

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

JUNE 30, 2004

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Boyer Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 election)		
Ruth Sherwood	President	2004
Jane Davie	Vice President	2004
Theresa McAllister	Board Member	2005
Ken Dunham	Board Member	2003
Roger Waderich	Board Member	2005
Pat Putnam	Board Member	2004
Randy Mitchell	Board Member	2003
Board of Education (After September 2003 election)		
Ken Dunham	President	2006
Theresa McAllister	Vice President	2005
Jane Davie	Board Member	2004
Ruth Sherwood	Board Member	2004
Pat Putnam	Board Member	2004
Roger Waderich	Board Member (Resigned)	2005
Doug Head	Board Member (Elected)	2005
Randy Mitchell	Board Member	2006
School Officials		
Debra Johnson	Superintendent	2004
Sharon Lee	District Secretary/Treasurer	2004
Mundt, Franck & Schumacher	Attorney	2004

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Boyer Valley Community School District:

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our reports dated August 26, 2004 on our consideration of the Boyer Valley Community School District's internal control over

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

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 37 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Boyer Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

August 26, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,081,269 in fiscal 2003 to \$4,392,334 in fiscal 2004, while General Fund expenditures increased from \$4,090,740 in fiscal 2003 to \$4,549,986 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$351,491 in fiscal 2003 to a balance of \$194,967 in fiscal 2004, a 44.53% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax, open enrollment tuition and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- The District's September 2003 enrollment declined compared to the previous year. The certified enrollment was 508.6, a decrease of 18.4 students.
- The state granted a 2% increase in "allowable growth" for fiscal 2004. This was one of the lowest increases in the 30-year history of the school foundation aid formula, and compares to the 1% increase provided in fiscal year 2003.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

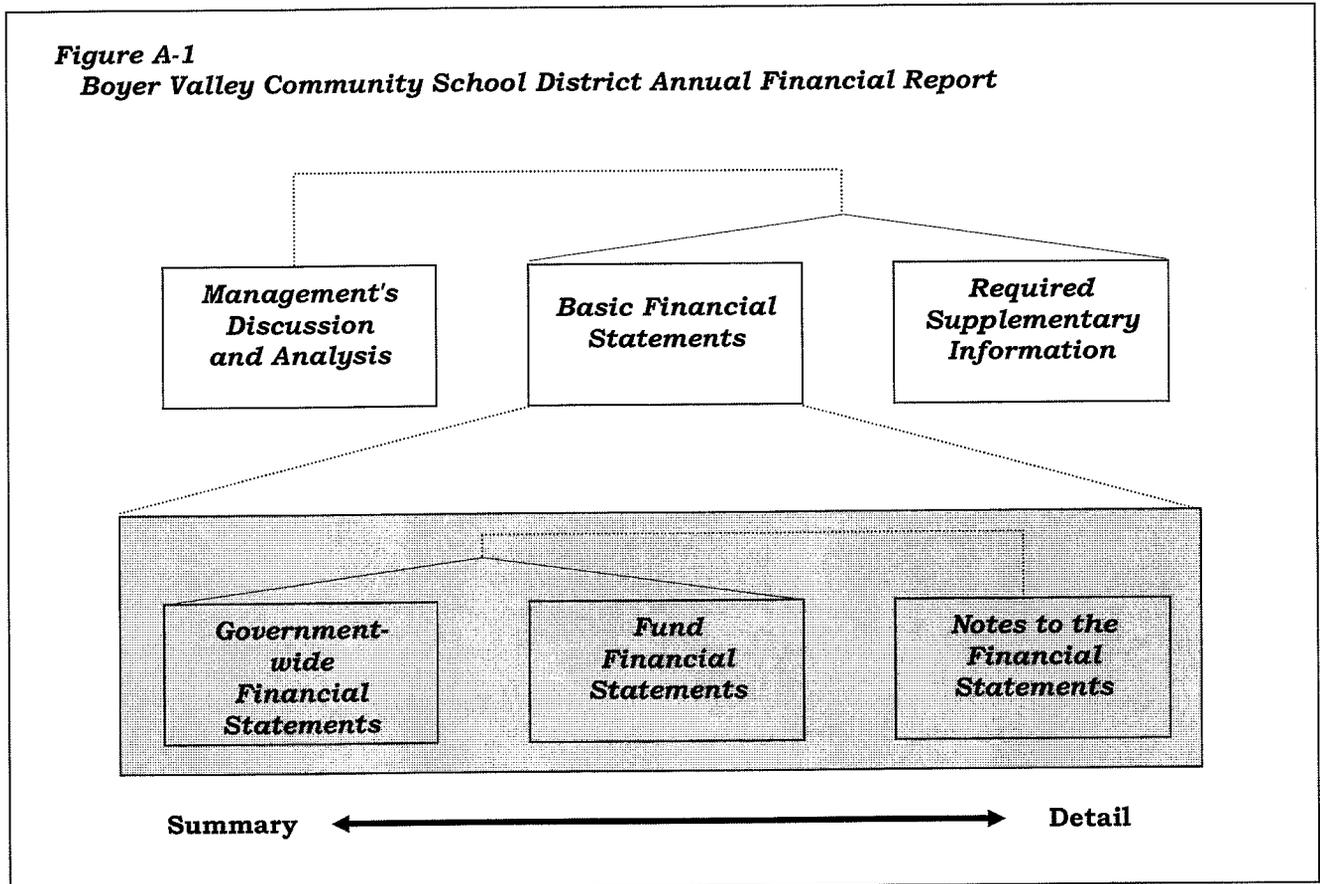


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund.

