

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2004

DRAFT COPY FOR REVIEW  
AND DISCUSSION  
PURPOSES ONLY



## TABLE OF CONTENTS

		<u>Page</u>
Officials		2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures And Changes		
in Fund Balances - Governmental Funds To the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Revenues, Expenses and Changes in Fund Net Assets	G	24
Statement of Cash Flows	H	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	I	26
Statement of Changes in Fiduciary Net Assets	J	27
Component Unit Financial Statements:		
Statement of Net Assets	K	28
Statement of Revenues, Expenses and Changes in Net Assets	L	29
Notes to Financial Statements		30-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and		
Changes in Balances - Budget and Actual (GAAP Basis) -		
All Governmental Funds and Proprietary Fund		42-43
Notes to Required Supplementary Information - Budgetary Reporting		44
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and Changes		
in Fund Balances	2	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	48-49
Schedule of Revenues by Source and Expenditures by Function -		
All Governmental Funds	4	50
Schedule of Expenditures of Federal Awards	5	51-52
Independent Auditor's Report on Compliance and on Internal Control		
over Financial Reporting		53-54
Independent Auditor's Report on Compliance with Requirements Applicable		
to Each major Program and Internal Control over Compliance		55-56
Schedule of Findings and Questioned Costs		57-58

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

**OFFICIALS**

Name	Title	Term Expires
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**Board of Education**  
(Before September, 2003 Election)

Dolores Altheide	President	2003
Matt Greiner	Vice President	2004
Edward Reese, Jr.	Board Member	2003
Sheila Westegard	Board Member	2004
Rob Melvin	Board Member	2005
Marty Owen	Board Member	2005
Kenneth Wutrich	Board Member	2005

**Board of Education**  
(After September, 2003 Election)

Dolores Altheide	President	2006
Marty Owen	Vice President	2005
Matt Greiner	Board Member	2004
Sheila Westegard	Board Member	2004
Rob Melvin	Board Member	2005
Kenneth Wutrich	Board Member	2005
Edward Reese, Jr.	Board Member	2006

**School Officials**

Anne Morgan	Superintendent	2004
LaDonna Hanes	District Secretary/Treasurer and Business Manager	2004
Sue Seitz	Attorney	Indefinite
Rick Lynch		
Danielle Jess Haindfield		



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Independent Auditor's Report

To the Board of Education  
Davis County Community School District  
Bloomfield, Iowa

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 Davis County Community School District, Bloomfield, Iowa, and its aggregate discretely presented component units, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements 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 Davis County Community School District and its aggregate discretely presented component units at 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 9 to the financial statements, during the year ended June 30, 2004, Davis County Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 39, Determining Whether Certain Organizations Are Component Units; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated August 31, 2004 on our consideration of Davis County 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 42 through 44 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 Davis County 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. Other supplementary information included in Schedules 1 through 5, 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.

Van Maanen & Associates, P.C.  
Certified Public Accountants

August 31, 2004

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## Management Discussion & Analysis

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Davis County 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 Davis County 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

- During the year ended June 30, 2004, the State of Iowa imposed a 2.25% reduction in State Foundation aid, which reduced the General Fund revenues by approximately \$110,000.
- 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 and using a portion of fund balance.
- Because of this reduction and the fact that a Reading 1<sup>st</sup> grant was received in 02-03 but expended in 03-04, the District's General Fund balance decreased by \$145,585 in fiscal 2004 compared to in fiscal 2003.
- In addition, the district was awarded a construction grant in March of 2004. Some expenditures were made in 2004 while the grant funds were not received until 2005.

### 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 financial 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.

### **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 school nutrition 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; Special Revenue Funds; and Debt Service Fund.
- *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 proprietary fund, is 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, school nutrition program.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarships.

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. Currently, one scholarship is held in this fund.

Figure A-1 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

<b>Figure A-1</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$ 7,903	8,083	\$ 167	169	\$ 8,070	8,252	-2.2%
Capital assets	4,714	4,817	68	38	4,782	4,855	-1.5%
Total assets	<u>12,617</u>	<u>12,900</u>	<u>235</u>	<u>207</u>	<u>12,852</u>	<u>13,107</u>	<u>-1.9%</u>
Long-term liabilities	2,219	1,889	-	-	2,219	1,889	17.5%
Other liabilities	4,749	4,544	2	-	4,751	4,544	4.6%
Total liabilities	<u>6,968</u>	<u>6,433</u>	<u>2</u>	<u>-</u>	<u>6,970</u>	<u>6,433</u>	<u>8.3%</u>
Net assets:							
Invested in capital assets, net of related debt	3,479	3,342	68	38	3,547	3,380	4.9%
Restricted	912	1,149	-	-	912	1,149	-20.6%
Unrestricted	<u>1,258</u>	<u>1,976</u>	<u>165</u>	<u>169</u>	<u>1,423</u>	<u>2,145</u>	<u>-33.7%</u>
Total net assets	<u>\$ 5,649</u>	<u>6,467</u>	<u>\$ 233</u>	<u>207</u>	<u>\$ 5,882</u>	<u>6,674</u>	<u>-11.9%</u>

## Financial Analysis of the District as a Whole

The District has strong fund balances. Experts in school finance recommend a balance equal to three months of expenses. The District meets this recommendation. It is recommended that a solvency ratio of around 10% is preferred; the District is above that. The District has determined needs in several areas, and is carefully utilizing existing funds to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs, and maintaining a quality staff.

