

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2004

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## Independent Auditor's Report

To the Board of Education of  
Clay Central/Everly Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District, Royal, Iowa, 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 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, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Clay Central/Everly Community School District adopted Governmental Accounting Standards Board 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; Statement Number 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 November 5, 2004, on our consideration of Clay Central/Everly Community School District's internal control over 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 considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting 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. We did not audit the information and express no opinion on it.

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

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

November 5, 2004

# Clay Central/Everly Community School District

## Management Discussion & Analysis

This section of the Clay Central/Everly Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. Because the Clay Central/Everly Community School 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.

### Financial Highlights

- The Clay Central/Everly CSD Board of Directors approved a Property Tax decrease from \$11.47566 to \$11.11188 per \$1,000 taxable valuation creating a savings to tax payers in the amount of \$.36378 per \$1,000 of assessed valuation.
- The State of Iowa imposed a 2.5% reduction in State Foundation Aid, Instructional Support Programs, Educational Excellence Allocations, Teacher Compensation Allocations, and Iowa Early Intervention Allocations in November.
- Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by a combination of reducing expenditures in technology; purchased services; equipment and supplies; and using a portion of fund balance.
- Because of the reduction in revenues and the increase in salaries, benefits, utilities and special education costs the District's General Fund balance decreased by \$100,783.
- Voters in Clay and O'Brien County passed a ten-year one-cent local option sales tax for school facilities which is expected to generate at least an additional \$284,625 per year.

### Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

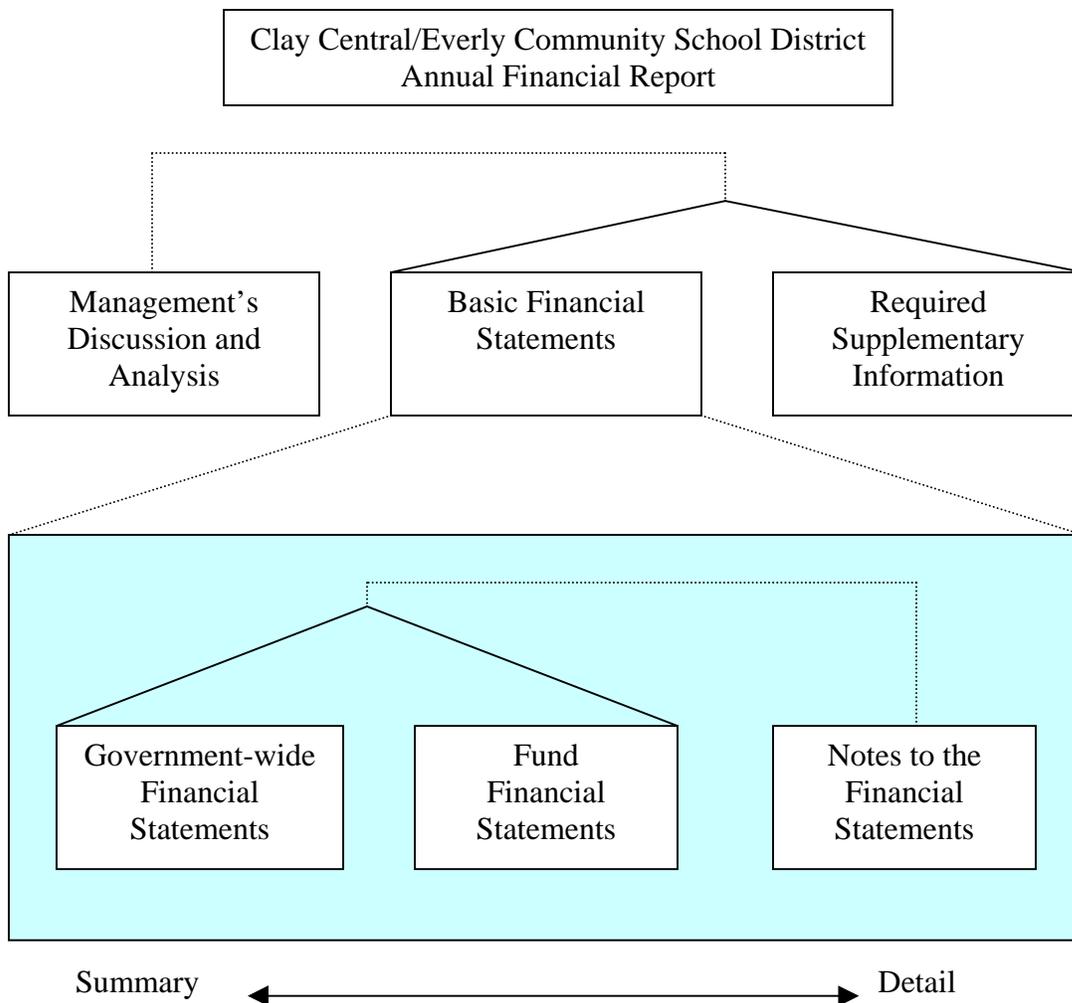
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

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

Figure A-1



*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. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

*Figure A-2  
Major Features of the Government-wide and Fund Financial Statements*

	Government-wide Statements	Fund Financial 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 business: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <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 balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flow</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 and payable	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

### **Government-wide Statements**

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and

expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide 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, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes 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 food service program would be 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:

- *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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The

District's governmental funds include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.