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

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

- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 3,489,271	42,253	3,531,524
Capital assets	5,657,489	21,053	5,678,542
Total assets	<u>9,146,760</u>	<u>63,306</u>	<u>9,210,066</u>
Long-term obligations	5,703,345	0	5,703,345
Other liabilities	2,573,207	24,190	2,597,397
Total liabilities	<u>8,276,552</u>	<u>24,190</u>	<u>8,300,742</u>
Net assets:			
Invested in capital assets, net of related debt	441,037	21,053	462,090
Restricted	176,733	0	176,733
Unrestricted	252,438	18,063	270,501
Total net assets	<u>\$ 870,208</u>	<u>39,116</u>	<u>909,324</u>

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 706,253	85,158	791,411
Operating grants and contributions and restricted interest	834,521	117,892	952,413
Capital grants and contributions and restricted interest	559,289	0	559,289
General revenues:			
Property tax	2,013,341	0	2,013,341
Local option sales and services tax	56,615	0	56,615
Unrestricted state grants	1,729,929	0	1,729,929
Other	116,060	195	116,255
Total revenues	<u>6,016,008</u>	<u>203,245</u>	<u>6,219,253</u>
Program expenses:			
Governmental activities:			
Instructional	3,076,431	0	3,076,431
Support services	1,857,227	0	1,857,227
Non-instructional programs	1,437	210,355	211,792
Other expenses	1,377,830	0	1,377,830
Total expenses	<u>6,312,925</u>	<u>210,355</u>	<u>6,523,280</u>
Changes in net assets	\$ (296,917)	(7,110)	(304,027)

Property tax, local option sales and services tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 78% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,016,008 and expenses were \$6,312,925.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,076,431	1,691,813
Support services	1,857,227	1,854,325
Non-instructional programs	1,437	1,437
Other expenses	1,377,830	665,287
Totals	<u>\$ 6,312,925</u>	<u>4,212,862</u>

- The cost financed by users of the District's programs was \$706,253.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,393,810.

-
- The net cost of governmental activities was financed with \$2,013,341 in property tax, \$56,615 in local option sales and services tax, \$1,729,929 in state foundation aid and \$116,060 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$203,245 and expenses were \$210,355. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$766,526, below last year's ending fund balances of a \$5,239,905. However, the primary reason for the decrease in combined fund balances in fiscal 2004 is due to the increased capital construction expenditures.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position from \$351,491 to \$194,967 is the product of many factors:
 - Increases in local tax, open enrollment tuition, and federal grants during the year resulted in increased revenues.
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures. Overall, the increase in expenditures was far greater than the increase in revenues; therefore the fund balance decreased \$156,524.
- The Capital Projects Fund balance decreased from \$4,487,771 in fiscal 2003 to \$431,138 in fiscal 2004. The District had increased revenues due to a construction grant and increased expenditures due to increased construction expenditures, respectively.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$54,624 at June 30, 2003 to \$60,432 at June 30, 2004, representing an increase of 10.63%. The Day Care Fund net assets decreased from a deficit \$8,398 at June 30, 2003 to a deficit \$21,316 at June 30, 2004, representing an decrease of 153.82%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Boyer Valley Community School District amended its annual budget one time to reflect additional expenditures associated with the other expenditures.

The District's revenues were \$1,025,433 less than budgeted revenues, a variance of 14.48%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional programs functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$5.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$159,758.

The original cost of the District's capital assets was \$7.6 million. Governmental funds account for \$7.5 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled \$4,116,479 at June 30, 2004, compared to \$234,970 reported at June 30, 2003. This increase resulted from the completion of capital construction contracts.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 1,100	0	1,100
Construction in progress	1,145,193	0	1,145,193
Buildings	4,116,479	0	4,116,479
Land improvements	129,817	0	129,817
Machinery and equipment	264,900	21,053	285,953
Total	\$ 5,657,489	21,053	5,678,542

Long-Term Debt

At June 30, 2004, the District had \$5,703,345 in other long-term debt outstanding. This represents a decrease of .6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$5,500,000 at June 30, 2004.

The District had total outstanding City Note payable from the Capital Projects Fund of \$109,520 at June 30, 2004.

The District had total outstanding Bus Lease payable from the Capital Fund of \$38,099 at June 30, 2004.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Funds of \$55,726 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General Obligation Bonds	\$ 5,500,000	5,700,000	-3.5%
City Note	109,520	0	100.0%
Bus Lease	38,099	0	100.0%
Early Retirement	55,726	34,966	59.4%
Totals	<u>\$ 5,703,345</u>	<u>5,734,966</u>	<u>-0.6%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District expects an increase in enrollment due to the closing of the East Monona Community School District.
- Construction is still in progress and should be completed during the 2004-05 school year. Additional funding in the Capital Projects Fund will be needed and this will come from collections of local option sales and services tax.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Lee, Board Secretary, Boyer Valley Community School District, 1102 Iowa Avenue, Dunlap, Iowa, 51529.

