

EAST MONONA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

## Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	12
Statement of Activities	B	13-14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	20
Statement of Cash Flows	I	21
Notes to Financial Statements		22-29
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		30-31
Budget to GAAP Reconciliation		32
Notes to Required Supplementary Information - Budgetary Reporting		33
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	35
Schedule of Changes in Student Activity Accounts	3	36
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	37
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		38-39
Schedule of Findings		40-41

East Monona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September 2003 Election)		
Bryce McDonald	President	2003
Charles Gotto	Vice President	2004
Kerri Carrigan	Board Member	2003
Kelly Coberly	Board Member	2005
Dennis McQueen	Board Member	2004
Brad Moore	Board Member	2003
Todd Nichols	Board Member	2005
<b>Board of Education</b> (After September 2003 Election)		
Todd Nichols	President	2004
Cheryl Nickolisen	Vice President	2004
Charles Gotto	Board Member	2004
Kerri Carrigan	Board Member	2004
Kelly Coberly	Board Member	2004
Dennis McQueen	Board Member	2004
Brad Moore	Board Member	2004
<b>School Officials</b>		
Debra Johnsen	Superintendent	2004
Kathryn Holverson	District Secretary/ Treasurer	2004
Franck, Mundt, and Franck	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  
East Monona 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 East Monona 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 East Monona 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 7 to the financial statements, during the year ended June 30, 2004, East Monona Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

On July 1, 2004, the East Monona Community School District was dissolved. As described in Note 9 to the financial statements, the District dissolved its assets and liabilities into the Charter Oak-Ute, West Monona, Boyer Valley and West Harrison Community School District's.

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2004, on our consideration of the East Monona Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 30 through 33 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 East Monona Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 6, 2004

---

---

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

---

---

East Monona 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 \$1,305,133 in fiscal 2003 to \$1,419,699 in fiscal 2004, while General Fund expenditures decreased from \$1,373,700 in fiscal 2003 to \$1,258,912 in fiscal 2004. This resulted in an increase in the District's General Fund balance from a deficit \$42,049 in fiscal 2003 to a balance of \$242,489 in fiscal 2004.

### **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 East Monona 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 East Monona 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 East Monona 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.