- *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 statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship funds. The District accounts for outside donations for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

**Net assets.** The District's combined net assets were slightly larger on June 30, 2004, than they were the year before, increasing \$9,287.

*Figure A-3*

**Condensed Statement of Net Assets**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total School District</b>
	<b>2004</b>	<b>2004</b>	<b>2004</b>
Current and other assets	\$3,168,589	\$10,848	\$3,179,437
Capital assets	1,207,792	8,950	1,216,742
<b>Total Assets</b>	<b>4,376,381</b>	<b>19,798</b>	<b>4,396,179</b>
Long-term liabilities	129,816	-	129,816
Other liabilities	3,257,673	26,435	3,284,108
<b>Total liabilities</b>	<b>3,387,489</b>	<b>26,435</b>	<b>3,413,924</b>
Net Assets:			
Invested in capital assets, net of related debt	1,133,925	8,950	1,142,875
Restricted	121,304	-	121,304
Unrestricted	(266,337)	(15,587)	(281,924)
<b>TOTAL NET ASSETS</b>	<b>\$988,892</b>	<b>(\$6,637)</b>	<b>\$982,255</b>

**Changes in net assets.** Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. *Figure A-4* reflects only totals from the current fiscal year ending June 30, 2004.

*Governmental Activities* -

Referring to *Figure A-4*, revenues for the District's governmental activities were \$4,223,285 for fiscal year 2004. Total governmental expenditures were \$4,196,372.

In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues in a year when the Board of Directors had lowered the overall District tax rate from \$11.47566 per thousand dollars of taxable valuation to \$11.11188

*Figure A-4*

**Changes in Net Assets from Operating Results**

	<u>Governmental Activities</u> <u>2004</u>	<u>Business-type Activities</u> <u>2004</u>	<u>Total School District</u> <u>2004</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$269,113	\$84,501	\$353,614
Operating Grants & Contributions	444,592	70,633	515,225
Capital Grants & Contributions	17,220	-	17,220
General Revenues			
Property taxes & other taxes	2,294,548	-	2,294,548
Unrestricted State Grants	1,193,066	-	1,193,066
Unrestricted Investment Earnings	4,746	38	4,784
Other Revenue	-	-	-
<b>Total Revenues</b>	<b>\$4,223,285</b>	<b>\$155,172</b>	<b>\$4,378,457</b>
<b>Expenses</b>			
Instruction	2,712,747	-	2,712,747
Support Services	1,228,201	-	1,228,201
Non-Instructional Programs	-	172,798	172,798
Other Expenses	255,424	-	255,424
<b>Total Expenses</b>	<b>\$4,196,372</b>	<b>\$172,798</b>	<b>\$4,369,170</b>
Transfers	-	-	-
<b>Change in Net Assets</b>	<b>\$26,913</b>	<b>(\$17,626)</b>	<b>\$9,287</b>

Figure A-5

**Net Cost of Governmental Activities**

	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction	\$2,712,747	\$2,143,059
Support Services	1,228,201	1,225,603
Non-instructional Programs	-	-
Other Expenses	255,424	96,785
<b>TOTAL</b>	<b>\$4,196,372</b>	<b>\$3,465,447</b>

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. (As with Figure A-4, a two-year comparison with the prior fiscal year is not possible under the new GASB-34 format. In the future a two-year comparison will be provided.)

- The cost of all governmental activities this year was \$4,196,372.
- Some of the cost was financed by the users of the District's programs (\$269,113).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (\$461,812).
- Most of the District's costs (\$3,465,447), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,294,548 in property and other local taxes, and \$1,197,812 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

*Business-Type Activities -*

The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business-type activities show a decrease in net assets with expenses exceeding revenues \$17,626 (refer to Figure A-4). The Board of Education did not increase school meal prices for fiscal year 2004, but made a decision to increase meal prices \$.10 for fiscal year 2005.

**Financial Analysis of the District's Funds**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund deficits of \$146,151.

## **Governmental Fund Highlights**

The General Fund balance decreased from \$(222,621) to \$(323,404), due in part to the reduction in student enrollment, negotiated salary and benefit settlement, and events such as the Governor's 2.5% rollback and the elimination of Phase III funding. The Board chose to use carryover fund balance to maintain obligations and student programming.