Figure A-2 shows the change in net assets for the year ended June 30, 2004.

<b>Figure A-2</b>			
<b>Changes in Net Assets</b>			
<b>(Expressed in Thousands)</b>			
	Governmental Activities	Business type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$ 707	211	918
Operating grants, contributions and restricted interest	1,401	211	1,612
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	2,868	-	2,868
Local option sales and service tax	-	-	-
Unrestricted state grants	4,419	-	4,419
Unrestricted investment earnings	58	-	58
Other	35	-	35
Total revenues	9,488	422	9,910
Program expenses:			
Governmental activities:			
Instruction	6,862	-	6,862
Support services	2,927	-	2,927
Non-instructional programs	8	396	404
Other expenses	509	-	509
Total expenses	10,306	396	10,702
Change in net assets	\$ (818)	26	(792)

In the 2003-04 school year, the district did considerable maintenance work, utilizing savings in the Physical Plant and Equipment (PPEL) fund. Second, the district experienced a cut in state aid. Third, because of a previous early retirement policy, additional funds were expended for the retirement. Also, the air conditioning project began in June; some of those expenses were paid in 2003-04; yet the income from the grant was not received until the 2004-05 year. And last, the district received a \$199,000 Reading 1<sup>st</sup> grant in June of 2003, but the expenses did not occur until the 2003-04 year. These are the reasons for the difference in governmental activities balance.

The following Figure A-3 presents the cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-3</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(Expressed in Thousands)</b>		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,862	5,096
Support services	2,927	2,927
Non-instructional programs	8	8
Other expenses	509	167
Totals	<u>\$ 10,306</u>	<u>8,198</u>

- The cost of all governmental activities this year was \$10,306,550.
- The portion of the cost financed by users of the District's programs was \$706,578.
- The federal and state government (and private contributors) subsidized certain programs with grants and contributions totaling \$1,401,372.
- The net cost portion of governmental activities was financed with \$2,868,349 in property tax, \$4,418,930 in state foundation.

### **Business Type Activities**

Revenues of the District's business-type activities increased by \$24,795 to \$423,056 while expenses increased by \$42,211 to \$396,332. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

- The District has been able to maintain student lunch prices at the same level for several years with careful management and use of government commodities.

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

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

### **Governmental Fund Highlights**

- The General Fund balance decreased. When the state made the mid-year cut, the board made the decision to use a combination of existing funds and cutbacks to fund the cut. Then, the District received \$199,000 in a Reading 1<sup>st</sup> grant in June of 2003; yet, the expenditures were reported in 2004. This is an additional reason when comparing 2003 to 2004.
- The Physical Plant and Equipment Levy (PPEL) Fund balance of \$84,795 decreased by \$139,429. The District worked on several maintenance projects with these funds, including several sections of roofs, asphalt/concrete work, and electrical work.

## **Business Type Fund Highlights**

- The School Nutrition Fund balance increased \$26,724.

## **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, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the modified accrual basis. The District has not had to amend its budget for many years. However, for the 2004 budget year, the District should have officially amended the budget to account for increased PPEL expenditures from investments and for an error in certifying AEA flow through funding.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

The District was within the certified budget in three reporting areas (instruction, support services, and noninstructional) but was over in the "other" category. This was due to two factors. The AEA flow through money was reported incorrectly on the budget forms originally. Then, while funds were available in savings for maintenance projects, the amount of investments utilized was not originally budgeted.

## Capital Asset and Debt Administration

### Capital Assets

Figure A-4 provides a summary of the District's capital assets. More detailed information about the District's capital assets is presented in Note 3 to the financial statements.

Figure A-4							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$ 107	107	\$ -	-	\$ 107	107	0.0%
Construction in progress	81	-	-	-	81	-	
Buildings	3,464	3,576	-	-	3,464	3,576	-3.1%
Improvements other than buildings	818	879	-	-	818	879	-6.9%
Furniture and equipment	244	255	68	38	312	293	6.5%
Totals	\$ 4,714	4,817	\$ 68	38	\$ 4,782	4,855	-1.5%

By the end of fiscal 2004, the District had invested \$4,782,507, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices. Depreciation expense for the year was approximately \$254,117.

### Long-Term Debt

Figure A-5 provides a summary of the District's long-term debt. More detailed information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-5			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	\$ 1,235	1,475	-16.3%
Early retirement	984	414	137.7%
Totals	\$ 2,219	1,889	17.5%

At year-end, the district had \$2,218,653 in general obligation debt and other long-term debt outstanding. This represents an increase of \$330,008 from last year. This was due to a large number of early retirements and an increase in workmen's comp premiums.

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

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

- Approved capital projects
- Changes in enrollment
- Approved debt that has not had an impact yet on the District's overall financial condition (grants requiring a match)
- Employee contract settlements
- Sales Tax Approved in this year
- 2005 is the first year for at-risk funding

### **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 for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community Schools, 200 W. Locust, Bloomfield, Iowa 52537.