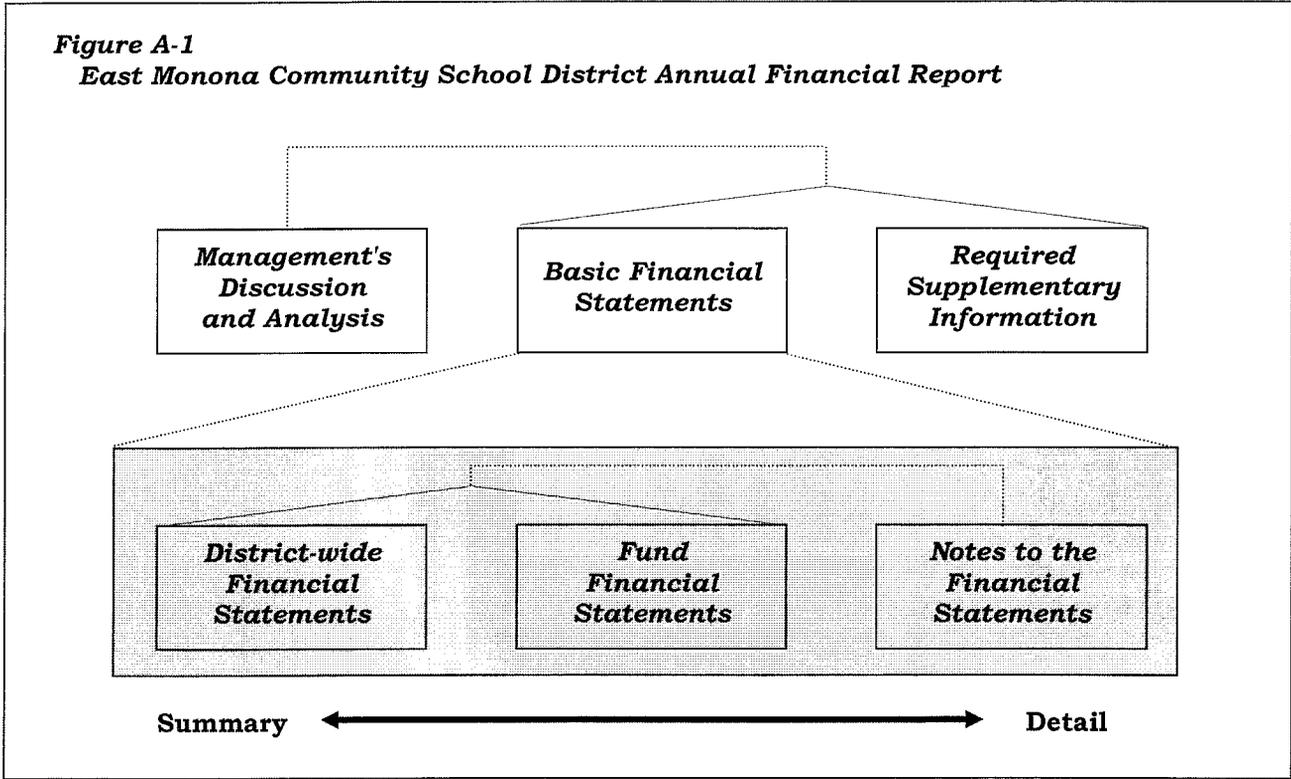


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

---

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Current and other assets	\$ 510,350	320	510,670
Capital assets	493	0	493
Total assets	<u>510,843</u>	<u>320</u>	<u>511,163</u>
Long-term obligations	8,938	0	8,938
Other liabilities	32,355	0	32,355
Total liabilities	<u>41,293</u>	<u>0</u>	<u>41,293</u>
Net assets:			
Invested in capital assets, net of related debt	493	0	493
Restricted	249,889	0	249,889
Unrestricted	219,168	320	219,488
Total net assets	<u>\$ 469,550</u>	<u>320</u>	<u>469,870</u>

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

Figure A-4  
Changes of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Revenues:			
Program revenues:			
Charges for services	\$ 39,437	0	39,437
Operating grants and contributions and restricted interest	223,808	320	224,128
General revenues:			
Property tax	745,547	0	745,547
Local option sales and service tax	60,445	0	60,445
Unrestricted state grants	496,486	0	496,486
Unrestricted investment earnings	1,519	0	1,519
Other	123,751	0	123,751
Total revenues	<u>1,690,993</u>	<u>320</u>	<u>1,691,313</u>
Program expenses:			
Governmental activities:			
Instructional	909,482	0	909,482
Support services	344,973	0	344,973
Non-instructional programs	75,306	990	76,296
Other expenses	56,652	0	56,652
Total expenses	<u>1,386,413</u>	<u>990</u>	<u>1,387,403</u>
Change in net assets	<u>\$ 304,580</u>	<u>(670)</u>	<u>303,910</u>

Property tax and unrestricted state grants account for approximately 73% of the total revenue. The District's expenses primarily relate to instruction and support services which account for approximately 90% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$1,690,993 and expenses were \$1,386,413. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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	\$ 909,482	696,461
Support services	344,973	344,973
Non-instructional	75,306	75,306
Other expenses	56,652	6,428
Totals	<u>\$ 1,386,413</u>	<u>1,123,168</u>

- The cost financed by users of the District's programs was \$39,437.

- 
- Federal and state governments subsidized certain programs with grants and contributions totaling \$223,808.
  - The net cost of governmental activities was financed with \$745,547 in property and other taxes and \$496,486 in unrestricted state grants.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$320 and expenses were \$990. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of state reimbursements.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the East Monona 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 \$477,995, above last year's ending fund balances of a \$164,477.

### **Governmental Fund Highlights**

The District's increase of revenues over the prior year, as well as a decrease in the prior year expenditures was a major factor in the governmental activities combined fund balance increasing.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$283,998 more than budgeted receipts, a variance of 22%. The most significant variance resulted from the District receiving more in federal 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 exceeded in the non-instructional functional area 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**

During the year ended June 30, 2004 the District had disposed of all of its capital assets except for their buildings, which are fully depreciated at year end. (See Figure A-6)

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 493	0	493
Total	<u>\$ 493</u>	<u>0</u>	<u>493</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:

- On September 23, 2003 voters of the East Monona Community School District voted to dissolve the District by the end of the 2003-2004 fiscal year. Property of the District will be divided between Charter Oak-Ute, West Monona, Boyer Valley and West Harrison Community School Districts.