BASIC FINANCIAL STATEMENTS

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 638,483	0	638,483
Other	665,762	30,966	696,728
Receivables:			
Property tax:			
Delinquent	22,032	0	22,032
Succeeding year	1,847,302	0	1,847,302
Income surtax	192,566	0	192,566
Accounts	2,564	0	2,564
Accrued ISCAP interest	1,041	0	1,041
Due from other governments	119,521	0	119,521
Inventories	0	11,287	11,287
Capital assets, net of accumulated depreciation(Note 5)	5,657,489	21,053	5,678,542
TOTAL ASSETS	9,146,760	63,306	9,210,066
LIABILITIES			
Excess of warrants issued over bank balance	0	21,316	21,316
Accounts payable	22,321	0	22,321
Salaries and benefits payable	17,062	0	17,062
Interest payable	43,028	0	43,028
ISCAP warrants payable(Note 4)	641,000	0	641,000
ISCAP interest payable(Note 4)	1,578	0	1,578
ISCAP amortized premium	916	0	916
Deferred revenue:			
Succeeding year property tax	1,847,302	0	1,847,302
Other	0	2,874	2,874
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	200,000	0	200,000
City note payable	10,794	0	10,794
Bus lease payable	7,038	0	7,038
Early retirement payable	13,742	0	13,742
Portion due after one year:			
General obligation bonds payable	5,300,000	0	5,300,000
City note payable	98,726	0	98,726
Bus lease payable	31,061	0	31,061
Early retirement payable	41,984	0	41,984
TOTAL LIABILITIES	8,276,552	24,190	8,300,742
NET ASSETS			
Investment in capital assets, net of related debt	441,037	21,053	462,090
Restricted for:			
Talented and Gifted	6,057	0	6,057
Teacher Compensation	175	0	175
Physical plant and equipment levy	98,744	0	98,744
Other special revenue purposes	71,757	0	71,757
Unrestricted	252,438	18,063	270,501
TOTAL NET ASSETS	\$ 870,208	39,116	909,324

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,794,038	368,733	657,227	0
Special instruction	807,006	42,323	21,138	0
Other instruction	475,387	295,197	0	0
	<u>3,076,431</u>	<u>706,253</u>	<u>678,365</u>	<u>0</u>
Support services:				
Student services	110,353	0	0	0
Instructional staff services	122,846	0	0	0
Administration services	534,914	0	0	0
Operation and maintenance of plant services	530,997	0	2,902	0
Transportation services	558,117	0	0	0
	<u>1,857,227</u>	<u>0</u>	<u>2,902</u>	<u>0</u>
Non-instructional programs:				
Food service operations	1,437	0	0	0
Other expenditures:				
Facilities acquisitions	588,424	0	0	559,289
Long-term debt:				
Interest and fiscal charges	260,242	0	0	0
AEA flowthrough	153,254	0	153,254	0
Depreciation (unallocated)*	375,910	0	0	0
	<u>1,377,830</u>	<u>0</u>	<u>153,254</u>	<u>559,289</u>
Total governmental activities	6,312,925	706,253	834,521	559,289
Business-Type activities:				
Non-instructional programs:				
Nutrition services	195,025	82,746	117,892	0
Day care services	15,330	2,412	0	0
Total business-type activities	<u>210,355</u>	<u>85,158</u>	<u>117,892</u>	<u>0</u>
Total	<u>\$ 6,523,280</u>	<u>791,411</u>	<u>952,413</u>	<u>559,289</u>

General Revenues:

Local tax for:
 General purposes
 Capital projects
 Debt service
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets

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

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(768,078)	0	(768,078)
(743,545)	0	(743,545)
(180,190)	0	(180,190)
<u>(1,691,813)</u>	<u>0</u>	<u>(1,691,813)</u>
(110,353)	0	(110,353)
(122,846)	0	(122,846)
(534,914)	0	(534,914)
(528,095)	0	(528,095)
(558,117)	0	(558,117)
<u>(1,854,325)</u>	<u>0</u>	<u>(1,854,325)</u>
(1,437)	0	(1,437)
(29,135)	0	(29,135)
(260,242)	0	(260,242)
0	0	0
(375,910)	0	(375,910)
<u>(665,287)</u>	<u>0</u>	<u>(665,287)</u>
(4,212,862)	0	(4,212,862)
0	5,613	5,613
0	(12,918)	(12,918)
0	(7,305)	(7,305)
<u>(4,212,862)</u>	<u>(7,305)</u>	<u>(4,220,167)</u>
\$ 1,449,905	0	1,449,905
109,396	0	109,396
454,040	0	454,040
56,615	0	56,615
1,729,929	0	1,729,929
116,060	195	116,255
<u>3,915,945</u>	<u>195</u>	<u>3,916,140</u>
(296,917)	(7,110)	(304,027)
1,167,125	46,226	1,213,351
<u>\$ 870,208</u>	<u>39,116</u>	<u>909,324</u>

