of Central Decatur Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 26, 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 Decatur 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.

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 Central Decatur 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. 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 Central Decatur Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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 that are considered to be material weaknesses, we believe item II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item II-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 Decatur Community School District and other parties to whom Central Decatur 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 Decatur 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 PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

October 26, 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 on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance

To the Board of Education of  
Central Decatur Community School District

Compliance

We have audited the compliance of Central Decatur Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Central Decatur Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central Decatur Community School District's management. Our responsibility is to express an opinion on Central Decatur Community School District's compliance based on our audit.

We conducted our audit of compliance 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 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Decatur Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central Decatur Community School District's compliance with those requirements.

In our opinion, Central Decatur Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Central Decatur Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Central Decatur Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Central Decatur Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-04 in the accompanying Schedule of Findings and Questioned Costs.

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 non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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 III-A-04 is a material weakness.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 26, 2004

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - CFDA Number 84.287 - 21<sup>ST</sup> Century Community Learning Center
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Central Decatur Community School District did not qualify as a low-risk auditee.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done 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.

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

Recommendation - The district should submit the outstanding checks to the Great Iowa Treasure Hunt.

Response - We will comply.

Conclusion - Response accepted.

II-C-04 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We will comply.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 84.287: 21<sup>st</sup> Century Community Learning Centers  
Federal Award Year: 2004  
U.S. Department of Education  
Direct Grant

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2004  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done 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.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-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.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceed the amount budgeted.

IV-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.

IV-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.

IV-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
Mike Frost, Board Member Owns Leon Napa Auto Parts	Auto Parts	\$986

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the board members do not appear to represent a conflict of interest.

IV-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.

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

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

IV-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.

IV-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.