## **Basic Financial Statements**

**Davis County Community School District**

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2004

	Governmental Activities	Business type Activities	Total	Component Units
<b>Assets</b>				
Cash and cash equivalents	\$ 4,866,287	146,080	5,012,367	25,660
Receivables:				
Property tax:				
Delinquent	52,082	-	52,082	-
Succeeding year	2,911,815	-	2,911,815	-
Accounts	1,768	-	1,768	-
Due from other governments	70,646	-	70,646	-
Inventories	-	21,333	21,333	-
Capital assets, net of accumulated depreciation (see note 3)	4,714,328	68,179	4,782,507	-
<b>Total assets</b>	<b>12,616,926</b>	<b>235,592</b>	<b>12,852,518</b>	<b>25,660</b>
<b>Liabilities</b>				
Excess of warrants over bank balance	946,124	-	946,124	-
Accounts payable	59,153	263	59,416	-
Salaries and benefits payable	762,643	1,755	764,398	-
Accrued interest payable	3,499	-	3,499	-
Deferred revenue:				
Succeeding year property tax	2,911,815	-	2,911,815	-
Long-term liabilities (note 4):				
Portion due within one year:				
Bonds payable	240,000	-	240,000	-
Early retirement	173,931	-	173,931	-
Compensated absences	66,073	-	66,073	-
Portion due after one year:				
Bonds payable	995,000	-	995,000	-
Early retirement	809,722	-	809,722	-
<b>Total liabilities</b>	<b>6,967,960</b>	<b>2,018</b>	<b>6,969,978</b>	<b>-</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	3,479,328	68,179	3,547,507	-
Restricted for:				
Title I	23,832	-	23,832	-
Teacher quality	38,862	-	38,862	-
Reading first	57,756	-	57,756	-
Management levy	546,609	-	546,609	-
Debt service	10,333	-	10,333	-
Physical plant and equipment levy	84,795	-	84,795	-
Other special revenue purposes	149,804	-	149,804	-
Unrestricted	1,257,647	165,395	1,423,042	25,660
<b>Total net assets</b>	<b>\$ 5,648,966</b>	<b>233,574</b>	<b>5,882,540</b>	<b>25,660</b>

See notes to financial statements.

Exhibit B

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>			
Instruction:			
Regular instruction	\$ 4,245,360	456,707	370,983
Special instruction	1,795,402	34,755	636,400
Other instruction	821,792	215,116	51,852
	<u>6,862,554</u>	<u>706,578</u>	<u>1,059,235</u>
Support Service:			
Student services	230,080	-	-
Instructional staff services	281,399	-	-
Administration services	1,202,821	-	-
Operating and maintenance of plant services	610,353	-	-
Transportation services	601,981	-	-
	<u>2,926,634</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>8,055</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	130,797	-	-
Long-term debt interest	36,373	-	-
AEA flowthrough	342,137	-	342,137
	<u>509,307</u>	<u>-</u>	<u>342,137</u>
Total governmental activities	10,306,550	706,578	1,401,372
<b>Business type activities:</b>			
Non-instructional programs:			
Nutrition services	396,332	211,308	210,917
	<u>396,332</u>	<u>211,308</u>	<u>210,917</u>
Total primary government	<u>\$ 10,702,882</u>	<u>917,886</u>	<u>1,612,289</u>
<b>Component Units:</b>			
Program expenses	\$ 38,465	-	87,951
Management and general expenses	950	-	-
Fund raising expenses	24,600	-	-
Total component units	<u>\$ 64,015</u>	<u>-</u>	<u>87,951</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business Type Activities	Total	Component Units
(3,417,670)	-	(3,417,670)	-
(1,124,247)	-	(1,124,247)	-
(554,824)	-	(554,824)	-
(5,096,741)	-	(5,096,741)	-
(230,080)	-	(230,080)	-
(281,399)	-	(281,399)	-
(1,202,821)	-	(1,202,821)	-
(610,353)	-	(610,353)	-
(601,981)	-	(601,981)	-
(2,926,634)	-	(2,926,634)	-
(8,055)	-	(8,055)	-
(130,797)	-	(130,797)	-
(36,373)	-	(36,373)	-
-	-	-	-
(167,170)	-	(167,170)	-
(8,198,600)	-	(8,198,600)	-
-	25,893	25,893	-
-	25,893	25,893	-
(8,198,600)	25,893	(8,172,707)	-
-	-	-	49,486
-	-	-	(950)
-	-	-	(24,600)
-	-	-	23,936

Exhibit B

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

	Program Revenues		
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>General Revenues:</b>			
Totals from pages 16 and 17	\$ 10,702,882	917,886	1,612,289
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Gifts to Davis County Community School District			
Gain (loss) on sale of assets			
 Total general revenues			
 Change in net assets			
 Net assets beginning of year, as restated (note 9)			
 Net assets end of year			

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business Type Activities	Total	Component Units
(8,198,600)	25,893	(8,172,707)	23,936
2,522,024	-	2,522,024	-
271,950	-	271,950	-
74,375	-	74,375	-
4,418,930	-	4,418,930	-
57,974	831	58,805	56
34,813	-	34,813	-
-	-	-	(24,684)
434	-	434	-
7,380,500	831	7,381,331	(24,628)
(818,100)	26,724	(791,376)	(692)
6,467,066	206,850	6,673,916	26,352
\$ 5,648,966	233,574	5,882,540	25,660