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 638,483	0	0	638,483
Other	112,322	420,262	133,178	665,762
Receivables:				
Property tax:				
Delinquent	14,789	0	7,243	22,032
Succeeding year	1,194,905	0	652,397	1,847,302
Income surtax	192,566	0	0	192,566
Accounts	2,564	0	0	2,564
Accrued ISCAP interest(Note 4)	1,041	0	0	1,041
Due from other governments	108,645	10,876	0	119,521
TOTAL ASSETS	\$ 2,265,315	431,138	792,818	3,489,271
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 22,321	0	0	22,321
Salaries and benefits payable	17,062	0	0	17,062
ISCAP warrants payable(Note 4)	641,000	0	0	641,000
ISCAP interest payable(Note 4)	1,578	0	0	1,578
ISCAP amortized premium	916	0	0	916
Deferred revenue:				
Succeeding year property tax	1,194,905	0	652,397	1,847,302
Income surtax	192,566	0	0	192,566
Total liabilities	2,070,348	0	652,397	2,722,745
Fund balances:				
Reserved for:				
Debt Service	0	0	43,057	43,057
Talented and Gifted	6,057	0	0	6,057
Teacher Compensation	175	0	0	175
Unreserved:				
Undesignated:				
General	188,735	0	0	188,735
Capital projects	0	431,138	0	431,138
Management levy	0	0	(73,137)	(73,137)
Physical plant and equipment levy	0	0	98,744	98,744
Other special revenue purposes	0	0	71,757	71,757
Total fund balances	194,967	431,138	140,421	766,526
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,265,315	431,138	792,818	3,489,271

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 16)	\$	766,526
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		5,657,489
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		192,566
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.		(43,028)
Long-term liabilities, including general obligation bonds, city note payable, bus lease 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>(5,703,345)</u>
Net assets of governmental activites (page 13)	\$	<u>870,208</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,288,417	56,615	602,887	1,947,919
Tuition	411,056	0	0	411,056
Other	128,898	344,810	169,800	643,508
Intermediate sources	2,338	0	0	2,338
State sources	2,119,624	0	487	2,120,111
Federal sources	442,001	325,910	0	767,911
Total revenues	<u>4,392,334</u>	<u>727,335</u>	<u>773,174</u>	<u>5,892,843</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,761,445	0	26,280	1,787,725
Special instruction	842,670	0	0	842,670
Other instruction	321,661	0	153,726	475,387
	<u>2,925,776</u>	<u>0</u>	<u>180,006</u>	<u>3,105,782</u>
Support services:				
Student services	110,353	0	0	110,353
Instructional staff services	122,846	0	0	122,846
Administration services	530,622	0	5,331	535,953
Operation and maintenance of plant services	485,046	0	41,993	527,039
Transportation services	221,275	50,799	348,866	620,940
	<u>1,470,142</u>	<u>50,799</u>	<u>396,190</u>	<u>1,917,131</u>
Non-instructional programs:				
Food service operations	814	0	623	1,437
Other expenditures:				
Facilities acquisitions	0	4,877,188	0	4,877,188
Long-term debt:				
Principal	0	0	223,180	223,180
Interest and fiscal charges	0	0	260,177	260,177
AEA flowthrough	153,254	0	0	153,254
	<u>153,254</u>	<u>4,877,188</u>	<u>483,357</u>	<u>5,513,799</u>
Total expenditures	<u>4,549,986</u>	<u>4,927,987</u>	<u>1,060,176</u>	<u>10,538,149</u>
Deficiency of revenues under expenditures	(157,652)	(4,200,652)	(287,002)	(4,645,306)
Other financing sources(uses):				
Compensation for loss of capital assets	878	0	0	878
Sale of equipment	250	0	0	250
Proceeds from bus lease	0	50,799	0	50,799
Proceeds from city utility note	0	120,000	0	120,000
Transfer in	0	0	26,780	26,780
Transfer out	0	(26,780)	0	(26,780)
Total other financing sources(uses)	<u>1,128</u>	<u>144,019</u>	<u>26,780</u>	<u>171,927</u>
Net change in fund balances	(156,524)	(4,056,633)	(260,222)	(4,473,379)
Fund balance beginning of year	351,491	4,487,771	400,643	5,239,905
Fund balance end of year	<u>\$ 194,967</u>	<u>431,138</u>	<u>140,421</u>	<u>766,526</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 18) \$ (4,473,379)

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

Expenditures for capital assets	\$ 4,457,641	
Depreciation expense	(154,892)	
Loss on disposal of capital assets	<u>(279,880)</u>	4,022,869

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ (170,799)	
Repaid	<u>223,180</u>	52,381

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. (65)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 122,037

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 (20,760)

Changes in net assets of governmental activities (page 15) \$ (296,917)

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 30,966	0	30,966
Inventories	11,287	0	11,287
Capital assets, net of accumulated depreciation(Note 5)	21,053	0	21,053
TOTAL ASSETS	<u>63,306</u>	<u>0</u>	<u>63,306</u>
LIABILITIES			
Excess of warrants issued over bank balance	0	21,316	21,316
Deferred revenue:			
Other	2,874	0	2,874
TOTAL LIABILITIES	<u>2,874</u>	<u>21,316</u>	<u>24,190</u>
NET ASSETS			
Investment in capital assets, net of related debt	21,053	0	21,053
Unrestricted	39,379	(21,316)	18,063
Total net assets	<u>\$ 60,432</u>	<u>(21,316)</u>	<u>39,116</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 82,746	2,412	85,158
OPERATING EXPENSES:			
Non-instructional programs:			
Food service operations:			
Salaries	85,280	13,319	98,599
Benefits	19,770	1,808	21,578
Services	3,684	8	3,692
Supplies	81,425	195	81,620
Depreciation	4,866	0	4,866
TOTAL OPERATING EXPENSES	195,025	15,330	210,355
OPERATING LOSS	(112,279)	(12,918)	(125,197)
NON-OPERATING REVENUES:			
State sources	3,160	0	3,160
Federal sources	114,732	0	114,732
Interest income	195	0	195
TOTAL NON-OPERATING REVENUES	118,087	0	118,087
Changes in net assets	5,808	(12,918)	(7,110)
Net assets beginning of year, as restated (Note 10)	54,624	(8,398)	46,226
Net assets end of year	\$ 60,432	(21,316)	39,116