The Nonmajor Governmental (Management and Activity, PPEL and Capital Projects) Funds balance increased \$14,434 to \$177,253. The increase was due in large part to increased revenues in the Management Fund for improving the financial condition of the fund to cover insurance rate increases and future early retirement payments. \$62,172 of the Nonmajor Fund balance must be used for building repairs, remodeling and equipment.

## **Business Type Fund Highlights**

The School Nutrition Fund net assets decreased from \$10,989 at June 30, 2003 to (\$6,637) at June 30, 2004, representing an increase of \$17,626. Declining enrollments have resulted in lower meal sales and there were increased salary and employee benefit costs.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. 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 budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

During FY04, total revenues were below expectations held when the FY04 budget was assembled in February, 2003. Ultimately, budgeted amounts exceeded actual revenue by \$195,715. This was due to a variety of factors that could not have been anticipated when a budget estimate was assembled. For example, in November, 2003, the Governor announced a 2.5% across the board cut. Also, open enrollment income had been overestimated. The District also found out after the budget was established that Phase III revenues were going to be eliminated. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget should always exceed the actual expenditures during the year. In a difficult budget year the District was able to keep total actual disbursements \$4,494,476 below the total budget amount of \$4,778,080. However, the District did not meet its goal of keeping total actual disbursements \$4,494,476 below total actual receipts of \$4,318,237.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2004, the District had invested \$1,216,742, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). (More detailed information about capital assets can be found in Note 6 to the financial statements.) The District was able to stay within its means and not accumulate any debt in FY04. Capital assets were purchased as revenue became available and included a school bus, computer equipment, and copiers.

At June 30, 2004 the District had entered into a \$120,660 contract for a music room addition which will be completed in fiscal year 2005. Local option sales tax revenues will finance this project.

*Figure A-6*

*Capital Assets (net of depreciation)*

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total School District</b>
	<b>2004</b>	<b>2004</b>	<b>2004</b>
Land	9,589	-	9,589
Construction in progress	24,420	-	24,420
Buildings	843,799	-	843,799
Equipment & Furniture	329,984	8,950	338,934
<b>TOTAL</b>	<b>1,207,792</b>	<b>8,950</b>	<b>1,216,742</b>

### Long-Term Debt

At June 30, 2004, the District had \$129,816 in long-term debt outstanding (Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

*Figure A-7*

*Long-Term Debt*

	Balance End of 2004	Due Within One Year
Energy loan notes	\$73,867	\$16,978
Early retirement	55,949	22,854
Total	<u>\$129,816</u>	<u>\$39,832</u>

### **Factors Bearing on the District's Future**

The District has strived to maintain a quality educational program for our students in the face of less than expected allowable growth. Balanced budgets have been maintained through staffing and supply reductions, to match the reduction in student enrollment. However, costs outside of the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Monte Montgomery, Superintendent, Clay Central/Everyly Community School District, 401 Church Street, Royal, Iowa 51357.