Exhibit C

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	General	Management	Debt Service	Nonmajor Special Revenue	Total
<b>Assets and Other Debits</b>					
Cash and pooled investments	\$ 3,857,713	716,781	8,829	282,964	4,866,287
Receivables:					
Property tax:					
Current year delinquent	41,951	3,759	5,003	1,369	52,082
Succeeding year	2,362,124	205,099	269,889	74,703	2,911,815
Accounts	1,768	-	-	-	1,768
Due from other governments	70,646	-	-	-	70,646
<b>Total assets and other debits</b>	<b>\$ 6,334,202</b>	<b>925,639</b>	<b>283,721</b>	<b>359,036</b>	<b>7,902,598</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Excess of outstanding warrants over bank balance	\$ 946,124	-	-	-	946,124
Accounts payable	9,419	-	-	49,734	59,153
Salaries and benefits payable	762,643	-	-	-	762,643
Early retirement payable (note 4)	-	173,931	-	-	173,931
Deferred revenue:					
Succeeding year property tax	2,362,124	205,099	269,889	74,703	2,911,815
Compensated absences	66,073	-	-	-	66,073
<b>Total liabilities</b>	<b>4,146,383</b>	<b>379,030</b>	<b>269,889</b>	<b>124,437</b>	<b>4,919,739</b>
Fund balances:					
Reserved for:					
Debt service	-	-	13,832	-	13,832
Title I	23,832	-	-	-	23,832
Reading First	57,756	-	-	-	57,756
Improving Teacher Quality	38,862	-	-	-	38,862
Unreserved:					
Undesignated	2,067,369	546,609	-	234,599	2,848,577
<b>Total fund balances</b>	<b>2,187,819</b>	<b>546,609</b>	<b>13,832</b>	<b>234,599</b>	<b>2,982,859</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,334,202</b>	<b>925,639</b>	<b>283,721</b>	<b>359,036</b>	<b>7,902,598</b>

See notes to financial statements.

DAVIS COUNTY 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 (pg. 20)</b>	<b>\$ 2,982,859</b>
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***Amounts reported for governmental activities in the statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,714,328
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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.	(3,499)
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Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,044,722)</u>
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<b>Net assets of governmental activities (pg. 15)</b>	<b><u><u>\$ 5,648,966</u></u></b>
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See notes to financial statements.

Exhibit E

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Management	Debt Service	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,316,142	205,882	271,950	74,375	2,868,349
Tuition	426,545	-	-	-	426,545
Other	129,258	1,099	355	239,331	370,043
State sources	5,173,542	200	260	71	5,174,073
Federal sources	649,006	-	-	-	649,006
<b>Total revenues</b>	<b>8,694,493</b>	<b>207,181</b>	<b>272,565</b>	<b>313,777</b>	<b>9,488,016</b>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,633,085	203,468	-	-	3,836,553
Special instruction	1,783,994	-	-	-	1,783,994
Other instruction	579,534	-	-	226,879	806,413
	<b>5,996,613</b>	<b>203,468</b>	<b>-</b>	<b>226,879</b>	<b>6,426,960</b>
Support services:					
Student services	228,954	615	-	-	229,569
Instructional staff services	262,783	923	-	-	263,706
Administration services	928,442	62,554	-	-	990,996
Operation and maintenance of plant services	541,127	64,595	-	-	605,722
Transportation services	540,456	57,294	-	-	597,750
	<b>2,501,762</b>	<b>185,981</b>	<b>-</b>	<b>-</b>	<b>2,687,743</b>
Non-instructional programs	-	8,055	-	-	8,055
Other expenditures:					
Facilities acquisition	-	-	-	214,957	214,957
Long-term debt:					
Principal	-	-	240,000	-	240,000
Interest and fiscal charges	-	-	36,070	-	36,070
AEA flowthrough	342,137	-	-	-	342,137
	<b>342,137</b>	<b>-</b>	<b>276,070</b>	<b>214,957</b>	<b>833,164</b>
<b>Total expenditures</b>	<b>8,840,512</b>	<b>397,504</b>	<b>276,070</b>	<b>441,836</b>	<b>9,955,922</b>
Deficiency of revenues under expenditures	(146,019)	(190,323)	(3,505)	(128,059)	(467,906)
Other financing uses:					
Sale of equipment	(434)	-	-	-	(434)
Net change in fund balances	(145,585)	(190,323)	(3,505)	(128,059)	(467,472)
Fund balances beginning of year	2,333,404	736,932	17,337	362,658	3,450,331
Fund balances end of year	<b>\$ 2,187,819</b>	<b>546,609</b>	<b>13,832</b>	<b>234,599</b>	<b>2,982,859</b>

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year ended June 30, 2004

**Net change in fund balances - total governmental funds (pg. 22)** \$ (467,472)

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 144,483	
Depreciation expense	<u>(247,319)</u>	(102,836)

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.		240,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(303)
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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		<u>(487,489)</u>
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**Change in net assets of governmental activities (pg. 19)** \$ (818,100)

See notes to financial statements.

Exhibit G

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 Year ended June 30, 2004

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 211,308
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 133,405
Benefits	30,374
Purchased services	14,293
Supplies	211,462
Depreciation	6,798
Total operating expenses	396,332
Operating loss	(185,024)
Non-operating revenues:	
Interest income	831
State sources	6,644
Federal sources	204,273
Total non-operating revenues	211,748
Changes in net assets	26,724
Net assets beginning of year	206,850
Net assets end of year	\$ 233,574

See notes to financial statements.