## **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 Debra Johnson, Superintendent, Boyer Valley Community School District, 1102 Iowa Avenue, Dunlap, Iowa, 51529.

BASIC FINANCIAL STATEMENTS

EAST MONONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
Other	\$ 484,617	320	484,937
Receivables			
Property tax:			
Delinquent	19,427	0	19,427
Accounts	297	0	297
Due from other governments	6,009	0	6,009
Capital assets, net of accumulated depreciation(Note 3)	493	0	493
TOTAL ASSETS	<u>510,843</u>	<u>320</u>	<u>511,163</u>
LIABILITIES			
Accounts payable	32,355	0	32,355
Long-term liabilities			
Portion due within one year			
Early retirement	8,938	0	8,938
TOTAL LIABILITIES	<u>41,293</u>	<u>0</u>	<u>41,293</u>
NET ASSETS			
Investment in capital assets, net of related debt	493	0	493
Restricted for:			
Capital projects	200,012	0	200,012
Physical plant and equipment levy	41,797	0	41,797
Other special revenue purposes	8,080	0	8,080
Unrestricted	219,168	320	219,488
TOTAL NET ASSETS	<u>\$ 469,550</u>	<u>320</u>	<u>469,870</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MONONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>			
<b>Instruction:</b>			
Regular instruction	\$ 658,101	39,437	173,584
Special instruction	234,846	0	0
Other instruction	16,535	0	0
	<u>909,482</u>	<u>39,437</u>	<u>173,584</u>
<b>Support services:</b>			
Administration services	185,217	0	0
Operation and maintenance of plant services	87,936	0	0
Transportation services	71,820	0	0
	<u>344,973</u>	<u>0</u>	<u>0</u>
Non-instructional programs	<u>75,306</u>	<u>0</u>	<u>0</u>
<b>Other expenditures:</b>			
Facilities acquisitions	6,428	0	0
AEA flowthrough	50,224	0	50,224
	<u>56,652</u>	<u>0</u>	<u>50,224</u>
<b>Total governmental activities</b>	<b>1,386,413</b>	<b>39,437</b>	<b>223,808</b>
<b>Business-Type activities:</b>			
Non-instructional programs:			
Nutrition services	990	0	320
<b>Total business-type activities</b>	<b>990</b>	<b>0</b>	<b>320</b>
<b>Total</b>	<b>\$ 1,387,403</b>	<b>39,437</b>	<b>224,128</b>

**General Revenues:**

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

Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 7)

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
(445,080)	0	(445,080)
(234,846)	0	(234,846)
(16,535)	0	(16,535)
(696,461)	0	(696,461)
(185,217)	0	(185,217)
(87,936)	0	(87,936)
(71,820)	0	(71,820)
(344,973)	0	(344,973)
(75,306)		(75,306)
(6,428)	0	(6,428)
0	0	0
(6,428)	0	(6,428)
(1,123,168)	0	(1,123,168)
0	(670)	(670)
0	(670)	(670)
(1,123,168)	(670)	(1,123,838)
\$ 729,037	0	729,037
16,510	0	16,510
60,445	0	60,445
496,486	0	496,486
1,519	0	1,519
123,751	0	123,751
1,427,748	0	1,427,748
304,580	(670)	303,910
164,970	990	165,960
\$ 469,550	320	469,870

EAST MONONA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Capital Projects	Management	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments:					
Other	\$ 244,926	195,618	(5,343)	49,416	484,617
Receivables:					
Property tax:					
Delinquent	17,290	0	1,676	461	19,427
Accounts	297	0	0	0	297
Due from other governments	1,615	4,394	0	0	6,009
<b>TOTAL ASSETS</b>	<b>\$ 264,128</b>	<b>200,012</b>	<b>(3,667)</b>	<b>49,877</b>	<b>510,350</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 21,639	0	10,716	0	32,355
Income surtax	0	0	0	0	0
Total liabilities	21,639	0	10,716	0	32,355
Fund balances:					
Unreserved:					
Undesignated	242,489	200,012	(14,383)	49,877	477,995
Total fund balances	242,489	200,012	(14,383)	49,877	477,995
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 264,128</b>	<b>200,012</b>	<b>(3,667)</b>	<b>49,877</b>	<b>510,350</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MONONA 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 15) \$ 477,995