## BASIC FINANCIAL STATEMENTS

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	1,118,807	-	1,118,807
Other	173,597	-	173,597
Receivables:			
Property tax:			
Delinquent	28,160	-	28,160
Succeeding year	1,705,842	-	1,705,842
Accounts	1,923	1,344	3,267
Accrued interest:			
ISCAP	1,874	-	1,874
Other	312	-	312
Due from other governments	138,074		138,074
Inventories	-	9,504	9,504
Capital assets, net of accumulated depreciation	1,207,792	8,950	1,216,742
<b>Total assets</b>	<b>4,376,381</b>	<b>19,798</b>	<b>4,396,179</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	-	11,822	11,822
Accounts payable	73,185	361	73,546
Salaries and benefits payable	351,178	13,024	364,202
Accrued interest payable	354	-	354
Deferred revenue:			
Succeeding year property tax	1,705,842	-	1,705,842
Other	-	1,228	1,228
ISCAP warrants payable	1,120,000	-	1,120,000
ISCAP accrued interest payable	4,501	-	4,501
ISCAP premium	2,613	-	2,613
Long-term liabilities:			
Portion due within one year:			
Energy notes payable	16,978	-	16,978
Early retirement	22,854	-	22,854
Portion due after one year:			
Energy notes payable	56,889	-	56,889
Early retirement	33,095	-	33,095
<b>Total liabilities</b>	<b>3,387,489</b>	<b>26,435</b>	<b>3,413,924</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,133,925	8,950	1,142,875
Restricted for:			
Management levy	17,302	-	17,302
Capital outlay	62,172	-	62,172
Other special revenue purposes	41,830	-	41,830
Unrestricted	(266,337)	(15,587)	(281,924)
<b>Total net assets</b>	<b>988,892</b>	<b>(6,637)</b>	<b>982,255</b>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,911,850	139,972	223,615	-
Special instruction	451,164	20,345	66,359	-
Other instruction	349,733	107,096	12,301	-
	<u>2,712,747</u>	<u>267,413</u>	<u>302,275</u>	<u>-</u>
Support services:				
Student services	100,880	-	-	-
Instructional staff services	144,295	-	-	-
Administration services	539,813	-	-	-
Operation and maintenance of plant services	289,054	-	-	-
Transportation services	154,159	1,700	898	-
	<u>1,228,201</u>	<u>1,700</u>	<u>898</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	32,850	-	-	17,220
Long-term debt interest	5,092	-	-	-
AEA flowthrough	141,419	-	141,419	-
Depreciation (unallocated)*	76,063	-	-	-
	<u>255,424</u>	<u>-</u>	<u>141,419</u>	<u>17,220</u>
Total governmental activities	4,196,372	269,113	444,592	17,220
Business type activities:				
Non-instructional programs:				
Food service operations	172,798	84,501	70,633	-
Total	<u>4,369,170</u>	<u>353,614</u>	<u>515,225</u>	<u>17,220</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,548,263)	-	(1,548,263)
(364,460)	-	(364,460)
(230,336)	-	(230,336)
<u>(2,143,059)</u>	<u>-</u>	<u>(2,143,059)</u>
(100,880)	-	(100,880)
(144,295)	-	(144,295)
(539,813)	-	(539,813)
(289,054)	-	(289,054)
(151,561)	-	(151,561)
<u>(1,225,603)</u>	<u>-</u>	<u>(1,225,603)</u>
(15,630)	-	(15,630)
(5,092)	-	(5,092)
-	-	-
<u>(76,063)</u>	<u>-</u>	<u>(76,063)</u>
<u>(96,785)</u>	<u>-</u>	<u>(96,785)</u>
(3,465,447)	-	(3,465,447)
<u>-</u>	<u>(17,664)</u>	<u>(17,664)</u>
<u>(3,465,447)</u>	<u>(17,664)</u>	<u>(3,483,111)</u>
1,880,499	-	1,880,499
359,041	-	359,041
55,008	-	55,008
1,193,066	-	1,193,066
4,746	38	4,784
<u>3,492,360</u>	<u>38</u>	<u>3,492,398</u>
26,913	(17,626)	9,287
<u>961,979</u>	<u>10,989</u>	<u>972,968</u>
<u>988,892</u>	<u>(6,637)</u>	<u>982,255</u>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	1,118,807	-	1,118,807
Other	41,422	132,175	173,597
Receivables:			
Property tax:			
Delinquent	24,899	3,261	28,160
Succeeding year	1,660,842	45,000	1,705,842
Accounts	1,888	35	1,923
Accrued interest - ISCAP	1,874	-	1,874
Accrued interest - other	246	66	312
Interfund receivable/payable	(8,610)	8,610	-
Due from other governments	72,235	65,839	138,074
	<u>2,913,603</u>	<u>254,986</u>	<u>3,168,589</u>
<b>Total assets</b>			
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	40,452	32,733	73,185
Salaries and benefits payable	351,178	-	351,178
ISCAP warrants payable	1,120,000	-	1,120,000
ISCAP accrued interest payable	4,501	-	4,501
ISCAP premium	2,613	-	2,613
Deferred revenue:			
Succeeding year property tax	1,660,842	45,000	1,705,842
Other	57,421	-	57,421
Total liabilities	<u>3,237,007</u>	<u>77,733</u>	<u>3,314,740</u>
Fund balances:			
Unreserved	<u>(323,404)</u>	<u>177,253</u>	<u>(146,151)</u>
<b>Total liabilities and fund balances</b>	<u>2,913,603</u>	<u>254,986</u>	<u>3,168,589</u>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet-Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	(146,151)
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,207,792
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	57,421
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	(354)
Long-term liabilities, including energy notes payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(129,816)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>988,892</u></u>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2004