Exhibit H

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 206,988
Cash received from miscellaneous operating activities	4,320
Cash payments to employees for services	(162,024)
Cash payments to suppliers for goods or services	(191,645)
Net cash used in operating activities	(142,361)
Cash flows from non-capital financing activities:	
State grants received	6,644
Federal grants received	176,040
Net cash provided by non-capital financing activities	182,684
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(36,963)
Cash flows from investing activities:	
Purchase of investments	(34,650)
Interest on investments	831
Net cash used in investing activities	(33,819)
Net decrease in cash and cash equivalents	(30,459)
Cash and cash equivalents at beginning of year	34,646
Cash and cash equivalents at end of year	\$ 4,187
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (185,024)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	28,233
Depreciation	6,798
Decrease in inventories	5,648
Increase in accounts payable	229
Increase in salaries and benefits payable	1,755
Net cash used by operating activities	\$ (142,361)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:</b>	
Current assets:	
Cash and investments	\$ 146,080
Less items not meeting definition of cash equivalent:	
Iowa Schools Joint Investment Trust	(141,893)
Cash and cash equivalents at year end	\$ 4,187

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

During the year ended June 30, 2004, the District received federal commodities valued at \$28,233.

See notes to financial statements.

Exhibit I

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
June 30, 2004

	<u>Expendable Trust Fund</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 13,112</u>
<b>Total assets</b>	<u>\$ 13,112</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>\$ 13,112</u>

See notes to financial statements

Exhibit J

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
Year Ended June 30, 2004

Additions:		
Local sources:		
Interest on investments	\$	135
		<u>135</u>
Deductions:		
Non-instructional services		
Services		90
		<u>90</u>
Change in net assets		45
Net assets beginning of year		<u>13,067</u>
Net assets end of year	\$	<u><u>13,112</u></u>
See notes to financial statements		

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS - COMPONENT UNITS  
 June 30, 2004

	Partners in Education	Davis County Music Boosters	Davis County A Club	Total
<b>Assets</b>				
Cash and pooled investments	\$ 4,133	9,832	11,695	25,660
<b>Total assets</b>	<u>\$ 4,133</u>	<u>9,832</u>	<u>11,695</u>	<u>25,660</u>
<b>Net Assets</b>				
Unrestricted	<u>\$ 4,133</u>	<u>9,832</u>	<u>11,695</u>	<u>25,660</u>

See notes to financial statements.

Exhibit L

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - COMPONENT UNITS  
June 30, 2004

	Partners in Education	Davis County Music Boosters	Davis County A Club	Total
Operating revenues:				
Contributions	\$ 36,346	39,079	12,526	87,951
Total operating revenues	36,346	39,079	12,526	87,951
Operating expenses:				
Program expenses	1,499	26,876	10,090	38,465
Management and general expenses	325	521	104	950
Fund raising expenses	19,700	4,900	-	24,600
Total operating expenses	21,524	32,297	10,194	64,015
Operating income	14,822	6,782	2,332	23,936
Non-operating revenues (expenses):				
Interest income	-	56	-	56
Gifts to Davis County Community School District	(13,184)	(9,500)	(2,000)	(24,684)
Net non-operating expenses	(13,184)	(9,444)	(2,000)	(24,628)
Changes in net assets	1,638	(2,662)	332	(692)
Net assets beginning of year	2,495	12,494	11,363	26,352
Net assets end of year	\$ 4,133	9,832	11,695	25,660

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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

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

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

**A. Reporting Entity**

For financial reporting purposes, Davis County 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.

These financial statements present Davis County Community School District (the primary government) and its component units. The components units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

**Discrete Component Units**

Partners in Education is a legally separate not-for-profit entity. Partners in Education was established for the purpose of providing additional educational and recreational services and facilities for the benefit of Davis County Community School District. Although the District does not control the timing or amount of receipts from Partners in Education, the majority of the resources that are held are used for the benefit of Davis County Community School District.

Davis County Music Boosters is a legally separate not-for-profit entity. Davis County Music Boosters was established for the purpose of enhancing band and vocal music programs for the Davis County Community School District. Although the District does not control the timing or amount of receipts from the Music Boosters, the majority of the resources that are held are used for the benefit of Davis County Community School District.

Davis County A Club is a legally separate not-for-profit entity. Davis County A Club was established for the purpose of maintaining and developing the athletic facilities and departments of Davis County Community School District. Although the District does not control the timing or amount of receipts from the A Club, the majority of the resources that are held are used for the benefit of Davis County Community School District.

**Jointly Governed Organization** - 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 Davis County Assessor's Conference Board.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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 attributable to the acquisition, construction or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

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

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The District reports the following major proprietary fund:

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 a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is 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 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.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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 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.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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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.