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

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported  
as assets in the governmental funds. 493

Long-term liabilities, including early retirement, are  
not due and payable in the current period and, therefore,  
are not reported in the funds. (8,938)

Net assets of governmental activities (page 12) \$ 469,550

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Management	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 668,377	60,445	60,660	16,510	805,992
Tuition	13,671	0	0	0	13,671
Other	17,357	927	150	8,851	27,285
State sources	615,075	0	0	0	615,075
Federal sources	105,219	0	0	0	105,219
Total revenues	<u>1,419,699</u>	<u>61,372</u>	<u>60,810</u>	<u>25,361</u>	<u>1,567,242</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	658,101	0	0	0	658,101
Special instruction	234,846	0	0	0	234,846
Other instruction	0	0	0	16,535	16,535
	<u>892,947</u>	<u>0</u>	<u>0</u>	<u>16,535</u>	<u>909,482</u>
Support services:					
Administration services	173,065	0	11,432	720	185,217
Operation and maintenance of plant services	75,286	0	12,148	502	87,936
Transportation services	66,987	0	4,833	0	71,820
	<u>315,338</u>	<u>0</u>	<u>28,413</u>	<u>1,222</u>	<u>344,973</u>
Non-instructional programs	403	0	65,965	0	66,368
Other expenditures:					
Facilities acquisitions	0	0	0	6,428	6,428
AEA flowthrough	50,224	0	0	0	50,224
	<u>50,224</u>	<u>0</u>	<u>0</u>	<u>6,428</u>	<u>56,652</u>
Total expenditures	<u>1,258,912</u>	<u>0</u>	<u>94,378</u>	<u>24,185</u>	<u>1,377,475</u>
Excess(deficiency) of revenues over(under) expenditures	160,787	61,372	(33,568)	1,176	189,767
Other financing sources:					
Sale of equipment	123,751	0	0	0	123,751
Total other financing sources	<u>123,751</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>123,751</u>
Net change in fund balances	284,538	61,372	(33,568)	1,176	313,518
Fund balance beginning of year, as restated(Note 7)	(42,049)	138,640	19,185	48,701	164,477
Fund balance end of year	<u>\$ 242,489</u>	<u>200,012</u>	<u>(14,383)</u>	<u>49,877</u>	<u>477,995</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MONONA 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 17) \$ 313,518

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated lives as depreciation expense in the Statement of Activities. Because of the dissolution, the District disposed of all of its capital assets and the accumulated depreciation on those assets, as follows:

Disposal of capital assets	(973,018)	
Accumulated depreciation on deleted assets	<u>973,018</u>	<u>0</u>

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

Early retirement	<u>(8,938)</u>	<u>(8,938)</u>
------------------	----------------	----------------

Changes in net assets of governmental activities (page 14) \$ 304,580

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MONONA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2004

	<u>School</u> <u>Nutrition</u>
ASSETS	
Current assets:	
Cash and pooled investments	\$ 320
Total current assets	<u>320</u>
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	<u>0</u>
Total non-current assets	<u>0</u>
TOTAL ASSETS	<u>320</u>
LIABILITIES	
Current liabilities:	
Salaries and benefits payable	<u>0</u>
TOTAL LIABILITIES	<u>0</u>
NET ASSETS	
Unrestricted	320
TOTAL NET ASSETS	<u>\$ 320</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources	\$ 0
TOTAL OPERATING REVENUES	<u>0</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	0
TOTAL OPERATING EXPENSES	<u>0</u>
OPERATING LOSS	<u>0</u>
NON-OPERATING REVENUES (EXPENSES):	
State sources	320
Loss on disposal of assets	<u>(990)</u>
Interest on investments	0
Change in net assets	(670)
Net assets beginning of year	<u>990</u>
Net assets end of year	<u>\$ 320</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MONONA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2004

	<u>School Nutrition</u>
Cash flows from non-capital financing activities:	
State grants received	320
Net cash provided by non-capital financing activities	<u>320</u>
Net increase in cash and cash equivalents	320
Cash and cash equivalents at beginning of year	<u>0</u>
Cash and cash equivalents at end of year	<u>\$ 320</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ 0</u>
Net cash used in operating activities	<u>\$ 0</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 320</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MONONA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The East Monona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Moorhead and Soldier, Iowa, and the predominate agricultural territory in Harrison 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, East Monona 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 East Monona 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 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 District reports the following proprietary fund:

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

#### C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

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

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

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

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 obligations - 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 non-instructional functional program area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**(3) Capital Assets**

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

	Balance Beginning of Year, as restated (Note 9)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 493	0	0	493
Total capital assets not being depreciated	493	0	0	493
Capital assets being depreciated:				
Buildings	252,640	0	0	252,640
Improvements other than buildings	3,750	0	3,750	0
Machinery and equipment	716,135	0	716,135	0
Total capital assets being depreciated	972,525	0	719,885	252,640
Less accumulated depreciation for:				
Buildings	252,640	0	0	252,640
Improvements other than buildings	3,750	0	3,750	0
Machinery and equipment	716,135	0	716,135	0
Total accumulated depreciation	972,525	0	719,885	252,640
Total capital assets being depreciated, net	0	0	0	0
Governmental activities capital assets, net	\$ 493	0	0	493
Business-type activities:				
Furniture and equipment	\$ 4,637	0	4,637	0
Less accumulated depreciation	3,647	0	3,647	0
Business-type activities capital assets, net	\$ 990	0	990	0

**(4) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS

provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$7,250, \$35,237, \$35,811, respectively, equal to the required contributions for each year.

**(5) Risk Management**

East Monona 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.

**(6) 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 \$50,224 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.

**(7) 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 \$969,268 were restated to \$973,018. The restatement primarily removed assets below the District's capitalizations threshold.

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

	Fund				Total
	General	Capital Projects	Management	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ (42,049)	138,640	19,185	48,701	164,477
GASB Interpretation 6 adjustments	0	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ (42,049)</u>	<u>138,640</u>	<u>19,185</u>	<u>48,701</u>	<u>164,477</u>
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$972,525					<u>493</u>
Net assets, July 1, 2003, as restated					<u>\$ 164,970</u>

**(8) Budget Overexpenditure**

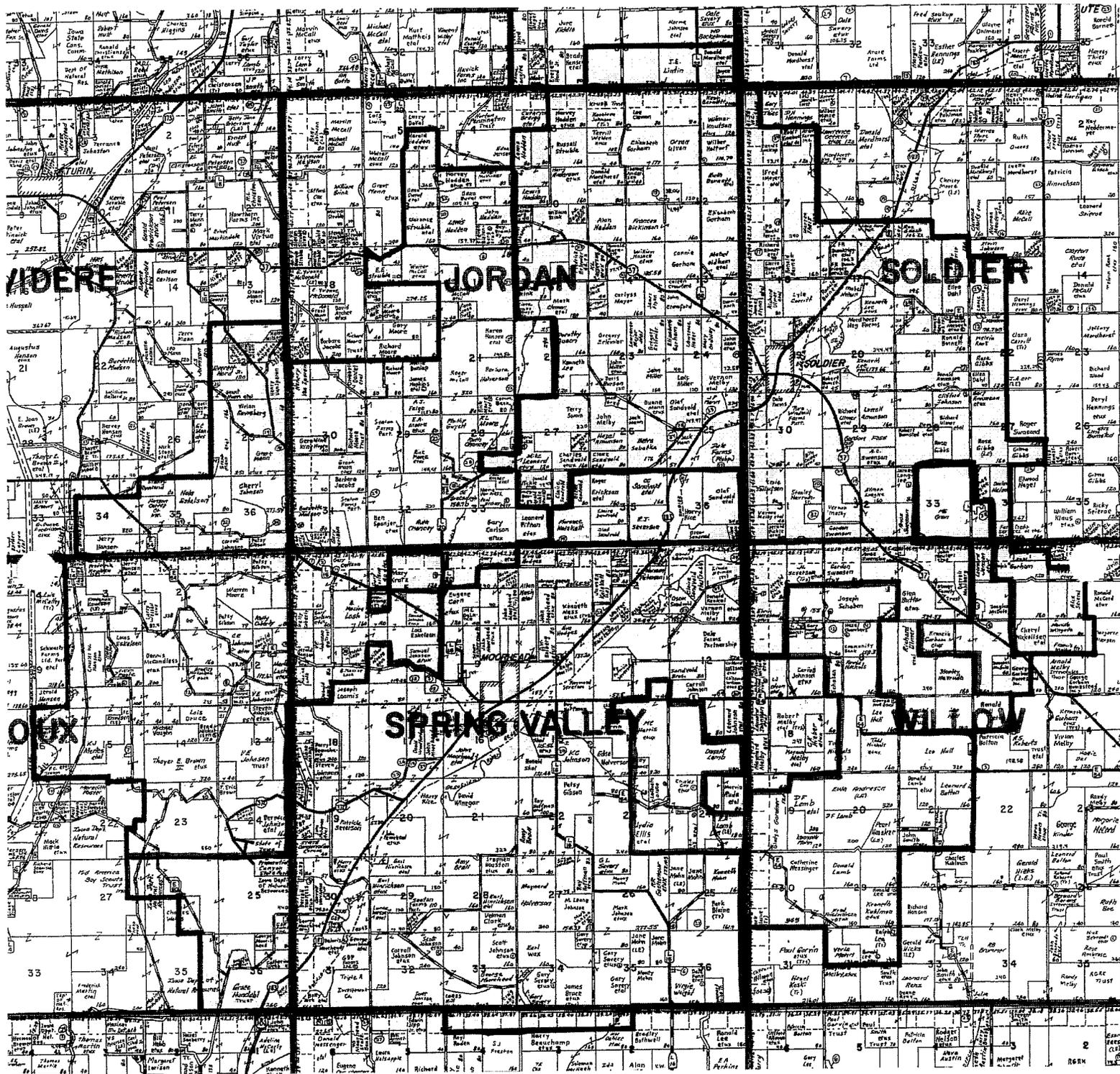
Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the non-instructional functional program area exceeded the amount budgeted.