	General Fund	Nonmajor Governmental	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,880,968	413,745	2,294,713
Tuition	104,886	-	104,886
Other	67,541	101,432	168,973
State sources	1,495,213	140	1,495,353
Federal sources	142,305	17,220	159,525
Total revenues	<u>3,690,913</u>	<u>532,537</u>	<u>4,223,450</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,813,721	-	1,813,721
Special instruction	451,164	-	451,164
Other instruction	250,844	98,889	349,733
	<u>2,515,729</u>	<u>98,889</u>	<u>2,614,618</u>
Support services:			
Student services	100,880	81,962	182,842
Instructional staff services	144,295	15,845	160,140
Administration services	462,547	70,514	533,061
Operation and maintenance of plant services	280,957	-	280,957
Transportation services	124,668	55,305	179,973
	<u>1,113,347</u>	<u>223,626</u>	<u>1,336,973</u>
Other expenditures:			
Facilities acquisition	-	195,588	195,588
Long-term debt:			
Principal	-	16,032	16,032
Interest and fiscal charges	-	5,169	5,169
AEA flowthrough	141,419	-	141,419
	<u>141,419</u>	<u>216,789</u>	<u>358,208</u>
Total expenditures	<u>3,770,495</u>	<u>539,304</u>	<u>4,309,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(79,582)</u>	<u>(6,767)</u>	<u>(86,349)</u>
Other financing sources (uses):			
Operating transfers in	-	21,201	21,201
Operating transfers out	(21,201)	-	(21,201)
Total other financing sources (uses)	<u>(21,201)</u>	<u>21,201</u>	<u>-</u>
Net change in fund balances	(100,783)	14,434	(86,349)
Fund balances beginning of year, as restated	<u>(222,621)</u>	<u>162,819</u>	<u>(59,802)</u>
Fund balances end of year	<u><u>(323,404)</u></u>	<u><u>177,253</u></u>	<u><u>(146,151)</u></u>

See notes to financial statements.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2004

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(86,349)

**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 not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:

Expenditures for capital assets	340,156	
Depreciation expense	<u>(186,889)</u>	153,267

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

(165)

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

16,032

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.

77

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

Early retirement		<u>(55,949)</u>
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<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>26,913</u></u>
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## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2004

	Nonmajor School Nutrition
	<u>          </u>
	\$
<b>Assets</b>	
Accounts receivable	1,344
Inventories	9,504
Capital assets, net of accumulated depreciation	<u>8,950</u>
<b>Total assets</b>	<u>19,798</u>
<b>Liabilities</b>	
Accounts payable	361
Salaries and benefits payable	13,024
Excess of warrants issued over bank balance	11,822
Deferred revenue	<u>1,228</u>
<b>Total liabilities</b>	<u>26,435</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	8,950
Unrestricted	<u>(15,587)</u>
<b>Total net assets</b>	<u><u>(6,637)</u></u>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>84,501</u>
Operating expenses:	
Non-instructional programs:	
Salaries	54,510
Benefits	24,485
Purchased services	1,229
Supplies	90,242
Depreciation	<u>2,332</u>
	<u>172,798</u>
Operating gain (loss)	<u>(88,297)</u>
Non-operating revenue:	
State sources	2,649
Federal sources	67,984
Interest income	38
Total non-operating revenue	<u>70,671</u>
Change in net assets	(17,626)
Net assets beginning of year	<u>10,989</u>
Net assets end of year	<u><u>(6,637)</u></u>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	83,621
Cash payments to employees for services	(77,651)
Cash payments to suppliers for goods or services	(77,487)
Net cash used by operating activities	<u>(71,517)</u>
Cash flows from non-capital financing activities:	
State grants received	2,649
Federal grants received	54,138
Net cash provided by non-capital financing activities	<u>56,787</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>37</u>
Net increase (decrease) in cash and cash equivalents	(14,693)
Cash and cash equivalents at beginning of year	<u>2,871</u>
Cash and cash equivalents at end of year	<u><u>(11,822)</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(88,297)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	13,846
Depreciation	2,332
Decrease (increase) in inventories	65
Decrease (increase) in accounts receivable	(948)
(Decrease) increase in accounts payable	74
(Decrease) increase in salaries and benefits payable	1,344
(Decrease) increase in deferred revenue	67
Net cash used in operating activities	<u><u>(71,517)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$13,846 of federal commodities.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2004

	<u>Agency</u>
	\$
<b>Assets</b>	
Cash and pooled investments	<u>3,400</u>
<b>Liabilities</b>	
Accounts payable	26
Other payables	<u>3,374</u>
<b>Total liabilities</b>	<u>3,400</u>
<b>Net Assets</b>	<u><u>-</u></u>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2004

#### 1. Summary of Significant Accounting Policies

Clay Central/Everly Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Royal and Everly, Iowa and the predominately agricultural territory in a portion of Clay, Dickinson and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

##### A. Reporting Entity

For financial reporting purposes, Clay Central/Everly 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 Clay Central/Everly Community School District has no component units that 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### B. Basis of Presentation

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

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

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

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The District's proprietary fund is the Enterprise, School Nutrition Fund. This 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 Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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

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

Proprietary funds distinguish operating revenues and expenses from 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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	500
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-15 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant

proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

**2. Cash and Pooled Investments**

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

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Special Revenue:		
Physical Plant and Equipment Levy Fund	General Fund	8,610

This interfund balance represents receipts entered in the General Fund that should have been placed in the Physical Plant and Equipment Levy Fund. The balance will be repaid during the next fiscal year.

**4. Interfund Transfers**

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

Transfer to	Transfer from	Amount
		\$
Debt Service Capital Projects Fund	General Fund	21,201

These transfers reflect debt service payments from the General Fund.