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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	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount 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 investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$2,872,324 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

(3) Capital Assets

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

	Balance Beginning of Year, as restated (note 9)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 107,275	-	-	107,275
Construction in progress	-	80,866	-	80,866
Total capital assets not being depreciated	107,275	80,866	-	188,141
Capital assets being depreciated:				
Buildings	5,740,475	-	-	5,740,475
Improvements other than buildings	1,517,667	3,294	-	1,520,961
Furniture and equipment	1,508,721	60,323	-	1,569,044
Total capital assets being depreciated	8,766,863	63,617	-	8,830,480
Less accumulated depreciation for:				
Buildings	2,164,904	111,109	-	2,276,013
Improvements other than buildings	638,144	64,967	-	703,111
Furniture and equipment	1,253,926	71,243	-	1,325,169
Total accumulated depreciation	4,056,974	247,319	-	4,304,293
Total capital assets being depreciated, net	4,709,889	(183,702)	-	4,526,187
Governmental activities capital assets, net	\$ 4,817,164	(102,836)	-	4,714,328
<b>Business type activities:</b>				
Furniture and equipment	\$ 106,861	36,963	-	143,824
Less accumulated depreciation	68,847	6,798	-	75,645
Business type activities capital assets, net	\$ 38,014	30,165	-	68,179

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 125,569
Special	11,408
Other	15,379

Support services:

Student	511
Instructional staff	17,693
Administration	11,663
Operation and maintenance of plant	4,631
Transportation	60,465
	<u>247,319</u>

Unallocated

Total depreciation expense - governmental activities	\$ <u>247,319</u>
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Business type activities:

Food service operations	\$ <u>6,798</u>
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DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

**(4) 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
General obligation bonds	\$ 1,475,000	-	240,000	1,235,000	240,000
Early retirement	413,645	750,479	180,471	983,653	173,931
	<u>\$ 1,888,645</u>	<u>750,479</u>	<u>420,471</u>	<u>2,218,653</u>	<u>413,931</u>

Early Retirement

The District offers a voluntary early retirement plan for all employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. An eligible employee in the early retirement program may elect to receive either option 1 or option 2. The option elected shall be stated in the application. Option 1 allows the district to pay the retiree a monthly payment beginning the first month of retirement and continuing to a maximum of 120 months. Such money payment shall be in an amount equal to .010 times the annual salary received by the retiree during the fiscal year immediately preceding retirement. Option 2 allows the retiree to continue in the districts group health insurance covering the employee at the time of their retirement through the month in which the retiree attains 65 years of age. Early retirement benefits paid during the year ended June 30, 2004, totaled \$180,471.

General Obligation Bonds Payable

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

<u>Bond Issue of May 1, 2003</u>				
<u>Year Ending</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>				
2005	1.60/1.80%	\$ 240,000	29,590	269,590
2006	2.00/2.25%	245,000	25,220	270,220
2007	2.45/2.65%	245,000	19,739	264,739
2008	2.80/2.90%	250,000	13,277	263,277
2009	3.05/3.15%	255,000	5,920	260,920
	Total	<u>\$ 1,235,000</u>	<u>93,746</u>	<u>1,328,746</u>

**(5) 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.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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 \$360,576, \$337,275 and \$328,202, respectively, equal to the required contributions for each year.

**(6) Risk Management**

Davis County 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.

**(7) 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 \$342,137 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.

**(8) Construction Commitment**

The District has entered into a contract totaling \$426,709 for improvements to district facilities. As of June 30, 2004, costs of \$80,866 had been incurred against the contract. The balance of \$345,843 remaining at June 30, 2004 will be paid as work on the project progresses.

**(9) Accounting Change and Restatements**

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

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 39, Determining Whether Certain Organizations Are Component Units; 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 significant change in the financial statements due to Statement No. 39 includes reporting the financial statements of Partners In Education, Davis County Music Boosters, and Davis County A Club as discretely presented component units. Since the component units are discretely presented, there is no change in the District's previously reported net assets.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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. As of July 1, 2003 the District had no long-term liabilities.

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

	Fund				Total
	General	Manage- ment	Debt Service	Nonmajor Special Revenue	
Net assets, June 30, 2003 as previously reported	\$ 2,333,404	736,932	17,337	362,658	3,450,331
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 2,333,404</u>	<u>736,932</u>	<u>17,337</u>	<u>362,658</u>	<u>3,450,331</u>
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$4,056,974					4,817,164
Long-term liabilities:					
Bonds and notes				1,475,000	
Early retirement				322,233	(1,797,233)
Accrued interest payable					(3,196)
Net assets, July 1, 2003, as restated					<u>\$ 6,467,066</u>

**Required Supplementary Information**

**Davis County Community School District**

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN BALANCES - BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL  
 FUNDS AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 Year Ended June 30, 2004

	Governmental Funds-Actual	Proprietary Fund-Actual
Revenues:		
Local sources	\$ 3,664,937	212,139
State sources	5,174,073	6,644
Federal sources	649,006	204,273
Total revenues	<u>9,488,016</u>	<u>423,056</u>
Expenditures/expenses:		
Instruction	6,426,960	-
Support services	2,687,743	-
Noninstructional programs	8,055	396,332
Other expenditures	833,164	-
Total expenditures/expenses	<u>9,955,922</u>	<u>396,332</u>
Excess (deficiency) of revenues over (under) expenditures	(467,906)	26,724
Other financing sources:		
Sale of equipment	434	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(467,472)	26,724
Balance beginning of year	<u>3,450,331</u>	<u>206,850</u>
Balance end of year	<u>\$ 2,982,859</u>	<u>233,574</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts	Variance Favorable (Unfavorable)	Total as % of Budget
3,877,076	4,475,018	(597,942)	87%
5,180,717	5,693,236	(512,519)	91%
853,279	1,623,000	(769,721)	53%
9,911,072	11,791,254	(1,880,182)	84%
6,426,960	9,820,408	3,393,448	65%
2,687,743	3,821,372	1,133,629	70%
404,387	567,310	162,923	71%
833,164	653,876	(179,288)	127%
10,352,254	14,862,966	4,510,712	70%
(441,182)	(3,071,712)		
434	-		
(440,748)	(3,071,712)		
3,657,181	3,145,063		
3,216,433	73,351		

DAVIS COUNTY 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.