**(9) Subsequent Event**

On September 23, 2003 voters of the East Monona Community School District voted to dissolve the District at the end of the 2003-2004 school year. Property of the District was divided between Charter Oak-Ute, West Monona, Boyer Valley and West Harrison Community School Districts.

The breakout of East Monona balances to other districts per the Department of Management and the map of the reorganized districts are as follows:

School District	Percent Per DOM	Total Received
Boyer Valley	8.16%	39,030.45
Charter Oak Ute	35.23%	168,510.18
West Harrison	39.56%	189,221.19
West Monona	17.05%	81,552.62
Total	<u>100.00%</u>	<u>478,314.44</u>



REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 849,466	0
State sources	615,075	320
Federal sources	116,916	0
Total revenues	<u>1,581,457</u>	<u>320</u>
Disbursements:		
Instruction	957,567	0
Support services	320,084	0
Non-instructional programs	4,403	990
Other expenditures	56,652	0
Total expenditures	<u>1,338,706</u>	<u>990</u>
Excess(deficiency) of receipts over(under) disbursements	242,751	(670)
Other financing sources, net	<u>123,751</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	366,502	(670)
Balance beginning of year	<u>118,115</u>	<u>990</u>
Balance end of year	<u>\$ 484,617</u>	<u>320</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
849,466	757,725	757,725	91,741
615,395	540,054	540,054	75,341
116,916	0	0	116,916
<u>1,581,777</u>	<u>1,297,779</u>	<u>1,297,779</u>	<u>283,998</u>
957,567	1,039,000	1,039,000	81,433
320,084	354,000	354,000	33,916
5,393	0	0	(5,393)
56,652	83,833	83,833	27,181
<u>1,339,696</u>	<u>1,476,833</u>	<u>1,476,833</u>	<u>137,137</u>
242,081	(179,054)	(179,054)	(421,135)
123,751	0	0	(123,751)
365,832	(179,054)	(179,054)	(544,886)
119,105	44,152	44,152	74,953
<u>484,937</u>	<u>(134,902)</u>	<u>(134,902)</u>	<u>619,839</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 1,581,457	(14,215)	1,567,242
Expenditures	1,338,706	38,769	1,377,475
Net	242,751	(52,984)	189,767
Other financing sources, net	123,751	0	123,751
Beginning fund balances	118,115	46,362	164,477
Ending fund balances	\$ 484,617	(6,622)	477,995