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	Business-type Activities -		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 82,389	0	82,389
Cash received from miscellaneous operating activities	1,516	2,465	3,981
Cash payments to employees for services	(105,511)	(16,492)	(122,003)
Cash payments to suppliers for goods or services	(58,331)	(203)	(58,534)
Net cash used in operating activities	(79,937)	(14,230)	(94,167)
Cash flows from non-capital financing activities:			
State grants received	3,160	0	3,160
Federal grants received	88,215	0	88,215
Net cash provided by non-capital financing activities	91,375	0	91,375
Cash flows from investing activities:			
Interest on investment	195	0	195
Net cash provided by investing activities	195	0	195
Net increase(decrease) in cash and cash equivalents	11,633	(14,230)	(2,597)
Cash and cash equivalents at beginning of year	19,333	(7,086)	12,247
Cash and cash equivalents at end of year	\$ 30,966	(21,316)	9,650
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (112,279)	(12,918)	(125,197)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	26,517	0	26,517
Depreciation	4,866	0	4,866
Decrease in inventories	261	0	261
Decrease in accounts receivable	758	53	811
Decrease in salaries and benefits payable	(461)	(1,365)	(1,826)
Increase in deferred revenue	401	0	401
Net cash used in operating activities	\$ (79,937)	(14,230)	(94,167)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and investments	\$ 30,966	(21,316)	9,650
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			

During the year ended June 30, 2004, the District received Federal commodities valued at \$26,517.

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 4,286
	<u>4,286</u>
LIABILITIES	
Due to other groups	<u>4,286</u>
NET ASSETS	<u>\$ 0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Boyer Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Dunlap, Dow City and Arion, Iowa, and the predominate agricultural territory in Harrison, Crawford, Shelby and Monona 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, Boyer Valley Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Boyer Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund and Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to

account for the day care service operations of the District.

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax

accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

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

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures in the support services and non-instructional programs functional areas exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

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

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

The District had no investments at June 30, 2004.

(3) **Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 26,780

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

(4) Iowa School Cash Anticipation Program (ISCAP)

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	\$ 191,294	1,041	190,000	1,578
2004-05A	6/30/04	6/30/05	447,189	0	451,000	0
Total			\$ 638,483	1,041	641,000	1,578

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

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ 0	300,000	300,000	0

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

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

(5) Capital Assets

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

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,100	0	0	1,100
Construction in progress	1,145,193	0	0	1,145,193
Total capital assets not being depreciated	1,146,293	0	0	1,146,293
Capital assets being depreciated:				
Buildings	1,972,687	4,246,764	1,399,400	4,820,051
Land improvements	375,967	42,000	0	417,967
Machinery and equipment	951,144	168,877	0	1,120,021
Total capital assets being depreciated	3,299,798	4,457,641	1,399,400	6,358,039
Less accumulated depreciation for:				
Buildings	1,737,717	85,375	1,119,520	703,572
Land improvements	277,495	10,655	0	288,150
Machinery and equipment	796,259	58,862	0	855,121
Total accumulated depreciation	2,811,471	154,892	1,119,520	1,846,843
Total capital assets being depreciated, net	488,327	4,302,749	279,880	4,511,196
Governmental activities capital assets, net	\$ 1,634,620	4,302,749	279,880	5,657,489
Business-type activities:				
Machinery and equipment	\$ 123,739	0	0	123,739
Less accumulated depreciation	111,965	4,866	14,145	102,686
Business-type activities capital assets, net	\$ 11,774	(4,866)	(14,145)	21,053

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,663
Special		8,010
Support services:		
Administration		260
Operation and maintenance of plant		3,958
Transportation		40,971
		<u>58,862</u>
Unallocated depreciation		<u>96,030</u>
Total governmental activities depreciation expense		<u>\$ 154,892</u>
Business-type activities:		
Food services		\$ 4,866
Total business-type activities depreciation expense		<u>\$ 4,866</u>

(6) Long-Term Liabilities

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

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
General Obligation Bonds	\$ 5,700,000	0	200,000	5,500,000	200,000
City Note	0	120,000	10,480	109,520	10,794
Bus Lease	0	50,799	12,700	38,099	7,038
Early Retirement	34,966	30,784	10,024	55,726	13,742
Total	<u>\$ 5,734,966</u>	<u>201,583</u>	<u>233,204</u>	<u>5,703,345</u>	<u>231,574</u>

Early Retirement

The District offers a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum of \$20,000 per individual. Early retirement benefits paid during the year ended June 30, 2004, totaled \$10,024. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