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

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

**Other Supplementary Information**

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2004

	Student Activity	Physical Plant and Equipment Levy	67.5 cent Schoolhouse Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 140,037	133,041	9,886	282,964
Receivables:				
Property tax:				
Current year delinquent	-	1,369	-	1,369
Succeeding year	-	74,703	-	74,703
<b>Total assets</b>	<b>\$ 140,037</b>	<b>209,113</b>	<b>9,886</b>	<b>359,036</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 119	49,615	-	49,734
Deferred revenue:				
Succeeding year property tax	-	74,703	-	74,703
Total liabilities	119	124,318	-	124,437
Fund equity:				
Fund balances:				
Unreserved, undesignated fund balance	139,918	84,795	9,886	234,599
<b>Total liabilities and fund equity</b>	<b>\$ 140,037</b>	<b>209,113</b>	<b>9,886</b>	<b>359,036</b>

See accompanying independent auditor's report.

## Schedule 2

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2004

	Student Activity	Physical Plant and Equipment Levy	67.5 Cent Schoolhouse Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	74,375	-	74,375
Other	237,893	1,082	356	239,331
State sources	-	71	-	71
Total revenues	<u>237,893</u>	<u>75,528</u>	<u>356</u>	<u>313,777</u>
Expenditures:				
Current				
Instruction:				
Other instruction	226,879	-	-	226,879
Other expenditures:				
Facilities acquisition	-	214,957	-	214,957
Total expenditures	<u>226,879</u>	<u>214,957</u>	<u>-</u>	<u>441,836</u>
Excess (deficiency) of revenues over (under) expenditures	11,014	(139,429)	356	(128,059)
Fund balance beginning of year	<u>128,904</u>	<u>224,224</u>	<u>9,530</u>	<u>362,658</u>
Fund balance end of year	<u>\$ 139,918</u>	<u>84,795</u>	<u>9,886</u>	<u>234,599</u>

See accompanying independent auditor's report.

## DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Senior High				
Yearbook	\$ 9,676	5,634	3,830	11,480
Concessions	798	10,938	11,736	-
Mustang Pride	311	14	206	119
Athletics	17,790	39,974	37,968	19,796
Football	1,777	7,700	7,140	2,337
Baseball	4,033	5,609	6,029	3,613
Boys' Track	269	1,200	488	981
Wrestling	1,341	3,206	2,441	2,106
Cross Country	2,527	2,230	1,493	3,264
Girls' Basketball	2,978	3,650	989	5,639
Special Olympics	1,230	-	-	1,230
Boys' Basketball	1,552	5,738	3,260	4,030
Girls' Softball	810	2,764	1,463	2,111
Girls' Track	(41)	1,857	1,068	748
Girls' Volleyball	2,235	1,144	1,848	1,531
Instrumental Music	4,706	7,657	11,837	526
Soda	1,225	725	1,202	748
Vocal Music	2,862	6,707	7,338	2,231
Drama and Speech	-	1,118	450	668
Fut. Farmers of Amer.	3,737	20,357	20,704	3,390
Quiz Bowl	47	100	65	82
Nat'l Honor Soc.	1,185	1,345	1,748	782
Pep Club	(463)	14,313	11,571	2,279
Spanish Club	312	2,022	2,176	158
Student Council	209	203	101	311
Art Club	1,543	3,388	4,090	841
Girls' Tennis	1,255	425	787	893
Boys' Tennis	237	618	570	285
Class of 2005	669	12,345	10,136	2,878
Class of 2006	382	275	-	657
Class of 2007	128	721	641	208
Class of 2003	872	(398)	-	474
Class of 2004	2,071	607	2,562	116
Future Educators of America	391	474	221	644
Girls' Golf	337	416	507	246
Octagon Club	968	610	933	645
High School Academics	12,566	15,430	20,834	7,162
Home Economics	-	2,335	1,965	370
Guidance	-	2,454	2,188	266
Boys' Golf	1,769	92	172	1,689
Subtotal	84,294	185,997	182,757	87,534

## DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School				
Athletics	7,194	7,922	8,057	7,059
Vocal Music	6,677	1,307	1,632	6,352
Instrumental Music	286	761	99	948
Student Council	730	4,187	2,958	1,959
Yearbook	7,146	3,278	5,819	4,605
Paper and Pen	390	15	11	394
7th/8th Football	4	-	-	4
7th/8th Girls Basketball	838	-	65	773
7th/8th Boys' Basketball	229	-	93	136
7th/8th Wrestling	43	-	43	-
Cross Country	150	-	-	150
Girls' Track	129	-	-	129
8th Volleyball	822	-	120	702
Student Council Pop Cans	85	473	450	108
Middle School Academics	6,338	23,522	17,889	11,971
Gifted/Talented	565	585	953	197
Subtotal	31,626	42,050	38,189	35,487
Bloomfield Elementary				
Academics	12,984	9,846	5,933	16,897
Subtotal	12,984	9,846	5,933	16,897
Total	\$ 128,904	237,893	226,879	139,918

See accompanying independent auditor's report.