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 320	0	320
Expenditures	990	0	990
Net	(670)	0	(670)
Other financing sources, net	0	0	0
Beginning fund balances	990	0	990
Ending fund balances	\$ 320	0	320

EAST MONONA 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 ended June 30, 2004, disbursements in the non-instructional functional program area exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

EAST MONONA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	Student Activity	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 8,080	41,336	49,416
Receivables:			
Property tax:			
Current year delinquent	0	461	461
<b>TOTAL ASSETS</b>	<b>\$ 8,080</b>	<b>41,797</b>	<b>49,877</b>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:	\$ 0	0	0
Fund equity:			
Fund balances:			
Unreserved:	8,080	41,797	49,877
Undesignated	8,080	41,797	49,877
Total fund balances			
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 8,080</b>	<b>41,797</b>	<b>49,877</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	16,510	16,510
Other	8,672	179	8,851
TOTAL REVENUES	<u>8,672</u>	<u>16,689</u>	<u>25,361</u>
EXPENDITURES:			
Current:			
Instruction:			
Other instruction	16,535	0	16,535
Support services:			
Administration services	0	720	720
Operation and maintenance of plant services	0	502	502
Other expenditures:			
Facilities acquisitions	0	6,428	6,428
TOTAL EXPENDITURES	<u>16,535</u>	<u>7,650</u>	<u>24,185</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,863)	9,039	1,176
FUND BALANCE BEGINNING OF YEAR, AS RESTATED (NOTE 7)	<u>15,943</u>	<u>32,758</u>	<u>48,701</u>
FUND BALANCE END OF YEAR	<u>\$ 8,080</u>	<u>41,797</u>	<u>49,877</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MONONA 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
BR H Scholarship	\$ 1,954	8,600	10,554	0
Act Club	488	0	0	488
Cheerleaders	456	0	0	456
Vocal Music	66	0	0	66
Instrumental Music	1,173	0	0	1,173
FFA	668	0	0	668
Student Council	988	0	988	0
Athletics	3,537	0	0	3,537
Vending Machine	1,658	0	400	1,258
Student Activity	1,922	0	1,561	361
Interest	1	72	0	73
EM Scholarship	3,032	0	3,032	0
<b>Total</b>	<b>\$ 15,943</b>	<b>8,672</b>	<b>16,535</b>	<b>8,080</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MONONA 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	\$ 805,992	640,212	648,625	622,353
Tuition	13,671	9,070	14,137	24,030
Other	27,285	84,648	99,064	118,571
State sources	615,075	607,968	591,355	644,110
Federal sources	105,219	62,393	40,309	50,912
Total	<u>\$ 1,567,242</u>	<u>1,404,291</u>	<u>1,393,490</u>	<u>1,459,976</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 658,101	729,366	751,842	746,392
Special instruction	234,846	162,835	190,950	173,460
Other instruction	16,535	23,044	30,023	26,573
Support services:				
Student services	0	17,568	21,432	14,858
Instructional staff services	0	21,133	21,898	20,959
Administration services	185,217	217,619	195,015	192,613
Operation and maintenance of plant services	87,936	103,501	113,978	102,720
Transportation services	71,820	71,956	74,569	69,843
Central services	0	0	0	4,937
Non-instructional programs	66,368	2,095	7,421	6,054
Other expenditures:				
Facilities acquisitions	6,428	23,601	97,988	41,574
AEA flow-through	50,224	54,197	54,057	57,372
Total	<u>\$ 1,377,475</u>	<u>1,426,915</u>	<u>1,559,173</u>	<u>1,457,355</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the  
East Monona Community School District:

We have audited the financial statements of East Monona Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 6, 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 East Monona Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

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

Internal Control Over Financial Reporting

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

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

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of East Monona Community School District and other parties to whom East Monona 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 East Monona 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*   
NOLTE, CORNMAN & JOHNSON, P.C.

September 6, 2004

EAST MONONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

EAST MONONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

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

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the non-instructional functional program area.

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.

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

II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions - No business transactions between the District and District officials were noted.

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

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

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

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

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

II-K-04 Financial Condition - The District had a deficit undesignated unreserved Management Fund balance of \$14,383 at June 30, 2004.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit.

Response - We will monitor this fund and investigate any available options to eliminate this deficit.

Conclusion - Response Accepted.