General Obligation Bonds Payable

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

Year Ending June 30,	Issue of July 1, 2002				
	Interest Rates		Principal	Interest	Total
2005	3.00-4.00	% \$	200,000	250,278	450,278
2006	4.00		205,000	242,778	447,778
2007	4.00		220,000	234,378	454,378
2008	4.00-4.20		230,000	225,478	455,478
2009	4.20		240,000	215,828	455,828
2010	5.00		250,000	205,143	455,143
2011	5.00		265,000	192,518	457,518
2012	5.00		275,000	179,143	454,143
2013	4.25-4.35		290,000	165,687	455,687
2014	4.35-4.45		300,000	153,035	453,035
2015	4.45-4.50		315,000	139,649	454,649
2016	4.50-4.55		330,000	125,288	455,288
2017	4.55-4.65		350,000	110,087	460,087
2018	4.65-4.75		365,000	93,783	458,783
2019	4.75-4.80		385,000	76,298	461,298
2020	4.80-4.85		405,000	57,626	462,626
2021	4.85-4.90		425,000	37,790	462,790
2022	4.90-4.95		450,000	16,650	466,650
Total			\$ 5,500,000	2,721,437	8,221,437

City Note Payable

During the year ended June 30, 2003 the District entered into an agreement with the City of Dunlap for utility relocation. Details of the District's June 30, 2004 city note indebtedness are as follows:

Year Ending June 30,	Note of June 16, 2003				
	Interest Rates		Principal	Interest	Total
2005	3.00	% \$	10,794	3,286	14,080
2006	3.00		11,118	2,962	14,080
2007	3.00		11,452	2,628	14,080
2008	3.00		11,795	2,285	14,080
2009	3.00		12,149	1,931	14,080
2010	3.00		12,514	1,566	14,080
2011	3.00		12,889	1,191	14,080
2012	3.00		13,276	804	14,080
2013	3.00		13,533	547	14,080
Total			\$ 109,520	17,200	126,720

Bus Lease Payable

Details of the District's June 30, 2004 bus lease indebtedness are as follows:

Year Ending June 30,	Lease of November 19, 2003			
	Interest Rates	Principal	Interest	Total
2005	3.97 %	\$ 7,039	1,512	8,551
2006	3.97	7,318	1,233	8,551
2007	3.97	7,608	943	8,551
2008	3.97	7,910	641	8,551
2009	3.97	8,224	327	8,551
Total		\$ 38,099	4,656	42,755

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$153,384, \$149,441 and \$146,483 respectively, equal to the required contributions for each year.

(8) Risk Management

Boyer Valley Community School District is a member in the Iowa School Employees Benefits Association, and Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$330,252.

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

may be necessary to pay claims and replenish reserves in the program.

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

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

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$153,254 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

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

Governmental Accounting Standards Board(GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The

beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$10,285,162 were restated to \$4,446,091. The restatement primarily removed assets below the District's capitalization threshold.

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

	Fund			Total
	General	Capital Projects	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 351,491	4,487,771	400,643	5,239,905
GASB Interpretation 6 adjustments	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 351,491	4,487,771	400,643	5,239,905
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$2,811,471				1,634,620
Income surtax				70,529
Long-term liabilities:				
General obligation bonds payable			\$ 5,700,000	
Early retirement payable			34,966	(5,734,966)
Interest payable				(42,963)
Net assets, July 1, 2003, as restated				\$ 1,167,125

	Fund		
	Enterprise		
	School Nutrition	Child Care	Total
Net assets, June 30, 2003, as previously reported	\$ 25,219	(8,398)	16,821
Depreciation recapture	14,145	0	14,145
Capital contributions	15,260	0	15,260
Net assets, July 1, 2003, as restated for business-type activities	\$ 54,624	(8,398)	46,226

(11) Deficit Fund Balance/Net Assets

The Special Revenue - Management Fund had a deficit undesignated fund balance of \$73,137 at June 30, 2004. The Enterprise - Day Care Fund had deficit net assets of \$21,316 at June 30, 2004.

(12) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the support services and non-instructional functional program areas exceeded the amount budgeted.

(10) Construction Commitment

The District has entered into various contracts totaling \$2,548,213 for the renovation of the school. As of June 30, 2004, costs of \$1,145,193 had been incurred against the contracts. The balance of \$1,403,020 remaining at June 30, 2004 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,974,538	86,565
Intermediate sources	2,338	0
State sources	2,111,283	3,160
Federal sources	767,944	114,732
Total receipts	<u>5,856,103</u>	<u>204,457</u>
Disbursements:		
Instruction	3,109,219	0
Support services	1,924,591	0
Non-instructional programs	1,437	207,054
Other expenditures	5,564,396	0
Total disbursements	<u>10,599,643</u>	<u>207,054</u>
Deficiency of receipts under disbursements	(4,743,540)	(2,597)
Other financing sources, net	<u>171,927</u>	0
Deficiency of receipts and other financing sources under disbursements	(4,571,613)	(2,597)
Balance beginning of year	<u>5,237,375</u>	12,247
Balance end of year	<u>\$ 665,762</u>	<u>9,650</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
3,061,103	3,492,375	3,492,375	(431,272)
2,338	4,000	4,000	(1,662)
2,114,443	3,219,618	3,219,618	(1,105,175)
882,676	370,000	370,000	512,676
<u>6,060,560</u>	<u>7,085,993</u>	<u>7,085,993</u>	<u>(1,025,433)</u>
3,109,219	3,367,911	3,367,911	258,692
1,924,591	1,686,975	1,686,975	(237,616)
208,491	0	200,000	(8,491)
5,564,396	6,050,412	6,050,412	486,016
<u>10,806,697</u>	<u>11,105,298</u>	<u>11,305,298</u>	<u>498,601</u>
(4,746,137)	(4,019,305)	(4,219,305)	(1,524,034)
171,927	0	0	171,927
(4,574,210)	(4,019,305)	(4,219,305)	(1,352,107)
5,249,622	4,191,514	4,191,514	1,058,108
<u>675,412</u>	<u>172,209</u>	<u>(27,791)</u>	<u>(293,999)</u>