DAVIS COUNTY 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	\$ 2,868,349	2,905,572	2,890,837	2,899,998
Tuition	426,545	369,288	281,188	270,532
Other	370,043	347,262	412,444	673,670
State sources	5,174,073	5,290,080	5,243,622	5,206,551
Federal sources	649,006	673,138	484,832	313,609
Total	<u>\$ 9,488,016</u>	<u>9,585,340</u>	<u>9,312,923</u>	<u>9,364,360</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 3,836,553	3,514,299	3,443,224	3,277,196
Special instruction	1,783,994	1,579,726	1,518,410	1,432,881
Other instruction	806,413	816,751	726,947	819,990
Support services:				
Student services	229,569	190,222	209,942	195,420
Instructional staff services	263,706	231,455	300,584	174,101
Administration services	990,996	943,032	968,571	908,413
Operation and maintenance of plant services	605,722	565,106	589,564	572,287
Transportation services	597,750	534,063	622,570	609,074
Community service operations	-	-	-	642
Food service operations	8,055	9,300	8,308	-
Non-instructional programs				
Other expenditures:				
Facilities acquisition	214,957	31,572	18,250	61,411
Long-term debt:				
Principal	240,000	205,000	205,000	195,000
Interest and other charges	36,070	77,360	84,898	92,948
AEA flowthrough	342,137	367,023	366,645	368,809
Total	<u>\$ 9,955,922</u>	<u>9,064,909</u>	<u>9,062,913</u>	<u>8,708,172</u>

See accompanying independent auditor's report.

Schedule 5

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education			
Food Donation (non cash)	10.550	FY 04	<u>\$ 28,233</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 04	23,995
National School Lunch Program	10.555	FY 04	<u>152,045</u>
			<u>176,040</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1619-GC-00	10,589
Title I Grants to Local Educational Agencies	84.010	1619-G-0	<u>285,768</u>
			<u>296,357</u>
Vocational Education - Basic Grants to States	84.048A	FY 04	<u>28,347</u>
Improving Teacher Quality State Grants	84.367	FY 03	9,851
Improving Teacher Quality State Grants	84.367	FY 04	<u>60,369</u>
			<u>70,220</u>
Innovative Education Program			
Strategies (Title V Program)	84.298A	FY 04	<u>8,234</u>
Safe and Drug-Free Schools and			
Communities - State Grants	84.186A	FY 03	459
	84.186A	FY 04	<u>10,057</u>
			<u>10,516</u>
Reading First State Grants	84.357	FY 04	<u>143,030</u>
Grants for State Assessments and Related			
Activities (Title VI A Program)	84.369	FY 04	<u>7,218</u>
Fund for the Improvement of Education	84.215	FY 04	<u>35,935</u>
Education Technology State Grants	84.318	FY 04	<u>7,343</u>
Area Education Agency:			
Special Education - Grants to States (Success 4)	84.027	FY 03	2,254
Special Education - Grants to States (Success 4)	84.027	FY 04	1,039
Special Education - Grants to States (IDEA Part B)	84.027	FY 03	<u>47,865</u>
			<u>51,158</u>
U.S. Department of Health and Human Services			
Area Education Agency			
Medical Assistance Program	93.778	FY 04	<u>26,098</u>
Total			<u>\$ 888,729</u>

Schedule 5

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2004

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Davis County 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.

**Van Maanen  
& ASSOCIATES, P.C.**

**Certified Public Accountants**

705 Main St.  
Pella, IA 50219  
641-628-3737

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

To the Board of Education of  
Davis County Community School District:

We have audited the financial statements of Davis County Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 31, 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 Davis County 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 such 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis County 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 District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. However, we noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions as defined above.

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, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

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

Van Maanen & Associates, P.C.  
Certified Public Accountants

August 31, 2004

**Van Maanen  
& ASSOCIATES, P.C.**

**Certified Public Accountants**

705 Main St.  
Pella, IA 50219  
641-628-3737

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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance

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To the Board of Education of  
Davis County Community School District:

Compliance

We have audited the compliance of Davis County Community School District with the types of compliance requirements described in 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. Davis County 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 Davis County Community School District's management. Our responsibility is to express an opinion on Davis County 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, 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 non-compliance 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 Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Davis County Community School District's compliance with those requirements.

In our opinion, Davis County 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 Davis County 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 Davis County 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 no matters 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 Davis County Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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, we noted no matters involving the internal control and its operation that we consider to be a material weakness as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen & Associates, P.C.  
Certified Public Accountants

August 31, 2004

DAVIS COUNTY 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) The audit did not disclose any reportable conditions in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (e) Major programs were as follows:
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) Davis County Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS**

No matters were noted.

**Part IV: Other Findings Related to Statutory Reporting:**

- IV-A-04      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- IV-B-04      Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the certified budget amount in the other expenditures function.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED June 30, 2004

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

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- IV-C-04 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 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 - No business transactions between the District and District officials or employees were noted.
- 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 ensure that coverage is adequate for current operations.
- IV-G-04 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-04 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-I-04 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 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.