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

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

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2003-04B	1/30/04	1/28/05	545,691	1,874	542,000	4,501
2004-05A	6/30/04	6/30/05	573,116	-	578,000	-
Total			<u>1,118,807</u>	<u>1,874</u>	<u>1,120,000</u>	<u>4,501</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004, is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	770,000	770,000	-

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2003-04B	2.000	1.131
2004-05A	3.000	2.463

## 6. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	9,589	-	-	9,589
Capital assets being depreciated:				
Buildings	2,363,501	162,738	-	2,526,239
Improvements other than buildings	312,440	-	-	312,440
Furniture and equipment	1,476,575	177,418	-	1,653,993
Total capital assets being deprec.	<u>4,152,516</u>	<u>340,156</u>	-	<u>4,492,672</u>
Less accumulated depreciation for:				
Buildings	1,624,367	58,073	-	1,682,440
Improvements other than buildings	273,162	14,858	-	288,020
Furniture and equipment	1,210,051	113,958	-	1,324,009
Total accumulated depreciation	<u>3,107,580</u>	<u>186,889</u>	-	<u>3,294,469</u>
Total capital assets being depreciated, net	<u>1,044,936</u>	<u>153,267</u>	-	<u>1,198,203</u>
Governmental activities capital assets, net	<u>1,054,525</u>	<u>153,267</u>	-	<u>1,207,792</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	34,994	-	-	34,994
Less accumulated depreciation	<u>23,712</u>	<u>2,332</u>	-	<u>26,044</u>
Business type activities capital assets, net	<u>11,282</u>	<u>(2,332)</u>	-	<u>8,950</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	42,180
Support Services:	
Administration services	31,058
Operation and maintenance of plant services	8,097
Transportation	29,491
	<u>110,826</u>
Unallocated depreciation	76,063
	<u>186,889</u>
Total depreciation expense – governmental activities	
Business type activities:	
Food services	<u>2,332</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	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Energy loan notes	89,899	-	16,032	73,867	16,978
Early retirement	-	55,949		55,949	22,854
	<u>89,899</u>	<u>55,949</u>	<u>16,032</u>	<u>129,816</u>	<u>39,832</u>

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age [fifty-five](#) and must have completed [fifteen](#) years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on salary in effect in year of application.

### Energy Loan Notes

The District has issued Energy Management Improvement Capital Loan Notes in the aggregate amount of \$180,000 to be used to pay a portion of the costs to implement the energy conservation and energy management measures program. The note is due on [June 1, 2008](#), with interest at 5.75% due annually each [June 1st](#). The maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
<a href="#">2005</a>	16,978	4,247	21,225
<a href="#">2006</a>	17,981	3,271	21,252
<a href="#">2007</a>	19,042	2,237	21,279
<a href="#">2008</a>	19,866	1,142	21,008
	<u>73,867</u>	<u>10,897</u>	<u>84,764</u>

## 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 covered 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 contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$129,544, \$128,003, and \$129,686 respectively, equal to the required contributions for each year.

## 9. Risk Management

Clay Central/Everly Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed 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 fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$288,060.

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.

Clay Central/Everly 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 \$141,419 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. Construction Commitment

The District has entered into contracts totaling \$120,660. As of June 30, 2004 costs of \$16,863 been incurred against the contracts. The balances remaining at June 30, 2004 will be paid as work on the project progresses.

## 12. Accounting Change and Restatement

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

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include 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.

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

	Fund		Total
	General	Nonmajor	
	\$	\$	\$
Net assets, June 30, 2003, as previously reported	(222,621)	162,819	(59,802)
GASB Interpretation 6 adjustments	-	-	-
Net assets, July 1, 2003, as restated for Governmental funds	-	-	(59,802)
GASB 34 adjustments:			
Capital assets net of accumulated depreciation of \$3,107,580			1,054,525
Long-term liabilities:			
Energy loan notes			(89,899)
Accrued interest payable			(431)
Deferred revenue			57,586
Net assets, July 1, 2003, as restated			961,979