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

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 5,856,103	36,740	5,892,843
Expenses	10,599,643	(61,494)	10,538,149
Net	(4,743,540)	98,234	(4,645,306)
Other financing sources	171,927	0	171,927
Beginning fund balances	5,237,375	2,530	5,239,905
Ending fund balances	\$ 665,762	100,764	766,526

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 204,457	(1,212)	203,245
Expenses	207,054	3,301	210,355
Net	(2,597)	(4,513)	(7,110)
Beginning retained earnings	12,247	33,979	46,226
Ending retained earnings	\$ 9,650	29,466	39,116

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment decreasing budgeted disbursements by \$200,000.

During the year ended June 30, 2004, disbursements in the support services and non-instructional programs functional areas exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds						Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ (73,615)	54,728	97,419	17,029	95,561	37,617	133,178
Receivables:							
Property tax:							
Current year delinquent	478	0	1,325	0	1,803	5,440	7,243
Succeeding year	100,000	0	101,820	0	201,820	450,577	652,397
TOTAL ASSETS	\$ 26,863	54,728	200,564	17,029	299,184	493,634	792,818
LIABILITIES AND FUND EQUITY							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	\$ 100,000	0	101,820	0	201,820	450,577	652,397
	100,000	0	101,820	0	201,820	450,577	652,397
Fund equity:							
Fund balances:							
Reserved for:							
Debt service	0	0	0	0	0	43,057	43,057
Unreserved:							
Undesignated	(73,137)	54,728	98,744	17,029	97,364	0	97,364
Total fund balances	(73,137)	54,728	98,744	17,029	97,364	43,057	140,421
TOTAL LIABILITIES AND FUND EQUITY	\$ 26,863	54,728	200,564	17,029	299,184	493,634	792,818

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds						Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax:	\$ 39,451	0	109,396	0	148,847	454,040	602,887
Other:	0	164,151	2,134	3,515	169,800	0	169,800
State sources:	32	0	88	0	120	367	487
TOTAL REVENUES	39,483	164,151	111,618	3,515	318,767	454,407	773,174
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction:	26,280	0	0	0	26,280	0	26,280
Other instruction:	0	149,755	0	3,971	153,726	0	153,726
Support services:							
Administration services:	5,331	0	0	0	5,331	0	5,331
Operation and maintenance of plant services:	41,993	0	0	0	41,993	0	41,993
Student transportation:	16,061	0	332,805	0	348,866	0	348,866
Non-instructional programs:							
Food service operations:	623	0	0	0	623	0	623
Other expenditures:							
Principal:	0	0	0	0	0	223,180	223,180
Interest and fiscal charges:	0	0	0	0	0	260,177	260,177
TOTAL EXPENDITURES	90,288	149,755	332,805	3,971	576,819	483,357	1,060,176
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,805)	14,396	(221,187)	(456)	(258,052)	(28,950)	(287,002)
OTHER FINANCING SOURCES:							
Transfer in:	0	0	0	0	0	26,780	26,780
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(50,805)	14,396	(221,187)	(456)	(258,052)	(2,170)	(260,222)
FUND BALANCE BEGINNING OF YEAR	(22,332)	40,332	319,931	17,485	355,416	45,227	400,643
FUND BALANCE END OF YEAR	\$ (73,137)	54,728	98,744	17,029	97,364	43,057	140,421

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Purplite	\$ (10)	0	0	(10)
Annual	(1,826)	11,859	12,524	(2,491)
AP Testing	19	619	598	40
Drama	1,371	898	1,164	1,105
Speech	152	20	25	147
Cheerleaders	1,414	6,292	4,667	3,039
Vocal Music	2,947	4,259	4,023	3,183
Instrumental Music	2,845	1,681	1,910	2,616
Science Club	148	1,070	509	709
Entrepreneurship	3,161	12,902	10,359	5,704
FFA	2,608	6,541	8,130	1,019
FCCLA	(480)	4,005	3,177	348
FTA	57	0	0	57
Foreign Language	419	0	0	419
Library Club	15	0	0	15
National Honor Society	4,318	202	1,193	3,327
HS Student Council	6,477	18,040	16,273	8,244
Industrial Arts Club	21	0	0	21
Freshmen	0	140	49	91
Sophomores	300	300	300	300
Juniors	1,971	23,968	23,198	2,741
Seniors	20	548	158	410
Drill Team	9	9,404	3,525	5,888
General Athletics	6,053	50,020	47,365	8,708
Boys Basketball	0	60	60	0
Baseball	0	140	0	140
Boys Track	0	935	935	0
Softball	0	150	0	150
Girls Track	0	605	605	0
Elem Student Council	2,616	7,005	4,546	5,075
Memorial	1,819	0	0	1,819
Special Projects	2,401	636	3,029	8
Elem Music	723	294	185	832
MS Student Council	764	1,018	708	1,074
MS Athletics	0	540	540	0
Total	\$ 40,332	164,151	149,755	54,728

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 3,559	19,067	18,340	4,286
LIABILITIES				
Due to other groups	\$ 3,559	19,067	18,340	4,286

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,947,919	1,825,726	1,321,634	1,289,229
Tuition	411,056	220,335	268,800	284,410
Other	643,508	515,869	276,670	288,657
Intermediate sources	2,338	0	0	8,362
State sources	2,120,111	2,266,362	2,300,168	2,359,985
Federal sources	767,911	266,366	160,310	148,341
Total	\$ 5,892,843	5,094,658	4,327,582	4,378,984
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,787,725	1,776,412	1,677,098	1,777,392
Special instruction	842,670	596,114	696,003	678,977
Other instruction	475,387	396,801	439,080	417,087
Support services:				
Student services	110,353	169,627	133,837	109,128
Instructional staff services	122,846	134,005	150,123	144,488
Administration services	535,953	514,698	482,733	487,123
Operation and maintenance of plant services	527,039	381,341	389,606	372,563
Transportation services	620,940	221,791	229,023	239,089
Non-instructional programs	1,437	1,366	2,787	2,877
Other expenditures:				
Facilities acquisitions	4,877,188	1,700,005	17,529	0
Long-term debt:				
Principal	223,180	200,000	0	0
Interest and fiscal charges	260,177	220,215	0	0
AEA flow-through	153,254	165,231	166,818	175,492
Total	\$ 10,538,149	6,477,606	4,384,637	4,404,216

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 03	\$ 617
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 04	21,908
			<u>22,525</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	26,517
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	12,302
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	75,913
			<u>88,215</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1917-G	77,939
EAST MONONA COMMUNITY SCHOOL DISTRICT:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1969-G	70,101
			<u>148,040</u>
INNOVATIVE EDUCATION PROGRAM			
STRATEGIES (TITLE V PROGRAM)	84.151	FY 03	1,110
INNOVATIVE EDUCATION PROGRAM			
STRATEGIES (TITLE V PROGRAM)	84.151	FY 04	4,817
			<u>5,927</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 03	1,193
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 04	1,637
			<u>2,830</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 03	7,961
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 04	36,981
EAST MONONA COMMUNITY SCHOOL DISTRICT:			
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 04	9,403
			<u>54,345</u>

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 04	325,910
EISENHOWER PROFESSIONAL DEVELOPMENT STATE GRANTS	84.281	FY 03	2,258
EISENHOWER PROFESSIONAL DEVELOPMENT STATE GRANTS	84.281	FY 04	5,106
			<u>7,364</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 03	2,700
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 04	2,086
			<u>4,786</u>
AREA EDUCATION AGENCY: SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 04	21,138
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 03	2,423
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 04	7,683
			<u>10,106</u>
CARL D PERKINS VOCATION AND APPLIED TECHNOLOGY EDUCATION ACT TECH-PREP EDUCATION	84.243	FY 03	1,523
TITLE I ACCOUNTABILITY GRANTS (DATA DRIVEN LEADERSHIP)	84.348	FY 04	898
DEPARTMENT OF HUMAN SERVICES: MEDICAL ASSISTANCE PROGRAM	93.778	FY 04	11,984
TOTAL			<u>\$ 732,108</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
Boyer Valley Community School District:

We have audited the financial statements of Boyer Valley Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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

Internal Control Over Financial Reporting

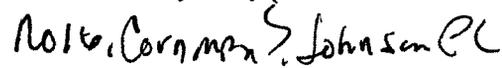
In planning and performing our audit, we considered Boyer Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Boyer Valley Community School District and other parties to whom Boyer Valley 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 Boyer Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

August 26, 2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
Boyer Valley Community School District

Compliance

We have audited the compliance of Boyer Valley Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Boyer Valley 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 Boyer Valley Community School District's management. Our responsibility is to express an opinion on Boyer Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boyer Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Boyer Valley Community School District's compliance with those requirements.

In our opinion, Boyer Valley 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

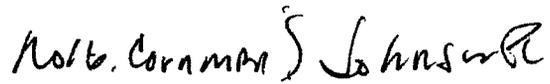
The management of Boyer Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Boyer Valley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

We noted a matter involving the internal control over compliance and its operation that we consider to be reportable conditions. 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 Boyer Valley Community School District's ability to administer a major

federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-A-04 is a material weakness.

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


NOLTE, CORNMAN & JOHNSON, P.C.

August 26, 2004

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.215 - Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Boyer Valley Community School District did not qualify as a low-risk auditee.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - Personnel changes will allow us to have another person doing some of these duties.

Conclusion - Response accepted.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
Federal Award Year: 2004
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.215 - Fund for the Improvement of Education
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - Personnel changes will allow us to have another person doing some of these duties.

Conclusion - Response accepted.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the support services and non-instructional programs functional areas.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

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

IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. However, we did note an individual who received a travel allowance which was not included in the persons W-2.

Recommendation - The District should report travel allowances with the payroll subjecting it to payroll taxes.

Response - We have implemented procedures to correct travel allowances. We will continue to process travel allowances through payroll.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Pat Putnam, Board Member Owner of Putnam Auto Sales	Repairs	\$1,072
Ken Dunham, Board Member Owner of Dunham Hardwoods	Supplies	\$460

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

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

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

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

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

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

IV-K-04 Financial Condition - The District had a deficit undesignated fund balance of \$73,137 in the Special Revenue - Management Fund. The District also had deficit net assets of \$21,316 in the Enterprise - Day Care Fund.

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

Response - We will monitor these funds and investigate any available options to eliminate these deficits.

Conclusion - Response accepted.