### **13. Financial Condition**

The General Fund has a deficit unreserved fund balance of \$323,404 and the School Nutrition Fund has negative net assets of \$6,637 at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	2,496,038	83,658	2,579,696	2,619,784	2,619,784	(40,088)
State sources	1,506,316	2,649	1,508,965	1,586,168	1,586,168	(77,203)
Federal sources	161,592	67,984	229,576	308,000	308,000	(78,424)
Total receipts	<u>4,163,946</u>	<u>154,291</u>	<u>4,318,237</u>	<u>4,513,952</u>	<u>4,513,952</u>	<u>(195,715)</u>
Disbursements:						
Instruction	2,645,717	-	2,645,717	2,850,000	2,850,000	204,283
Support services	1,316,119	-	1,316,119	1,112,000	1,600,000	283,881
Non-instructional programs	-	168,984	168,984	333,000	333,000	164,016
Other expenditures	363,656	-	363,656	483,080	483,080	119,424
Total disbursements	<u>4,325,492</u>	<u>168,984</u>	<u>4,494,476</u>	<u>4,778,080</u>	<u>5,266,080</u>	<u>771,604</u>
Excess (deficiency) of receipts over (under) disbursements	(161,546)	(14,693)	(176,239)	(264,128)	(752,128)	575,889
Other financing sources (uses) net	-	-	-	(5,000)	(5,000)	5,000
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(161,546)	(14,693)	(176,239)	(269,128)	(757,128)	580,889
Balance beginning of year	<u>335,143</u>	<u>2,871</u>	<u>338,014</u>	<u>354,053</u>	<u>354,053</u>	<u>(16,039)</u>
Balance end of year	<u><u>173,597</u></u>	<u><u>(11,822)</u></u>	<u><u>161,775</u></u>	<u><u>84,925</u></u>	<u><u>(403,075)</u></u>	<u><u>564,850</u></u>

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	4,163,946	59,504	4,223,450
Expenditures	4,325,492	(15,693)	4,309,799
Net	(161,546)	75,197	(86,349)
Beginning fund balances	335,143	(394,945)	(59,802)
Ending fund balances	173,597	(319,748)	(146,151)
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	154,291	881	155,172
Expenditures	168,984	3,814	172,798
Net	(14,693)	(2,933)	(17,626)
Beginning fund balances	2,871	8,118	10,989
Ending fund balances	(11,822)	5,185	(6,637)

CLAY CENTRAL/EVERLY 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$440,000.

During the year ended June 30, [2004](#), disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	
	\$	\$	\$	\$	
Cash and pooled investments	72,505	44,755	5,501	9,414	132,175
Receivables:					
Property tax:					
Delinquent	746	-	2,515	-	3,261
Succeeding year	45,000	-	-	-	45,000
Accounts	-	35	-	-	35
Accrued interest	-	42	24	-	66
Interfund receivable	-	-	8,610	-	8,610
Due from other governments	-	-	69	65,770	65,839
<b>Total assets</b>	<b>118,251</b>	<b>44,832</b>	<b>16,719</b>	<b>75,184</b>	<b>254,986</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	3,002	-	29,731	32,733
Deferred revenue:					
Succeeding year property tax	45,000	-	-	-	45,000
Total liabilities	45,000	3,002	-	29,731	77,733
Fund balances:					
Unreserved fund balance	73,251	41,830	16,719	45,453	177,253
<b>Total liabilities and fund balances</b>	<b>118,251</b>	<b>44,832</b>	<b>16,719</b>	<b>75,184</b>	<b>254,986</b>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	54,704	-	184,417	174,624	-	413,745
Other	850	100,397	147	38	-	101,432
State sources	32	-	108	-	-	140
Federal sources	-	-	17,220	-	-	17,220
Total revenues	<u>55,586</u>	<u>100,397</u>	<u>201,892</u>	<u>174,662</u>	<u>-</u>	<u>532,537</u>
Expenditures:						
Current:						
Instruction:						
Other instruction	-	98,889	-	-	-	98,889
Support services:						
Student services	-	-	81,962	-	-	81,962
Instructional staff services	-	-	15,845	-	-	15,845
Administration services	46,208	-	24,306	-	-	70,514
Transportation services	-	-	55,305	-	-	55,305
Other expenditures:						
Facilities acquisition	-	-	55,019	140,569	-	195,588
Long-term debt:						
Principal	-	-	-	-	16,032	16,032
Interest and fiscal charges	-	-	-	-	5,169	5,169
Total expenditures	<u>46,208</u>	<u>98,889</u>	<u>232,437</u>	<u>140,569</u>	<u>21,201</u>	<u>539,304</u>
Excess (deficiency) of revenues over (under) expenditures	9,378	1,508	(30,545)	34,093	(21,201)	(6,767)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	21,201	21,201
Net change in fund balances	9,378	1,508	(30,545)	34,093	-	14,434
Fund balances beginning of year, as restated	<u>63,873</u>	<u>40,322</u>	<u>47,264</u>	<u>11,360</u>	<u>-</u>	<u>162,819</u>
Fund balances end of year	<u>73,251</u>	<u>41,830</u>	<u>16,719</u>	<u>45,453</u>	<u>-</u>	<u>177,253</u>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
RIF	2,512	680	2,315	877
Science fair	647	3,175	2,687	1,135
Musical/play	2,940	3,929	3,295	3,574
Edith Sackett scholarship	2,330	(2,330)	-	-
Vestergaard scholarship	1,600	-	1,600	-
H.C. Blair scholarship	3,838	(3,588)	250	-
Foreign student club	754	-	-	754
Athletics	3,241	30,599	32,442	1,398
Fish fry-fund raiser	2,762	11,192	6,558	7,396
FFA	2,321	17,985	17,215	3,091
Class of 2002	-	72	72	-
Class of 2003	206	(206)	-	-
Class of 2004	2,831	2,180	4,545	466
Class of 2005	1,702	3,412	4,140	974
Class of 2006	2,089	772	27	2,834
Class of 2007	2,285	55	62	2,278
Class of 2008	2,510	-	-	2,510
Class of 2009	1,941	-	-	1,941
Class of 2010	-	3,344	1,905	1,439
HS student council	27	454	475	6
MS student council	478	109	269	318
Dance team	122	857	537	442
Interest	693	240	1	932
MS pop machine	938	1,938	2,555	321
HS student pop	1,833	1,054	1,451	1,436
Concessions	1,173	5,049	5,110	1,112
Cheerleaders/drill team	513	1,612	1,903	222
Yearbook	488	7,448	7,751	185
MS yearbook	214	970	389	795
Everly elem. pop	139	213	101	251
Royal elem. pop	213	108	-	321
Edith Sackett scholarship	-	2,330	-	2,330
Vestergaard scholarship	-	2,500	1,250	1,250
H.C. Blair scholarship	-	3,667	250	3,417
Al Larsen Scholarship	-	250	-	250
Albert Larsen Memorial scholarship	-	500	-	500
Beginning accruals	(3,018)	(250)	(3,268)	-
Ending accruals	-	77	3,002	(2,925)
<b>Total</b>	<b>40,322</b>	<b>100,397</b>	<b>98,889</b>	<b>41,830</b>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2004

	<u>Wellness</u>	<u>Staff</u> <u>Collection</u>	<u>MS</u> <u>Resale</u>	<u>Total</u>
	\$	\$	\$	\$
Balance beginning of year	5,038	208	247	5,493
Additions:				
Collections	2,258	295	-	2,553
Deductions:				
Miscellaneous	<u>4,377</u>	<u>269</u>	<u>-</u>	<u>4,646</u>
Balance end of year	<u><u>2,919</u></u>	<u><u>234</u></u>	<u><u>247</u></u>	<u><u>3,400</u></u>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,294,713	2,114,667	1,740,546	1,756,783
Tuition	104,886	101,317	92,934	99,799
Other	168,973	141,161	195,973	139,013
State sources	1,495,353	1,520,066	1,714,754	1,682,461
Federal sources	159,525	222,017	214,970	331,378
	<u>4,223,450</u>	<u>4,099,228</u>	<u>3,959,177</u>	<u>4,009,434</u>
Expenditures:				
Instruction:				
Regular instruction	1,813,721	1,753,511	1,945,961	1,845,196
Special instruction	451,164	420,423	310,806	320,762
Other instruction	349,733	343,268	337,511	378,026
Support services:				
Student services	182,842	93,739	91,688	91,884
Instructional staff services	160,140	155,959	133,378	158,324
Administration services	533,061	408,504	404,648	569,160
Operation and maintenance of plant services	280,957	285,313	271,028	273,754
Transportation services	179,973	125,737	159,510	116,122
Non-instructional programs	-	1,747	4,609	713
Other expenditures:				
Facilities acquisition	195,588	289,112	245,044	221,806
Long-term debt:				
Principal	16,032	15,138	14,294	13,497
Interest and other charges	5,169	6,040	6,862	7,638
AEA flowthrough	141,419	150,436	152,467	157,576
	<u>4,309,799</u>	<u>4,048,927</u>	<u>4,077,806</u>	<u>4,154,458</u>

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

To the Board of Education of the  
Clay Central/Everly Community School District:

We have audited the financial statements of the Clay Central/Everly Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 5, 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 Clay Central/Everly 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, noncompliance 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items 04-II-K and 04-II-L.

### Internal Control over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item [04-I-A](#) is a material weakness. Prior year reportable conditions have all been resolved except for item [04-I-A](#).

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [Clay Central/Everly](#) 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

November 5, [2004](#)

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

**04-II-A** Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not recorded in the minutes during the year ended June 30, 2004.

Recommendation: The District should record the official depository amounts in minutes each year.

District Response: We will record the amount of our depository resolutions in the minutes in the future.

Conclusion: Response accepted.

**04-II-B** Certified Budget: Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.

**04-II-C** Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979

**04-II-D** Travel Expenses: 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.

**04-II-E** Business Transactions: We noted no transactions between the District and District officials or employees.

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

**04-II-G** Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

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

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

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

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

**04-II-K**      Financial Condition: The District has an **unreserved** deficit fund balance in the **General Fund** of \$323,404 **and the School Nutrition Fund has a deficit of \$6,637 at June 30, 2004.**

Recommendation: The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.

**04-II-L**      Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.